

Evaluating the Effects of Product Quality and Branding on Perceived Price and Purchase Intention in International Cafés, Selangor, Malaysia

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ABSTRACT: Little is known regarding the impacts of product quality and branding on perceived price and purchase intention in international cafes, Selangor, Malaysia. This study tested the relationships among product quality, branding, perceived price, and purchase intention within the context of international cafes. A total of 301 customers at 6 international cafes in Selangor state in Malaysia completed questionnaires. It was found that product quality and branding positively influence perceived price. In addition, perceived price has a significant impact on purchase intention.

Keywords: product quality, branding, perceived price, purchase intention

INTRODUCTION

Today's the café industry has been growing fast with different concepts and varieties of products in the cafes to attract to the customers. The demand of pleasures on both fashion and food has been a growing trend just like a good concept with good food. Therefore, some of the brands have diversify into the café industry since there are huge demand. The café shops are the leading lights on the eatery industry and fastest growing niche by offering different types of brewed coffees and others which increased 7% growth rate per annum in Asia included Malaysia. With the habits of the Malaysian going out to cafes to relax and gathering or the students spending their time on the assignments at the cafes been motivated more cafés to establish in Malaysia. A increased of international brands coming into Malaysia since Malaysian are getting more knowledgeable to enjoy the lifestyle by differentiating

good and bad coffee now towards the coffee and became as potential market for the international cafes. Branding is a part of the element for a company to be success. Most of the successful companies have their own concepts and brand equity to differentiate themselves from the competitors. Therefore, branding could be one of the core elements for a café to have its own concept and products. According to Ambrose & Harris[1], international brands is able to deliver the same message and the similar qualities to the different international markets by using the concepts which are recognizable and translatable to deliver the brand message successfully to the different types of cultures. Based on Diehl and Terlutter[6], international brand has given brand awareness related to the customers' purchase intention to believe on their products and something that ensure it is better than other products which able to attract the potential customers.

The objectives of this study were (1) to test the

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effect of product quality on perceived price, (2) to explore the impact of branding on perceived price, (3) to identify the influence of perceived price on purchase intention.

BACKGROUND AND HYPOTHESES

International Café

The culture and the consumption of coffee in Malaysia have been increasing for the past few years and the people are starting to have more knowledge on the coffees which allowed them to know on differentiating the coffees in the cafes now. The statistic of the coffee drinking habits in Malaysia showed 81.2% of Malaysians consider themselves as a coffee person[5]. Closed to 44% of the Malaysians consume 2 and 3 cups per day. The point of the international cafes is not only the signature products but also the concept of the café, the culture of the café, atmosphere, and environment which differentiating themselves with the other competitors[5]. The international cafes such as Starbucks, Caffe Bene, and The Coffee Bean have the own specialty products from the origin country which is different from Malaysia.

Product Quality

Infod and beverage industry, product quality is one dimension that could able to judge by the consumers after the dining based on the taste of the food, the freshness of the food, the presentation and portion size[3]. Product quality also often see from the attribute performance of the product. The food suppliers have to understand the consumer's perception on the quality products since the quality product would be the impact on what the customers paying for and their repurchase intention the products in future. Product quality would defined also excellence and for instance, the customer's perceived quality would defined as the judgmental of the customers towards the product quality either failed or success after experienced the products[37]. The product quality is defined as the tangible products and also the customers use the product quality to measure the output[2]. Moreover, Raajpoot[27] build the TANGSERV model for measure the tangible quality. It is vital to know the food quality is one

of the main construct in the model for the building the restaurant experience for customers. Product quality has significantly influenced the customer's future purchase intention in several of service settings[37]. Moreover, Rust and Oliver[28] supported that perceived product quality have both pre-purchase and post-purchase elements which they have argued that previous product experience would not be needed in order to evaluate the product quality. Tsiotsou[35] found out that there is dual effect which are indirect and direct of perceived product quality on the purchase intention and on the other hand, the other studies stated single effect which also have indirect and direct focuses on services.

