7th International Economics & Business Management Conference, 5th & 6th October 2015

The Customers Satisfaction on Retailers’ Brand Products: A Study on Selected Areas in Klang Valley

Osman M. Zain and Mohammed Bashir Saidu

* College of Graduate Studies, Universiti Tenaga Nasional, Malaysia, 43000 Kajang, MALAYSIA
b Institute for Social Science Studies, Universiti Putra Malaysia, 43300 Serdang, MALAYSIA

Abstract

In recent years, there has been a shift from national brand towards retailer’s brand. This phenomenon is very obvious in developed nations, while growing increasingly in developing nations, such as Malaysia. This study attempts to uncover the customers’ acceptance, and identify factors deemed important in influencing this satisfaction. The literature review was conducted to compile research results conducted in Western nations. Based on this literature review, a research model was proposed that comprises customer satisfaction, product quality, product price, product promotion, and product risk. Using the systematic random intercept approach at the Malls, sample size of 206 was used in this study. The results of the study support past study in the developed nations whereby there exist significant relations between customers’ satisfaction and the other four factors. All the four factors identified by past study also have significant influence on customers’ satisfaction with the retailers’ retailer’s brand products.

© 2016 The Authors. Published by Elsevier B.V. Peer-reviewed under responsibility of Universiti Tenaga Nasional.

Keywords: Retailer’s brand, Product satisfaction, Product risks, Product quality.

* Corresponding author. Tel.: +60389212020
E-mail address: osman@uniten.edu.my
1. Introduction

There has been a shift in the marketplace from national brands to retailers’ brands. This phenomenon is apparent in Western nations, and increasing in the developing nations such as Malaysia. According to Collins & Bone (2008), the rate of growth for retailers’ brand is between 6 to 20 percent depending on countries with the value reaching USD 1 trillion annually. As such, the gap between national brand and retailers’ brand is decreasing with the international retailers leading the transformation. With the influx of international retailers, such as Tesco and Carrefour into Malaysia, these retailers are increasingly promoting their brands version in line with the national brands to capitalized more profits. However, literature on retailers’ brands in Malaysia is still limited (Abdullah et al., 2012) suggesting more empirical studies on this topic. Tih & Lee (2013) conducted a similar study on customers of hypermarket and supermarket in Malaysia. They reported that value, quality, price and risk significantly influence consumer purchase intention. However, to what extend do these customers are satisfied with retailers’ brand is needed to be explored. Thus, the present study is in response to the call for more empirical study on the retailers’ brands in Malaysia.

The main objective of this study is to identify the factors that influence customer satisfaction on using the retailers’ product brands. This study will fill the gap between retailer’s offering and customers’ satisfaction and enrich the literature with regards to consumer acceptance on retailers’ brands in Malaysia.

2.0 Literature Review

Brand as a concept can be traced back to 4000 years when the Egyptians and Indians for the first time used the term brand (Moore & Reid, 2008). Wolfe (1942) presents his seminal paper mentioning the term “brand.” This initiative was followed by streams of studies in the area while devoting to building a better understanding in the areas of branding, brand choice (or preference) brand switching, brand loyalty, and brand extensions (e.g. Moore & Reid, 2008; Stine, 2002).

Retailers’ brands or Retailer’s brands are products that are developed for retailers by the manufacturers and made available for sale only through the retailers’ outlets (Baltas, 1997). Retailers’ brands proliferated in a number of categories especially in apparels and groceries garnering major market share challenging the established brands. Retailers’ brands helped retailers concern to gain higher margins, adding diversity to their product lines, differentiating offerings, providing higher advantage to negotiate with established brands, and assisting in developing strong customer loyalty (Sadasivan, 2011). Numerous studies were conducted in the West on retailer’s or retailers’ brands (De Wulf et al., 2005; Collins & Bone, 2008; Heilman, Bowman & Wright, 2000; Patil & Vedak, 2011; Martos-Partal, 2012; Kotler & Pfoertsch, 2010; Braak, Dekimpe & Geyskens, 2013; Bao, Bao & Sheng, 2011; Ailawadi & Keller, 2004). Recently, there has been fierce competition between the national bands and retailers’ brands. Retailers’ brands have developed enormously in terms of quality, value, and price to compete head to head with its counterpart the national brands (Bao, Bao & Sheng, 2011). Some researchers stress the importance of quality of retailers’ brands (Ailawadi et al., 2001; Steenkamp & Dekimpe, 1997; Sethuraman, 2001).

