

Consumer Perceived Value and Buying Behavior of Store Brands

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Abstract: The primary objective of this study is to examine how loyalty, price, perceived quality and familiarity affect consumers buying behavior of store brand offered by TESCO. This study uses a cross-sectional design and self-administered questionnaire to collect data from the consumers. Findings of this study note a significant model fit and reveal that perceived quality and familiarity have a significant positive effect on consumer buying behavior. Therefore, the hypermarkets in Malaysia should introduce more loyalty programs, more advertising and other types of promotional activities to make current buyers more familiar with the store brand products and the quality of store brand products.

Key words: Perceived quality, loyalty, familiarity, price, buying behaviour

INTRODUCTION

Store brands, also known as private brands, retailer brands, wholesale brands and distributor's own brands have drawn both academic and managerial attention in parallel with their rapidly growing market share. The average market share of store brands has increased from 15.3% in 1988 to 20% in 1998 (Corstjens and Lal, 2000). Today, store brands continue to grow, as retailers become marketers that are more sophisticated and continue to expand to new markets (Baltas and Argouslidis, 2007). Retailers' primary motivation behind introducing a store brand is to increase the profit margin. As noted by Hoch and Banerji (1993), a retailer's gross margins on store brands are 20-30% higher than on national brands. Besides the added profit, store brands increase retailers' bargaining power which may lead to a lower wholesale price for national brands (Gabrielsen and Sorgard, 2007). Furthermore, store brand plays an important role in attracting customers and the more store brand products customers buy, the more loyal they become (Anselmsson and Johansson, 2007).

Consumer perceptions about the store brands are mostly determined by their perception towards the quality, price and value of store brand products compared to national brands. The first generation of store brand started with lower quality and low price generics, followed by a relatively higher quality with a lower price. Today, most of the store brands position themselves as a mid-quality product at a mid-price, offering acceptable quality for a low price (De Wulf *et al.*, 2005). As the retailers repositioned their products over time, by reducing

the gap between own and national brands in terms of price and quality, it has a positive effect on consumer perception towards the store brand products. However, despite the minimal difference in the actual quality of the store brand products with national brand products, studies have indicated that a significant proportion of consumers still perceive store brand products as inferior in quality compared to national brands (Vaidyanathan and Aggrawal, 2000).

The creation and maintenance of brands is becoming more important in today's highly competitive environment. A solid understanding of consumer perception and the way it affects buying behavior plays a vital role in the development and success of store brands. Establishing a positive consumer perception requires a strong brand image which is crucial for retailers, especially since more shoppers are becoming more selective in making buying decisions when they are inside a store staring at a shelf full of items. Despite the proven strategic implications, most of the studies focused on consumer perception and buying behavior have been conducted in developed economies. The consumer perception and buying behavior in the developed economies may not be the same as a mid income country like Malaysia. International hypermarkets constantly increase their market share in Malaysia. As noted by Jayaseelan (2010), Tesco owns a 30% market share of the Malaysian hypermarket industry, followed by Giant (24%), Jusco (22%) and Carrefour (15%). The recent global financial crisis and the constantly increasing living cost provide opportunities for international retailers to increase the market share of store brand products.

Consumer behavior studies focusing on private label brand are very limited especially in the Malaysian context. A study conducted by Mansor and Ali (2010) in Terengganu, Malaysia noted a significant relationship between service quality, attitude, risk and attitude towards the perception of local customers towards business retailing of the Bumiputeras. Another study by Jaafar *et al.* (2012) noted that perceived value, consumer attitude and price are most prominent in consumers purchasing store brand food products in Malaysia. Mi and Baharun (2012) investigated how the factors influence customer's decision making in purchasing corporate store brand or famous product brand while determining the perceptions about brands in the minds of customers in Johor, Malaysia. Findings of their study noted that the Malaysian consumers' perceptions about store brands are rather bad compared to famous national brands. Store image, however has a positive impact on consumers' decision making when purchasing products.

In spite of the emergence and growing importance of store brands, this study was designed to provide a better understanding of consumers' buying behavior towards store brands which would lead to the development of an appropriate strategy by the retailers in Malaysia.

Literature review: Buying behavior is the process by which individuals search, select, purchase, use and dispose goods and services, in satisfaction of their needs and wants. In today's world, purchases made by a customer are to satisfy his or her needs. All the behavioral activities carried out by a customer during and after the purchase of a product are termed as buyer behavior. Consumer's purchasing behavior can be viewed as a signal of retention or defection towards the products. Customer retention mostly depends on consumer satisfaction and information available to them.