Branding

Branding would defined as what the company is based on the high quality, low price or certain technologies which would benefit for the new product of the brand[22]. Besides, branding would able to help to shape the attitude of the customers for identifying or differentiating the products from the other competitors[18,23]. Branding is the own characteristic and unique of a product or service to use as the competitive advantages[17]. Identity is vital for the companies in order to compete with the competitor and without an identification, it is hard for the company to compete with the other competitors[1]. The brands serve as the identification would able to help the customers to categorize and select the products easily with confidences[16]. A successful brand would have several of products and services under the same brand which is the brand stretching and also known as brand extension[12, 15]. According to Moutinho and Chien[24], the brand stretching would help the new products or services to take the advantages such as the value and the trust which already established by the main brand.

Price Perceived

As price could affect the satisfaction is service quality assessment which depending on the factors of service quality, product quality, price, situation and personal factors[38]. Schafer[32] stated that it is important to set the right prices because the prices would determine how much satisfaction or value of

every customers get from the product. Zeithaml[37] shows that marketing tool have determined both objective price and perceived price are significantly important factors when it comes to evaluating the product quality by the customers. Therefore, the perceived price has become the indicator to measure the quality of the products based on different prices that set by the restaurant[1]. The customers would expecting higher quality if the price is higher and on the other hand, the customers would expecting lower quality if the price is lower. Dodd and Monroe[7] insisted the interaction of the price heavily influenced by the perceived quality. The customers would be price conscious even though their perceived quality are higher in order to have purchase intention which prove that price is the most common factor influence the customers' purchase intentions[7].

Purchase Intention

Purchase intention which is also called behavioral intention gets involved with a purpose of buying the products or services in future which turns into repetition purchases and interact with the desirable product or service[13,19]. Purchase intention has different of alternatives under consideration by the customers with the options among the products or services which would influence the customer's purchase intention[36]. Satisfaction would be the judgment with cognitive and affective response to the customers to repurchase intention which is part of the behavioral factor[14]. On the other hand, Ryu and Jang[30] mentioned that improving customer satisfaction level is important for the customers to

patronage and recommendation intention in the up-scale restaurant setting. Positive of post-purchase behavioral intention such as good feedbacks about the product quality from the customers to the others which proves the products would have successfully obtained the potential customers[4].

Positive behaviors shows that the customers would be bonding with the company such as post-purchase behavior intention[4]. Customers would be spreading the good feedbacks about the products to the others which shows the customers are recommending to the others and heavily depending on the companies' products[4]. Negative behaviors such as complaining to the retailers, family and friends, switching to other brand and stop purchasing the products which would decrease the business of the company.

METHODOLOGY

Survey and Sampling

Measure

A self-administrated survey was established. The survey instrument was extended on the common relation of the literature. The self-administered questionnaire included 19 items divided into 5 sections: (a) Demographic questions ; (b) Product Quality (six items) adopted from[9] ; (c) Branding (two items) adopted from[20] ; (d) Perceived Price (two items) adopted from[29] ; and (e) Purchase Intention (three items) adopted from[30]. All items were measured on a 5-point likert scales ranging from 1 (Strongly disagree) to 5 (Strongly agree).

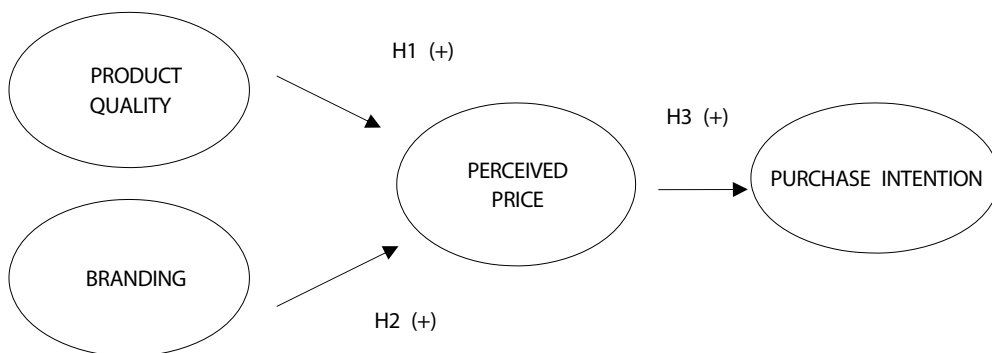


Figure 1. Conceptual model.

Data Collection

A self-reported questionnaire was distributed directly (face-to-face) to 301 visitors over 7 days in February 2015 (a usable response rate of 95.2%) at the international cafes in Selangor State where many universities are located. All respondents were given a well and precise explanation of the survey. Each of the respondents was asked to answer the questions on the questionnaire based on their experience or feeling towards the international cafes. Also, a majority of respondents were attending universities in Selangor State since the data collection was conducted in a college town.