The positive perception on retailer helps build the positive images on the products that they sell, especially that carries its name. Retailers’ brands are directly linked to qualities and this followed by prices and the reputation of retailers (Agarwal & Teas, 2002). The perceived brand origin has significant impact on the brand image (Thakor & Lavack, 2003), plays an indicator role to customer in terms of quality (De Wulf et al., 2005). Veloutsou et al. (2004) report their study on Greek and Scottish sample that consumers have similarity in terms of taste and scent, with exception that Greek consumers showed more preference for the packaging while Scottish consumers placed great importance on value for money. Spanish consumers perceived retailers’ brand products as inferior compared to national brands (Guerrero et al., 2000). However, the retailers’ products brand are perceived as reliable, provide value for money, and have acceptable quality. In the same vein, Baltas & Argouslidis (2007) report that Greek consumers place label quality as the most important indicator for choosing the retailers’ product brand followed by price, packaging, image and promotion.
2.1 Customer Satisfaction

Consumer satisfaction is the main goal for food retailers when they design their marketing strategies. Fornell (2007) pointed out that consumers have general tendency to patronize establishments that provide more satisfaction than other, competitive alternatives. Thus, a huge body of research in the literature has focused on customer satisfaction (e.g. Martínez-Ruiz et al., 2010; Martínez-Ruiz et al., 2011). Many previous studies have identified that customer satisfaction is an antecedent of critical marketing performance dimensions, such as an ability to retain clients and customer loyalty (Bodet, 2008; Meyer-Waarden, 2008). Such interest in increasing customer satisfaction has prompted widespread usage of various satisfaction variables and metrics (e.g. Fornell et al., 1996). For example, food retailers use such variables and metrics to analyze responses by customers to their offered value propositions. A general belief asserts that achieving higher consumer satisfaction levels will result in beneficial effects, such as more loyalty or word-of-mouth recommendations (e.g. Anderson, 1996). Therefore, retailers appear increasingly concerned about providing value propositions that are better adapted to end consumers’ desires and needs (Chang and Horng, 2010; Gupta and Vajic, 2000).

Based on literature, many factors are raised as affecting the consumer reaction and consumption of retailers’ product brands. These factors are as follows:

2.2 Product Quality

The majority of the literature has emphasized the role of quality in differentiating retailer’s brands from national brands. Quality is vital for retailers to achieve competitive advantages. It is used by both practitioners and researchers to analyze key business indicators such as competitiveness, image, and customer loyalty (Hansen & Solgaard, 2004). Perceived product quality is defined as “consumers’ judgments regarding a product’s overall excellence or superiority” (Zeithaml, 1988) or its “ability to satisfy the expectations and needs of customers” (Bergman & Klefsjo, 1994).

High quality and quality consistency are more important than the price in determining the success of retailer’s labels in terms of their market share (Hoch & Banerji, 1993). Product quality close to national brand quality and quality consistency are also key factors explaining differences in retailer’s label market share across categories (Hoch, 1996). Batra and Sinha (2000) found that retailer’s label purchasing increases in categories where consumers have lower perceived risk associated with the consequences of making a purchase mistake. This risk, in turn, is lower where consumers perceive lower quality variation between products in the category. In an empirical investigation of perceptions of food quality in the Danish grocery market, Hansen (2001) found that both producers and retailers consider products can be good quality as long as consumers perceive them to be the same every time, even if the quality is not excellent. This is because product consistency helps consumers to form realistic expectations of the quality, so they are more likely to feel their expectations are being met.