Johansson and Burt (2004) pointed out that many retailers have their own brand products which can compete with national brands. Most product categories are mid to high quality and low price and these products do not have large differences compared to national brand products. In the past few years, many retailers have offered more innovative and qualitative products that are similar to those of manufacturers' brands (Biminger, 2008). Furthermore, compared to the national brands' price, a store brands' price is quite low. In addition, these cheaper prices force manufacturers to decrease their price unwillingly, so they cannot earn more profit. The market share of store brands should therefore be expected to increase over time, as customers prefer to buy less expensive products. According to Sethuraman and Cole

(1999), consumers judge the difference of price between private label brand and national brand by quality, added value and ingredients. Based on the findings of earlier studies this study presents the key factors contributing to consumers buying behavior in Malaysia in the following.

Perceived value: Sheth *et al.* (1991), examined consumer's perceived value by observing consumer choice as a function of multiple consumption value dimensions and that these dimensions make varying contributions in different choice situations. They searched whether consumers have the decision to buy level (buy or not buy), choosing the product level (product type A or B) or brand level (brand A or B) through 5 identified values. Perceived value has been considered one of the most important concepts for understanding customers. Existing literature suggests that perceived value could be conceptualized as a multi-dimensional construct (Sweeney and Soutar, 2001). Sheth *et al.* (1991) approached perceived value through several lens, i.e., social value, emotional value, functional value, epistemic value and conditional value. Sweeney and Soutar (2001) considered three dimensions of perceived value functional dimension, social dimension and emotional dimension.

Among the various dimensions of value, those most commonly utilized in recent marketing literature is utilitarian values. The utilitarian dimension is related to efficient, task-specific and economical aspects of products or services. Utilitarian value is defined as an overall assessment of functional benefits and sacrifices (Overby and Lee, 2006). Hence, the utilitarian value incorporates more cognitive aspects of attitude, such as economic value for money and judgments of convenience and timesaving.

Loyalty: Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bringing you even more customers. To build customer loyalty, customer experience management blends the physical, emotional and value elements of an experience into one cohesive experience. Retaining customers is less expensive than acquiring new ones and customer experience management is the most cost-effective way to drive customer satisfaction, customer retention and customer loyalty. Not only do loyal customers ensure sales, but they are also more likely to purchase ancillary, high-margin supplemental products and services.

Loyalty has also been described as an unspecified number of repeat purchases from the same supplier over

a specified period. Numerous researchers have tried to find relevant antecedents and their role in creating customer loyalty. Service quality, customer satisfaction, corporate image, word-of-mouth communication, perceived value have been proposed as antecedents of loyalty (Wieringa and Verhoef, 2007).

Familiarity: Consumer familiarity with a product or service has received attention from various marketing researchers because familiarity can play a vital role in consumers' decision-making processes (Desai and Hoyer, 2000). Consumer familiarity usually depends on the number of experiences related to a product that has been accumulated by the consumer. As consumers use a product more frequently, they are more familiar with it which reduces uncertainty in future purchase situations (Flavian *et al.*, 2005). As noted earlier, familiarity provides the customer with a different frame of reference for evaluations in consumption-decision situations. Consumers with lower familiarity are more likely to use extrinsic cues in product quality assessment because they do not have enough intrinsic cues based on real experiences. However, as consumers become more familiar with a product they accumulate knowledge about it which enables them to evaluate product quality based on previous experiences.

Quality: Perceived quality is an important dimension of brand equity and it is described as an intangible overall feeling about a brand that is usually based on underlying dimensions including characteristics of products to which the brand is attached, such as reliability and performance. Perceived quality is a very significant determinant of store brand's success and was found to have a substantial impact on store brands purchase intention, sometimes more than the perceived value of the Sbs (Bao *et al.*, 2011). Accordingly, quality of store brand relative to national brands is one of the 6 variables that explains the market share of store brands. Literature indicates that store brands suffer from a low-quality image that is probably fostered by widespread use of inexpensive looking packaging and absence of an attractive brand image due to poor communication and positioning strategies. Perceived inferiority of store brands is a source of uncertainty for consumers on the level of satisfaction that they can obtain with the purchase of these brands and therefore, it increases the risk associated with its purchase.

Price: If a person lacks the ability or motivation to evaluate the quality of a product, price will be more relevant. In general, a higher price leads to the increase of

the relative perceived quality. According to Cadogan and Foster, price is probably the most important consideration for the average consumer. Consumers with high brand loyalty are willing to pay a premium price for their favored brand and so their purchase intention is not easily affected by price. In addition, customers have a strong belief in the price and value of their favorite brands to the extent that they would compare and evaluate prices with alternative brands (Keller, 2003). Price has increasingly become a focal point in consumers judgments of offer value, as well as their overall assessment of the retailer. Price communicates to the market the company's intended value positioning of its product or brand. Price consciousness is defined as finding the best value, buying at sale prices or the lowest price choice. Therefore, price is also one of the most important extrinsic cues that consumers use when evaluating the product/brand.

