

## **A LITERATURE REVIEW OF CUSTOMER PREFERENCES TOWARDS PRIVATE BRANDS**

**Maryam Bt Mohd Esa<sup>1</sup>, Rohailin Bt Zainon<sup>2</sup>, Nurulhayah Bt Muhamad<sup>3</sup>  
Mohd Farhan Bin Abd Rahman<sup>4</sup>**

<sup>1,2,3</sup> Lecturers, Faculty of Business Innovation & Accountancy, Kolej Universiti  
Islam Melaka.

<sup>4</sup> Lecturer, Akademi Pengajian Islam Kontemporari (ACIS), UiTM Cawangan  
Perak Kampus Tapah

### **ABSTRACT**

Previous literatures prove that marketing mix, store loyalty and attitudes towards private brands are pivotal characteristics on customer preferences towards private brands. The purpose of this paper is to give in deep knowledge on characteristics of customer preference towards private brands. Thus, the motivation of this paper is due to recent phenomenon of why the customers are tend to buy the private brand, even though it has been proven in low quality, has become main reason for this research. Therefore, this paper sought to the needs to understand the characteristics that influence customer preferences towards private brand. In addition, a literature reviews on the conceptual factors that significance to the customer preference towards of private brands. As a conclusion, this conceptual paper can contribute to give information to the private brand stores.

**Keywords:** Customer Preferences, Private Brands

## **SOROTAN KAJIAN KE ATAS PILIHAN PELANGGAN TERHADAP JENAMA PERSENDIRIAN**

### **ABSTRAK**

Dalam sorotan lampau sebelum ini telah membuktikan bahawa campuran pemasaran, kesetiaan pasaraya dan sikap terhadap jenama persendirian merupakan ciri-ciri penting pada pilihan pelanggan. Tujuan kertas ini adalah untuk memberi pengetahuan yang mendalam mengenai ciri-ciri utama yang menjadi pilihan terhadap jenama persendirian. Oleh itu, penulisan makalah ini adalah disebabkan oleh fenomena terkini yang melihat mengapa pelanggan akan lebih cenderung untuk membeli jenama persendirian, walaupun ia telah terbukti mempunyai kualiti rendah. Oleh yang demikian, kertas kerja ini cuba melihat keperluan dalam memahami ciri-ciri utama yang mempengaruhi pelanggan terhadap jenama persendirian. Di samping itu, sorotan kajian terhadap faktor konsep ini menjadi keutamaan kepada pilihan pelanggan terhadap jenama persendirian. Kesimpulannya, kertas konsep ini boleh menyumbang dalam memberikan maklumat kepada kedai-kedai jenama persendirian.

Kata kunci: Pelanggan keutamaan, jenama persendirian

### **INTRODUCTION**

Nowadays there are a number of retailers in Malaysia. Most of the retailers sell their own products with their own brand which are known as private brands. We can see that there are lots of retailers entering Malaysian markets such as Tesco, Carrefour and the Giant Hypermarkets. They enter the market through acquisitions, joint ventures or as conglomerates. They expand their retail outlets from time to time nationwide and continue to grow in numbers. For example Tesco further developed operations in the region when they entered Malaysia in the early 2002. In a similar structure to the other Asian operations, the Malaysian operation, Tesco Stores (Malaysia) Sdn Bhd, was established as a joint venture with a local company Sime Darby Berhad. Tesco would own 70 per cent of the equity, but the operation would be under local control. The foreign-owned supermarkets are dominated by Giant, Tesco, and Carrefour, while the local-owned is The Store and Mydin.

This shows that the acceptance of customers is prone to choose private brand products. Consumers nowadays prefer private brands rather than national brands. Based on this premise, this review paper will analyse the influence of factors such as Marketing Mix, Store Loyalty and Attitudes towards Private Brands. Nowadays, customers are more likely to spend their money at the

hypermarket. Reason for this scenario is that the retailers provide all in one place. Time constraints and environment factors such as traffic jams and limited parking space are other reasons for the customers to go to this type of retailers. All these factors give more value to some customers. This value refers as non monetary value which is defined by Coulson (1996) as something that includes time spent, search made, and the distance travelled to get the product. Besides, hypermarkets nowadays not only provide the needs and wants of the customers, but they also provide more attractions like providing other facilities such as recreation places, caches, the food courts. All these facilities are becoming one of the reasons why customers find it more convenient to go to these hypermarkets. As Herr (2008) mentioned in his research, it is in a trend that transcends categories, countries and retail environments, and brands are under attack from private label products.