Familiarity with retailer’s brand product has an important effect on perceived quality and risk. Mieres et al. (2006) reported that greater familiarity reduces the reliance on extrinsic cues to assess quality and increases perceived quality. Therefore, it can be proposed the following hypothesis

**H1: There is a positive relationship between quality and customer satisfaction on retailer’s brand products in Malaysia**

2.3 Product Price

Price has been always associated with the choice of products. A study conducted by Nielsen Research Center in 2005 has found that the price gap between retailer labels and national brands in Europe was around 26 to 48 percent (Anselmsson & Johansson, 2007). However, the impact of price in term of retailer’s brand product has been mixed. For example, Hoch & Banerji (1993) found empirically that there price has no effect on retailer’s brand market...
share and this indicates that consumers do not buy retailer’s brand products because they are only cheap. In contrast, Hoch (1996) found that a large price differential between national brands and retailer’s labels promotes retailer’s label sales because if the differential is small, consumers are more likely to trade up to the national brand. In an investigation of the optimal price gap between retailer’s labels and retailer’s labels, Hoch & Lodish (1998) found that consumers not only significantly overestimate retailer’s label prices, but also are not particularly sensitive to retailer’s label prices and to the price differential between retailer’s labels and national brands. These findings led the researchers to conclude that retailers are missing potential profits in many categories and should reduce the price gap between retailer’s labels and national brands by raising retailer’s label prices. Méndez et al. (2008) reported that a larger price differential between retailer’s labels and manufacturer brands leads to higher market shares for retailer’s labels in most categories where consumers are prepared to pay for higher-priced national brands.

The extent to which prices and price-quality associations affect attitudes to retailer’s labels may also depend on the degree of consumer price consciousness. Definitions of price consciousness include —a buyer’s unwillingness to pay a higher price for a product, the exclusive focus on paying low prices, and a consumer’s reluctance to pay for the distinguishing features of a product if the price difference for these features is too large (Sinha & Batra, 1999). A number of studies have shown that attitudes to retailer’s labels are positively affected by price consciousness (e.g. Anselmsson & Johansson, 2007; Sinha & Batra, 1999). Sinha & Batra (1999) also found that perceived category risk reduces price consciousness and hence reduces retailer’s label purchase in the category. In other words, consumers are willing to pay the higher prices for national brands in categories perceived as being higher risk. Other studies confirmed that retailer’s label prone consumers are price conscious (Baltas & Argouslidis, 2007), although interestingly Martinez & Montaner (2008) found that while the most price sensitive consumers are more prone to retailer’s labels, they are not characterized as budget-constrained.

Bontemps, Orozco, and Requillart (2008) pointed out that the standard retailer’s labels, which can be considered as ‘me-too’ products, have the strongest impact on national brand prices, while low-price and premium retailer’s labels have a smaller effect”. Authors offer two main solutions to the national brands: a product differentiation strategy or development of the new products. Therefore, the following hypotheses can be proposed.

**H2: There is a positive relationship between price and customer satisfaction on retailer’s brand products in Malaysia**

### 2.4 Product Promotion

Retailer’s brands is believed to have less capability of doing promotional activities compared with national brands which use advertising, personal selling, public relations as a strategy to promote their products. This is due to the budget that national brands can afford. Such ability can be consider as one of the main advantage that national brand enjoy compared with retailer’s brand (Ailawadi et al., 2001). However, prices of the retailer’s label products’ are set averagely 30% below national brand goods and this give them a promotion over their counterparts.

Garretson, Fisher and Burton (2002) study showed that value-consciousness is a commonality among consumers who seek price savings, and that the lower average prices of the retailer’s labels cause such products to be regarded as less attractive, because customers relate lower price of the retailer’s label products to the inferior quality. In contrast, the same study has shown that for these consumers, price promotions may represent a way to achieve savings without feeling that quality was being sacrificed, and therefore, they perceive price promotions on national brands more favourably than the retailer’s label products. In other words, national brands’ promotions let consumers feel not only economic, but also hedonic benefits, such as exploration and self-expression (Chandon, Wansink and Laurent, 2000). On the other hand, seeking the price deals of the national brands have other type of “costs” for consumers – they need carefully to plan their shopping time and places (sales promotions are temporary and not necessarily in all the retail stores). Therefore, the following hypothesis can be proposed:

**H3: There is a positive relationship between Product Promotion and customer satisfaction on retailer’s brand products in Malaysia**
2.5 Perceived Risk

Perceived risk is a critical factor, which draw guidance for customer intentions to buy retailer’s label or national brand products (Batra and Sinha, 2000). Perceived risk between different product categories varies significantly, for example, the level of perceived risk buying a bottle of milk is very low, whereas consumers buying a photo camera perceive a high risk of buying an unknown product brand. Previous studies showed that the greater the perceived risk associated with retailer’s label brands, the lower is consumer willingness to purchase retailer’s label brands. Authors in the past studies have focused on several different types of risks: functional (that a product will not work), financial (wasting money) and social (retailer’s label brands show lower status) (Dowling and Staelin, 1994).