MATERIALS AND METHODS

The primary objective of this study is to examine the buying behavior dimensions from a customer's view point. This study employed a cross sectional design and the convenient sampling method was used to collect data from a total of 150 consumers from selected branches of TESCO, Malaysia. A self-administered questionnaire was prepared to collect quantitative data from the consumers of TESCO. The type of instruments that was used in this research was the 5-point Likert scale questionnaires. Likert scale is the easiest way to build based upon the supposition that each statement on the scale has an attitude value, importance or weight in reflecting the attitude towards the issue in question. There are also multiple-choice questions in this questionnaire. The survey questionnaire was divided into 2 sections. Sections A includes demographic factors, such as age, gender, ethnicity, education and employment while the dependent and independent variables are in section B which is brand equity. Sections C-E test the independent variables, such as buying behavior, loyalty, familiarity, quality and price. About 5 assigned points 1-5 are used to represent the terms of strongly disagree, disagree, neutral, agree and strongly agree as in the order of the numbers.

Reliability analysis: The interim consistency of the data collected was measured. The result indicates that the Cronbach's alpha of the buying behavior measure is 0.857, loyalty measure is 0.737, familiarity measure is 0.638, perceived quality measure is 0.715 and price measure is 0.618. Thus, the internal consistency reliability of the measures used in this study can be considered as being in the range of very good (Table 1).

Table 1: Reliability analysis

Variables	No. of Items	Cronbach's alpha based on standardized Items
Buying behavior	9	0.857
Loyalty	6	0.737
Familiarity	11	0.638
Perceived quality	2	0.715
Price	2	0.618

Table 2: Descriptive statistics of variables

Values	Buying behavior	Loyalty	Familiarity	Perceived quality	Price
N	150.000	150.000	150.000	150.000	150.000
Mean	3.380	3.590	3.380	3.110	3.400
Std. deviation	0.639	0.581	0.544	0.842	0.684
Variance	0.409	0.338	0.296	0.709	0.469
Skewness	-0.317	-0.225	-0.237	-0.500	-0.344
Kurtosis	-0.486	0.688	0.014	-0.510	0.281

RESULTS AND DISCUSSION

Demographic characteristics: To examine the buying behavior of store brand products from the customers' viewpoint, a complete data was collected from 150 consumers. Out of the 150 respondents, 90 (60%) are female and the remaining 60 (40%) male. A majority of the respondents are from the 20-29 age group which is about 47.3%. As for the ethnicity of the respondents, out of the total 150 respondents, 81 are Malays, 41 are Chinese and 25 are Indians.

Exploratory analysis: The mean, standard deviation, variance, skewness and kurtosis values are presented in Table 2, findings indicate that the skewness of the distribution for all variables is presented in Table 2. The mean value for buying behavior measure is 3.38, loyalty measure is 3.59, familiarity measure is 3.38, perceived quality measure is 3.11 and price measure is 3.40. For all variables, skewness values ranged within -1.0 to +1.0.

Correlation analysis: The Pearson correlation test was employed to examine the association between variables. As noted in Table 3, it shows that all the variables have moderate significant (at chosen 5% level of significance) positive correlation with buying behavior which is loyalty ($r = 0.381$), perceived quality ($r = 0.398$), price ($r = 0.332$) and familiarity ($r = 0.473$). The correlation coefficients among independent variables are also not >0.9 which eliminates the multicollinearity issue. Multicollinearity issue was also verified with Variance Inflation Factor (VIF) values noted in Table 4.

Assumptions for regression analysis: In the lack of fit test, the probability of the F test statistic ($F = 0.933$) was $p = 0.612$ which is higher than the chosen 5% level of significance, indicating that a linear regression model is appropriate as it satisfies the linearity assumption (Table 5).

The p-value for the Levene's test for equality of variance for buying behavior, loyalty, quality, price and familiarity are presented in Table 6. As the p-values for all variables are more than the chosen 5% level of significance, equality of variances can be assumed. These findings satisfy the assumption of homoscedasticity.

Table 3: Correlation analysis

Tests	Buying behavior	Loyalty	Perceived quality	Price	Familiarity
Buying behaviour	1.000				
Loyalty	0.381	1.000			
Perceived quality	0.398	0.429	1.000		
Price	0.332	0.447	0.412	1.000	
Familiarity	0.473	0.739	0.459	0.449	1.000
Buying behaviour					
Loyalty	0.000				
Perceived quality	0.000	0.000			
Price	0.000	0.000	0.000		
Familiarity	0.000	0.000	0.000	0.000	

Table 4: Regression coefficients

Coefficients	Unstandardized coefficients		Standardized coefficients		Collinearity statistics		
	β	SE	β	t	Sig.	Tolerance	VIF
Constant	1.251	0.319		3.925	0.000		
Loyalty	0.005	0.119	0.005	0.043	0.966	0.432	2.314
Perceived quality	0.154	0.063	0.203	2.448	0.016	0.728	1.374
Price	0.091	0.078	0.097	1.166	0.246	0.726	1.378
Familiarity	0.391	0.128	0.333	3.044	0.003	0.421	2.378