## **BACKGROUND OF THE COMPANY**

### **Tesco Stores (Malaysia) Sdn Bhd**

Tesco was incepted on 29 Nov 2001, as a strategic alliance with a local conglomerate, Sime Darby Berhad of which the latter holds 30% of total shares. Malaysia was selected as the next market of entry because of its growing economy with political stability, market size & GDP and its ability to grow. The first Tesco store in Malaysia was officially opened in May 2002 in Puchong. The opening of Tesco changed consumer demands as well as brought new standards in retailing. This spurred both big and small retailers to be efficient and competitive with the end result of benefiting Malaysian consumers. The second store in Malacca was opened in October 2002, followed by the opening of the Klang Bukit Tinggi store in December 2002, the Mutiara Damansara store in March 2003, Sg Petani store in December 2003, Penang store in November 2004, Ipoh in January and Shah Alam in July 2005. They have also launched Tesco Banting, Tesco Express Selayang, Ipoh and Kuantan in 2005. Tesco offers Malaysians a complete one stop shopping for their needs - fresh food to groceries from household needs to apparel. Tesco carries a total of 86,000 lines of products including more than 1,300 Tesco branded items.

## **PROBLEM STATEMENT**

Private Brand penetration is estimated to be growing on a global basis by 5 percent per year, while the growth rate for manufacturers' brands is just 2 percent. This scenario happens because Private Brand products are cheaper than the other brand products. As common practices, cheap products are always assumed to be of low quality. As (Wulf, 2005) quoted from Burt (2000) indicates that there is an evolution from Private Brands offering the consumer a lower quality product alternative for a lower price, to Private Brands offering a true quality brand alternative, reflecting the application of a clear marketing approach in the retail

environment. That is one of the reasons that lead customers to purchase Private Brand products and value this brand as compared to the national brands. The desire to understand the Private Brands phenomenon of why the customers tend to buy the Private Brands, even though it has been proven to be of low quality has become the main reason for this research. Therefore, this study sought to the need of identifying the factors that influence customer preferences towards Private Brands.

## **OBJECTIVES**

The objective of this study is to give in deep knowledge on characteristics of customer preference towards private brands.

## **LITERATURE REVIEW**

This section will discuss the review of literature for all the independent variables and dependent variables. From this literature review, researchers hope to prove that the sources that are used are reliable, precise and accurate for this study.

### **Marketing Mix**

Marketing is a set of steps that deliver value that could be remembered by customers and can create a relationship with customers as well as providing benefits to the organization (Armstrong & Kotler, 2011). Bay et. al (2008) confirmed that when an organization applied marketing mix in their business, it will help them to increase the sales and profits of their organization, hence, achieving their marketing level. Elements in marketing mix, namely product, price, place, and promotion (4P's) are the controllable tools that will reflect to customer's satisfaction (Shankar & Chin, 2011). A clear understanding of elements in marketing mix will help business providers to influence potential and current customers to continue doing business and become loyal customers.

According to Munusamy & Wong (2008) consumer motive is defined as "internal impulses that when simulated initiate some type of response" (Duncan, 2005). Consumers are continuously reacting to their internal impulses as well as the external environment. Based on past research, consumer motives can be categorized from four perspectives. Firstly, the social influences on consumer motives such as the culture, sub-culture, social class, reference groups and families (Peter & Donnell, 2007). Next, the marketing mix influences on consumer motives such as product, price, promotion and place (Peter & Donnell, 2007).

### **Store Loyalty**

Based on Martenson (2007), the ultimate goal of most retailers is to have loyal customers. As mentioned by Esen Gu'rbu'z (2008), both perceived service quality and customer satisfaction are influenced by a store's brand name, that the

former is influenced by the latter, and that a positive perception of service quality (but not the level of customer satisfaction) contributes to the development of store loyalty.

According to Asiah et. al (2011), Loyalty programs have become an increasingly sophisticated marketing strategy in recent years, particularly to the firms that believe they loyalty programs are becoming an important strategic mechanism for companies to increase revenue growth and the key components of Customer Relationship Management (CRM). Steyn et. al (2010) discussed on loyalty programs that have matured in the U.S. and Europe whereas Malaysia and most countries in the Asian Pacific are experiencing a new wave. Loyalty programs are different from normal sales promotions because they adopt a long-term perspective in shaping customer behaviour. There is also some evidence that devoted members tend to have positive attitudes toward their relationship with the program.