DelVecchio (2001) considers that often consumers trade functional type of risk for the opportunity to decrease financial risk, which means that in some situations customers are ready to accept the lower quality of the product for less financial cost. Customers rely on the national brands due to the signals, which national brand manufacturers send to consumers through the marketing tools: sense of the group belonging, status, decision-making ability, being fashionable or stylish and “above” the consumers, which do not have a specific product, and many others.

Batra and Sinha (2000) examine the perceived risk through the following four determinants:

- Bigger consequence of making purchase mistake: When consumers perceive negative consequences of choosing a wrong brand, they are more willing to buy the national brands.
- Quality variability between retailer’s labels and national brands in a product category: Hoch and Banerji (1993) examined that retailer’s label products are more successful in the product categories, where their quality is closer to the national brand products’ quality. They ratified this statement and suggested that consumers are more willing to buy national brand products in the situations when the quality variance within a product category is high.
- Price consciousness: A number of researches (Ailawadi & Keller, 2004; Erdem, 2004) showed that the retailer’s label products perform better in the product categories, where customers are more prices sensitive.
- “Search” vs. “experience” purchase decisions’ attributes. Erdem and Swait (1998) made an inference that “consumers have less uncertainty and perceived risk in product categories with more search than experience attributes”. Batra and Sinha (2000) studied, that customers prefer national brands in the product categories, where the product packaging information is not an enough source to assess accurately product quality.

In the light of above, the following hypothesis is proposed:

**H4: There is a negative relationship between perceived risk and consumer satisfaction on retailer’s brand products in Malaysia**

3.0 Methodology

This research employs quantitative approach. The literature review identifies the factors that influence the customer satisfaction on retailer’s brand products. Next, in order to examine the research model empirically, a questionnaire was developed, followed by pilot study to test the research instrument and the item measures.

3.1 Sampling and Data Collection Approach

The population of this study is the customers at shopping mall shopping for groceries. The systematic random sampling technique with every 3rd and 5th customers is chosen on intercept to request for his/her responses to the questionnaire (Malhotra, 2010). If the chosen customer(s) refused to participate then the next customer is approached. The self-administered approach is adopted in the data gathering activities whereby the questionnaire was handed to the respondents, and he or she was asked to answer the questions and hand it back.

3.2 Research Instrument

The instrument of this research is a questionnaire that contains measurements adopted from other researchers (Yoo et al. 2000; Chen, 2008; Cheng et al. 2007). The questionnaire is bilingual, that is English and Malay languages.
The questionnaire consists of measures that relate to retailer’s product brands which include consumer satisfaction, product quality, product price, promotion, and perceived risk.

3.3 Measurements of the Variables

The construct measures used for this study are borrowed from many researchers, namely Cheng et al (2007), Vaidyanathan & Aggarwal, (2000), Cheng et al (2007), Yoo et al (2000). Internal consistency is considered acceptable if the Cronbach’s alpha equals or higher than 0.7.

3.4 Data Collection

The data was collected by using a questionnaire. The questionnaire was distributed directly to the customer at the hypermarkets in the Klang valley, Selangor, Malaysia. A total of 206 questionnaire were received and useable for the study.

3.5 Data Analysis

The data of this study are analysed by using SPSS version 21.0 and AMOS. A confirmatory factor analysis is conducted to identify the factors that have weak loading and extract them accordingly. This is followed by Correlations and Regression analysis to test the hypotheses and identify the relationship between the variables.

Measurement model was used to test the relationships between the independent variable i.e. quality, product price, promotion and perceived and the dependent variable namely satisfaction. For the measurement model, the researcher is concern about the Goodness-of-Fit indices (model fit), which determine the degree to which the proposed model predicts (fits) the observed covariance matrix (Ho, 2006). Model fit is determine by fit indices which includes; chi-square ($\chi^2$), relative $\chi^2$ ($\chi^2/df$), AGFI, GFI, IFI, TLI, and RMSEA.