Dependent variable: Buying behavior; Independent variables: Loyalty, quality, price and familiarity. At 5% level of significance, quality and familiarity has a significant positive effect on buying behavior

Table 5: Lack of fit tests

Source	Sum of squares	df	Mean square	F	Sig.
Lack of fit	41.464	136	0.305	0.933	0.612
Pure error	2.940	9	0.327	-	-

Table 6: Levene's test for homogeneity of variance

Test	Buying behavior		Perceived quality		Price	Familiarity
	behavior	Loyalty	quality	price		
F	0.154	0.004	2.108	0.006		1.094
Sig.	0.695	0.951	0.149	0.939		0.297

Table 7: Model summary

R	R ²	Adjusted R ²	SE of the estimate	Durbin-Watson
0.522	0.272	0.252	0.55339	1.897

The value of the Durbin-Watson statistic ranges from 0-4. As a general rule of thumb, the residuals are not correlated if the Durbin-Watson statistic is approximately 2 and an acceptable range is 1.50-2.50. The Durbin-Watson statistic for this problem is 1.897 (Table 7) which falls within the acceptable range of 1.50-2.50. The analysis satisfies the assumption of independence of errors. The variance Inflation Factor (VIF) values for loyalty, quality, price, and familiarity, as noted in Table 4 are 2.314, 1.374, 1.378 and 2.378, respectively which is <10 , therefore satisfying the assumption of the absence of multicollinearity.

Table 8: Tests of normality

Test	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Standardized residual	0.056	150	0.200 [*]	0.983	150	0.062

Table 9: Analysis of variance

Variance	Sum of squares	df	Mean square	F	Sig.
Regression	16.598	4	4.149	13.550	0.000 ^b
Residual	44.405	145	0.306		
Total	61.002	149			

The p-value from the ANOVA table is <0.001 which means that at least one of the two variables: Loyalty, quality, price and familiarity can be used to model buying behavior among the consumers of store brand products in Malaysia

The Shapiro-Wilk test of standardized residuals yielded a statistical value of 0.983 which had a probability of $p = 0.062$ which is more than the chosen 5% level of significance, therefore satisfying the assumption of normality (Table 8).

Multiple regression analysis: The r^2 value, as presented in Table 7, determines the amount of the explained variation (variance) in brand equity (dependent variable) from the three variables on a range of 0-100%. Thus, the study is able to state that 27.2% of the variation in brand equity is accounted for through the combined linear effect of the predictor variables, i.e., loyalty, quality, price and familiarity.

The total variance is partitioned into the variance that can be explained by the independent variables (Regression) and the variance which cannot be explained by the independent variables (Residual). As noted in the ANOVA in Table 9, the sum of squares is the total variance (61.002) which includes regression (16.598) and residual (44.405). The p-value for F-test is 0.00 which is less than the chosen 5% level of significance, indicating a good model fit. These indicates that the 3 selected independent variables which are loyalty, quality, price and familiarity can be used to predict buying behavior of the consumers of store brand products.

Findings in Table 4 indicate that perceived quality and familiarity are significant factors contributing to buying behavior among store brand products in Malaysia, as the p-value is less than the chosen 5% level of significance. The loyalty coefficient is positive, indicating a positive effect of perceived quality on brand equity. However, the p-value for perceived quality is more than the chosen 5% level of significance which means the data do not provide enough evidence to conclude that the positive effect of loyalty on buying behavior exists in the population. As for the price, the regression coefficient is positive ($\beta = 0.091$).

CONCLUSION

The findings of this study indicate a positive significant effect of perceived quality and familiarity on the buying behavior among the consumers of TESCO. Among the 3 factors noted in the regression model, familiarity has a much higher effect on buying behavior than loyalty, price and perceived quality. As familiarity among the consumers play a crucial role, the hypermarkets in Malaysia should therefore, emphasize on providing information about store products and on increasing their advertising. Consumer's loyalty plays a crucial role in the long-term survival of any industry. In the retail industry where store brand and national brand products quality are nearly the same, it is very difficult to get loyal customers. However, hypermarkets in Malaysia offer various loyalty program and findings of this study shows a positive effect on the buying behavior of store brand products. Price is always considered the most important factor, however perhaps due to the low pricing strategy implemented by hypermarkets in Malaysia, the effect of price on buying behavior is not that high. However, perceived quality plays a crucial role in buying behavior. The hypermarkets in Malaysia should, therefore introduce more loyalty programs, more advertising and other types of promotional activities to make the current buyers more familiar with the store brand products and the quality of store brand products.

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