### **Attitude towards Private Brand**

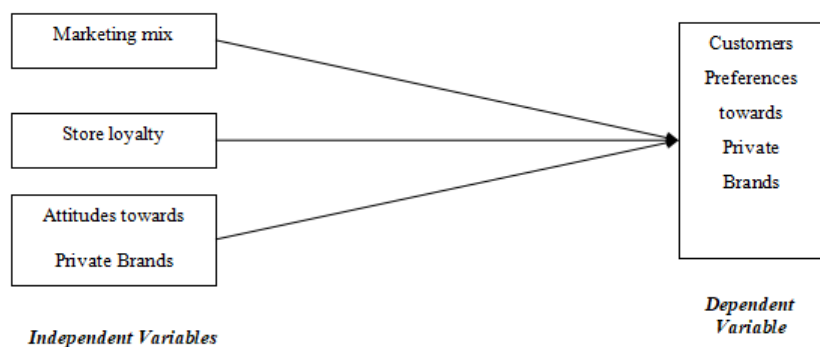
Based on Rūta Abramavičienė (2015), an attitude itself is commonly understood as a set of beliefs, experiences, and feelings, which form one's tendency to behave in a given direction and manner. Following this understanding, the study of Burton et al. (1998) describes an attitude towards private label brands being perceived as a predisposition to react in either a favorable or unfavorable way due to product, purchase or oneself evaluations, correlated with private label products or positively influencing the purchases private labels. Similarly was noted by Collins-Dodd and Lindley (2003) who have acknowledged that attitudes which consumers hold towards private label brands affect their inclination to purchase them. On a general level, positive attitude towards an object acts as a major antecedent of one's intention to behave in a certain way – in a case of this study – to intend buying private labels. Measuring of this attitude towards these brands are beneficial since it allows retailers and product managers to recognize how attitudes change over period of time, rather than rely on sales information only (Burton et al., 1998).

### **Customer Preferences**

According to Zhang (2008) the preference is a concept, used in the social sciences, particularly economics. It assumes a real or imagined "choice" between alternatives and the possibility of rank ordering of these alternatives, based on happiness, satisfaction, gratification, enjoyment, utility they provide. Therefore, we can say that customer preference mean a willingness of customers towards one thing that can satisfied them. Based on Ubeja andr Jain (2013), consumer preferences are defined as the subjective (individual) tastes, as measured by utility, of various bundles of goods. They permit the consumer to rank these bundles of goods according to the levels of utility they give the consumer. Note that preferences are independent of income and prices. Ability to purchase goods does not determine a consumer's likes or dislikes. This is used primarily to mean an

option that has the greatest anticipated value among a number of options. Sharma M., (2012).

## **THEORETICAL FRAMEWORK**



## **METHODOLOGY**

This section will explain on how the review is supposed to be conducted. In this research, will be use hypothesis testing which means that it will show the relationship between the dependent variable (customer preferences towards Private Brands) with the independent variables (Marketing Mix, Brand Name, Store Loyalty and Attitudes towards Private Brands).

### **Data Collection**

This research will use the primary and secondary data to collect the information or any data required. To collect primary data, questionnaires and observation will be use to gain feedback from the respondents. The questionnaires that are collected will be evaluated and it will provide the data needed for this research. The researchers will also carry on observations at Tesco around Melaka. For secondary data researcher get the information from journals, newspaper, magazines etc. This research will use internet as one of the major sources in findings the secondary data. A careful examination of secondary sources can give a great deal of more information than the primary data collection exercise.

All through the psychographic scale, the respondents will be asked to show their agreement or disagreement with such indicators. For Section A (Demographic), B (Marketing Mix), C (Store Loyalty), D (Attitudes towards Private Brands) and E (Customer Preferences) they have to assess them in a five-point Likert scale (**1 – I totally disagree; 5 – I totally agree**).

### **Procedure For Analysis Of Data**

The course is tailored to meet the needs in the statistical business data analysis using widely available commercial statistical computer packages which are Statistical Packages for Social Science (SPSS) and Analysis for Moment Structures (AMOS) software.

### ***Frequency Distribution***

Frequency distribution is used to obtain a count of responses associated with different values of the variables. These counts are express in percentage term.