One of the most fundamental measure of assessing the Goodness-of-Fit in SEM is chi-square ($\chi^2$) statistics (Joreskog & Sorbom, 1993) and the model is said to be acceptable if the $\chi^2$ value is less than three times the degree of freedom (Carlmines & McIver, 1981), which is refers to relative $\chi^2$. The Adjusted Goodness-of-Fit (AGFI) and Goodness-of-Fit indices ranges from 0 – 1.00 (Bentler & Yuan, 1999), with value nearest to 1.00 (≥ .9) indicate good fit (Bryne, 2010). However, Joreskog and Sorbom (1993) hinted that, theoretically, these indices could possibly be negative. Also, Comparative Fit Index (CFI), Incremental Index of Fit (IFI; Bollen, 1989) and Tucker–Lewis Index (TLI; Tucker & Lewis, 1973) ranging from 0 – 1.00. According to Ho and Bentler and Yuan (1999), CFI, IFI and TLI values close to .95 for large sample size is indicating good fit. Finally, Root Mean Square Error of Approximation (RMSEA) proposed by Steiger and Lind (1980), measures the error of approximation in the population. Browne & Cudeck, (1989) suggested that, RMSEA value < .05 indicate good fit, while value > .08 indicate reasonable errors of approximation in the population. Similarly, RMSEA value of 0.06 was suggested by Hu and Bentler (1999), however, BacCallum et al. (1996; cited in Bryne, 2010) have increased on these cut-off points and argued that, RMSEA values ranging between .08 to .10 “indicate mediocre fit”, and those values > .10 indicate poor fit.

Therefore, Figure 1 below depicts the measurement model of the study which indicated the Goodness-of-Fit indices: Chi-square ($\chi^2$) = 1129.998, df = 365, $p = .000$, Relative $\chi^2$ ($\chi^2/df$) = 3.098, GFI = .842, AGFI = .793, CFI = .922, IFI = .924, NFI, .860, TLI = .902, RMSEA = .061. From these Goodness-of-Fit indices, the researcher concluded that the measurement model fits the data as suggested by Hair et al. (2009) that, if any 3 – 4 of the Goodness-of-Fit indices meets the requirement, then the model is acceptable as measurement model or structural model.

Moreover, the measurement model was also utilized to determine the relationship between independent and dependent variables. Therefore, the Pearson correlation analysis shown the relationship between quality and satisfaction. As indicated in Table 1 that, there is a significant high and positive relationship between quality and satisfaction ($r = .750$, $p < .01$). This means that, the higher the quality the higher the satisfaction.

Table 1 below illustrates the Pearson correlation analysis between product price and satisfaction. The analysis
showed that there is a significant positive and high relationship between product price and satisfaction (r = .515, p < .01). This finding certainly revealed that higher product price is associated with higher satisfaction. The Pearson correlation analysis in Table 1 shown that, there is significant positive and high relationship between promotion and satisfaction (r = .792, p < .01). This means, the promotion in the study area is positively associated with satisfaction.

The following Table 2 revealed that, there is significant medium and positive relationship between perceive risk and satisfaction (r = .378, p < .01). This finding indicated that the higher the perceive risk, the higher the satisfaction because of the direct relationship between the two constructs.

Table 1: Correlation Matrix of independent variables and Satisfaction

<table>
<thead>
<tr>
<th>Variables</th>
<th>Y (Satisfaction)</th>
<th>χ1 (Quality)</th>
<th>χ2 (Product Price)</th>
<th>χ3 (Promotion)</th>
<th>χ4 (Perceived Risk)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y</td>
<td>1</td>
<td>.750**</td>
<td>.515**</td>
<td>.792**</td>
<td>.378**</td>
</tr>
<tr>
<td>χ1 (Quality)</td>
<td></td>
<td>1</td>
<td>.588**</td>
<td>.805**</td>
<td>.487**</td>
</tr>
<tr>
<td>χ2 (Product Price)</td>
<td></td>
<td></td>
<td>1</td>
<td>.634**</td>
<td>.625**</td>
</tr>
<tr>
<td>χ3 (Promotion)</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>.477**</td>
</tr>
<tr>
<td>χ4 (Perceived Risk)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The factors contributing to satisfaction are quality, product price, promotion and perceive risk. Therefore, the analysis of structural equation modeling using AMOS shows that the structural model is fits the data, as illustrated by the following Goodness-of-Fit indices in figure 2 below; χ² (CMIN) = 1391.230 (df = 363), p = .000, relative χ² (CMIN/df) = 3.833, GFI = .806, AGFI = .748, CFI = .898, IFI = .900, NFI = .847, TLI = .874, RMSEA = .078. Conventionally, relative χ² (CMIN) should be < 5, while AGFI, GFI, CFI, IFI and TLI should be > .9 (Bentler, 1983; Ho & Bentler, 1999; Bryne, 2010) and RMSEA and RMR should be < .08 (Browne & Cudeck, 1989; BacCallum et al. 1996; cited in Bryne, 2010). According Hair et al., (2009) if any 3 – 4 of the Goodness-of-Fit indices are within the threshold then the entire model is fit therefore, based on this reason the structural model for this study fits the data. Moreover, the result produced by the structural model showed that, 44% of variance in satisfaction was explained by all the predictor variables entered into the structural model.

The analysis of structural equation model in table 2 below revealed the standardized path coefficients by indicating the significant relationships between predictors and criterion variable. The structural model indicated that quality is a significant predictor of satisfaction. The result as shown in Table 2 below indicated that, there is a significant relationship between quality and satisfaction (β = .339, CR = 4.774, p = .000). This shows that quality significantly contributes to satisfaction. Likewise, the structural model analysis in table 2 below revealed that, there is a significant relationship between product price and satisfaction (β = .168, CR = 2.372, p = .018). This also means that, product price is a significant predictor of satisfaction.

Table 2: Unstandardized and standardized regression weight in the hypothesized path model

<table>
<thead>
<tr>
<th>Hypothesized relationships</th>
<th>R² = .44</th>
<th>Unstandardized Regression Weight Estimate (B)</th>
<th>S.E</th>
<th>Standardized Regression Weight Estimate (β)</th>
<th>CR</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAT ←← QUA</td>
<td></td>
<td>.281</td>
<td>.059</td>
<td>.339</td>
<td>4.774</td>
<td>.000</td>
</tr>
<tr>
<td>SAT ←← PP</td>
<td></td>
<td>.189</td>
<td>.080</td>
<td>.168</td>
<td>2.372</td>
<td>.018</td>
</tr>
<tr>
<td>SAT ←← PRO</td>
<td></td>
<td>.379</td>
<td>.056</td>
<td>.496</td>
<td>6.794</td>
<td>.000</td>
</tr>
<tr>
<td>SAT ←← PR</td>
<td></td>
<td>.204</td>
<td>.057</td>
<td>.235</td>
<td>3.565</td>
<td>.000</td>
</tr>
</tbody>
</table>

Note: SAT:- Satisfaction ; QUA: Quality; PP:- Product Price; PRO: Promotion; PR:- Perceive Risk; S.E:- Standard Error; CR:- Critical Ration.
Figure 2: Structural model depicting the influence of quality, product price, promotion and perceived risk on satisfaction

The structural model revealed that promotion is a significant predictor of satisfaction. The result as presented in Table 2 indicated that, there is a significant relationship between promotion and satisfaction ($\beta = .496$, $CR = 6.794$, $p = .000$). Therefore, it indicates that promotion significantly contributes to satisfaction. The results of the structural model as illustrated in Table 2 supported all the hypotheses, and, there is significant relationship between perceive risk and satisfaction. The standardized regression weight indicated that perceive risk is a significant predictor of satisfaction ($\beta = .235$, $CR = 3.565$, $p = .000$).

4.0 References


Byrne, B. M. 2010. *Structural equation modeling with AMOS: basic concepts, applications, and programming* (2nd Ed.). Taylor and Francis Group, LLC.


Osman M. Zain and Mohammed Bashir Saidu / Procedia Economics and Finance 35 (2016) 418 – 427