### ***Reliability***

Reliability is the extent to which a measurement is repeatable with the same results. A measurement may be reliable and not valid. However, if the measurement is valid, then it also is reliable and if it is not reliable, then it cannot be valid. One way to show reliability is to show stability by repeating the test with the same result. The more reliable a set off scale items or a scale is, the more confidence we can have that the scores obtained from the administration of the scale that we test are essentially the same score the would be obtained if the test were repeated. Based on the Rafi M. (2008), Cronbach's Alpha can take values between 0 and 1. The closer the value to 1, the more reliable the scale of the variable. In general most 0.7 is acceptable.

### ***Structural Equation Modeling***

Structured Equation Modeling or popularly known as SEM is a second generation statistical techniques developed for analyzing the inter-relationships among multiple variables in a model. The inter-relationships among variables could be expressed in a series of single and multiple regression equations. The Structured Equation Modeling technique employs the combination of quantitative data with the correlational and causal assumptions into the model (Zainudin, 2015).

According to Zainudin, 2015, SEM begins with a theory where the researcher intends to test the relationship among constructs of interest in the study. The relationships are modelled into a theoretical framework represented by a schematic diagram. The schematic diagram presents the hypotheses of interest to be tested in the study. The construct of interest involved are measured using a set of items in a questionnaire. The measurement scale for each item should be either interval or ratio. The ideal measurement scale is an interval ranging from 1 to 10 so that the data measure is more independence and thus meet the requirement for parametric analysis.

Throughout the chapter, the readers would find the term variable and construct are used interchangeably. A variable is meant for the directly measured score such as age, exam score, income etc., while the construct is meant for an indirectly measured score such as Job satisfaction, Perceived usefulness, and loyalty intentions. In fact the construct is a hypothetical concept of something, or

the respondents' perception concerning certain issue. A construct is measured through a set of items in a questionnaire. (Zainudin, 2015)

## **CONCLUSION**

The researcher decides to conclude all these problems regarding the relationship between dependent variable and independent variables.

Factor that have the most influence on the customer preferences towards private brands are predicted to be attitudes towards private brands. According to Zielke & Dobbelstein (2007) the attitude towards private brands in general is a predictor of the attitude towards specific private brands (Kelmeci-Schneider, 2004). Thus, the private label attitude measure is viewed as a relatively enduring construct that is sufficiently broad to be use in a general sense across grocery product categories which is the linkages between consumers' price perceptions and their attitudes toward private label products. Consumers with favourable attitudes toward private label brands are extremely price conscious and tend to focus almost exclusively on paying low prices, essentially minimizing or disregarding other factors in brand evaluations. Thus, although the quality levels of alternative brands are unchanged, the loss of income alters consumer purchase behaviour in favour of more purchases of private label products, presumably because of increased price consciousness. Therefore, there must be a good relationship between attitudes towards private brands and Customer Preferences. So, attitudes towards private brands can be listed as one of the factors that can influence customer preferences towards private brands.

Based on previous research, store loyalty is one of the factors that influence customer preferences towards private brands which is also been proven in the previous study. As mentioned by Esen Gu`rbu`z (2008), both perceived service quality and customer satisfaction are influenced by a store's brand name, that the former is influenced by the latter, and that a positive perception of service quality (but not the level of customer satisfaction) contributes to the development of store loyalty. The ultimate goal of most retailers is to have loyal customers in which loyalty can be an outcome of customer satisfaction.

The last factor that can influence Customer Preferences towards private brands is marketing mix. The marketing mix is defined as 4P's namely the product, price, promotion and place (Kotler & Armstrong, 2006). They are often designed to influence consumer decision-making and lead to profitable exchanges. Each element of the marketing mix can affect consumers in many ways in which from the set of marketing tools an organization can utilizes to pursue its marketing objectives in the target market. When a store markets its products, it needs to create a successful mix of the right product, sold at the right price, in the right place and using the most suitable promotion.



## REFERENCES

- Abramavičienė, R. (2015). *Consumer And Image Factors Affecting Private Label Purchase Of Major Lithuanian Retailers: Maxima, Iki And Rimi*, Master Thesis, University of Management and Economics.
- Armstrong, G., & Kotler, P. (2011). *Marketing: An Introduction (10th Edition)*. Upper Saddle River, NJ, Pearson Prentice Hall.
- Bay, S., Petrizzi, R., & Gill, P. (2008). *The why of the buy: Consumer behavior and fashion marketing*. New York: Fairchild Books.
- Burt, S. & Encinas, J.C. (2000). *The Role of Store Image in Retail Internationalization*. *Journal International Marketing Review*, Vol. 17 No. 4/5.
- Burton, S., Lichtenstein, D.R., Netemeyer, R.G. & Garretson, J.A. (1998). *A scale for measuring attitude toward store brands products and an examination of its psychological and behavioral correlates*. *Journal of the Academy of Marketing Science* 26(4), 293-306.
- Collins-Dodd, C. & Lindley, T. (2003). *Store brands and retail differentiation: the influence of store image and store brand attitude on store own brand perceptions*. *Journal of Retailing and Consumer Services*, 10, 345-52
- Coulson, S. (1996). *The Menendez Brothers Virus: Analogical Mapping in Blended Spaces*. Adele Goldberg (Ed.) *Conceptual Structure, Discourse, and Language*. Palo Alto, CA.
- Duncan, T. (2005). *Principles of Advertising & IMC (2<sup>nd</sup> Ed.)*. New York : McGraw-Hill.
- Gürbüz, E. (2008). *Retail Store Branding in Turkey: Its Effect on Perceived Quality, Satisfaction and Loyalty*. *EuroMed Journal of Business*, Vol. 3(3), 286 – 304.
- Martenson, R. (2007). *Corporate Brand Image, Satisfaction and Store Loyalty : A Study of The Store as a Brand, Store Brands and Manufacturer Brands*. *International Journal of Retail & Distribution Management*.

- Munusamy, J. & Wong, C.H. (2008). *Relationship Between Marketing Mix Strategy and Consumer Motive : and Empirical Study in Major Tesco Stores*. Unitar e-journal, Vol. 4, No. 2.
- Omar, N.A., Aziz, N.A. & Nazri, M.A. (2011). *Understanding The Relationships Of Program Satisfaction, Program Loyalty And Store Loyalty Among Cardholders Of Loyalty Programs*. Asian Academy of Management Journal, Vol. 16, No. 1, 21–41.
- Peter, P.J. & Donnell, J.H. (2007). *Marketing Management : Knowledge and Skills (8<sup>th</sup> Ed.)*. New York : McGraw-Hill.
- Shankar, C., & Chin, K. K. (2011). *A study of the relationship between marketing mix and customer retention for herbal coffee in Malaysia*. Proceeding of the 2<sup>nd</sup> International Conference on Business and Economic Research (2nd ICBER).
- Sharma, M. (2012). *Brand Awareness and Customer Preference for FMCG Products in Rural Market : An Empirical Study on the Rural Market of Garhwal Region*. VSRD International Journal of Business & Management Research Vol. 2 (8).
- Steyn, P., Pitt, L., Strasheim, A., Boshoff, C., & Abratt, R. (2010). *A cross-cultural study of the perceived benefits of a retailer loyalty scheme in Asia*. Journal of Retailing and Consumer Services, 17(5), 355–373.
- Ubeja, S.K., Jain, D., & Vivekan, S. (2013). *A Study of Consumers' Preference towards Branded & Loose Tea: With Reference to Indore City*. Pacific Business Review International Vol. 6, Issue 5.
- Wahab, N.A., Hassan, L.F.A., Shahid, S.A.M., & Maon, S.N. (2016). *The Relationship Between Marketing Mix And Customer Loyalty In Hijab Industry: The Mediating Effect Of Customer Satisfaction*. Procedia Economics and Finance (37) 366 – 371.
- Wulf, K. D., Gabi, O., Frank, G. & Gino, V.O. (2005). *Consumer Perceptions of Store Brands Versus National Brand*. Journal of Consumer Marketing, 22(4), 223-232.
- Zainudin, A. (2015). *SEM Made Simple : A Gentle Approach to Learning Structural Equation Modeling*. Selangor, MPWS Rich Publication.

Zhang, A. (2008). *Examining Product and Process Effects on Consumer Preferences for Online and Offline Channels*. *Journal of Business Process Management*, Vol. 14. No. 1, 85-95.

Zielke, S. & Dobbstein, T. (2007). *Customers' Willingness to Purchase New Store Brands*. *Journal of Product and Brand Management*, 16/2, 112-121.