Profile of the Sample

Table 1 shows the demographic information of the respondents. The sample (n=301) was 41.2% male (n=124) and 58.8% (n=177). The monthly allowance of the respondents ranged from less than RM800 to more than RM2,401. The largest monthly allowance group was less than RM800 (34.9%), and followed by RM801 to RM1,600 (31.6%). Majority of the respondents were Diploma holders (50.5%), and followed by Degree holders (28.9%). Most of the respondents visit the international café 2 to 4 times a week (46.8%), and followed by once a week (40.6%). Majority of the respondents were spent 1~3 hours for a visit on average (49.5%), and followed by stay less than 1 hour (33.9%).

RESULTS

Reliability

The reliability of the measures used in this study is stated in Table 2. The use of the Cronbach's alpha was to analyze the reliability of the measurement for the result. The values that exceeded the cut-off point for Cronbach's alpha of 0.70 to determine the items that correlated with each other in this result[34]. The result shows that the reliability of the measures used in this current research acts adequately to measure each construct and analyze the research hypothesis.

Correlation Analysis

A correlation matrix of the measurement items

Table 1. Demographic characteristics (n=301)

	Frequency	Percentage (%)
Gender		
Male	124	41.2
Female	177	58.8
Monthly allowance/income		
Less than RM 800	105	34.9
RM 801 ~RM 1,600	95	31.6
RM 1,601 ~RM 2,400	74	24.6
More than RM 2,401	27	8.9
Education		
SPM	54	17.9
Diploma	152	50.5
Degree	87	28.9
MS/Ph.D	8	2.7
Time visited		
Once a week	122	40.6
2~4 times a week	141	46.8
5~7 times a week	26	8.6
More than 7 times a week	12	4.0
Length to stay		
Less than 1 hour	102	33.9
1~3 hours	149	49.5
3~5 hours	39	12.9
Longer than 5 hours	11	3.7

*1 USD=RM 3.6 as of Feb, 2015.

was used for analyzing the obtained measures such as the convergent and the discriminant validity. Convergent validity would be involved if the between-construct item correlations are lesser than the within-construct item correlations. Discriminant validity is involved if the correlation sequences between constructs are not same as the correlation sequences within construct. As it shown in Table 3, the correlation patterns between indices are not same as the correction patterns within indices and the

Table 2. Reliability of the measures

Measures	Cronbach's alpha
Product quality (PQ)	
PQ1: Was the presentation of the food attractive?	
PQ2: Were you satisfied with the quality of the food?	
PQ3: Did you get your food at the proper temperature?	0.764
PQ4: Was the presentation of the beverage attractive?	
PQ5: Was the beverage as nice as the presentation?	
PQ6: Was the beverage served at the proper temperature?	
Branding (B)	
B1: Does branding ensure you the quality of the product?	0.804
B2: Does branding make you feel good?	
Perceived price (PP)	
PP1: The price at the international cafe is reasonable.	0.783
PP2: Was it worth to spend at the international café?	
Purchase Intention (PI)	
PI1: I would like to dine out in the international café again.	0.838
PI2: I would like to commend the international café to my friend or others.	
PI3: I would like to spread positive things about the international café to others.	

Table 3 Correlation matrix of the regression variables

Measures	PQ1	PQ2	PQ3	PQ4	PQ5	PQ6	B1	B2	PP1	PP2	PI1	PI2	PI3
PQ1	1.00												
PQ2	.42**	1.00											
PQ3	.35**	.56**	1.00										
PQ4	.31**	.44**	.42**	1.00									
PQ5	.54**	.49**	.37**	.45**	1.00								
PQ6	.48**	.51**	.43**	.35**	.44**	1.00							
B1	.39**	.40**	.51**	.58**	.55**	.38**	1.00						
B2	.45**	.38**	.33**	.39**	.42**	.53**	.55**	1.00					
PP1	.29**	.44**	.46**	.59**	.53**	.42**	.50**	.61**	1.00				
PP2	.30**	.32**	.39**	.15*	.49**	.55**	.57**	.38**	.47**	1.00			
PI1	.43**	.49**	.36**	.38**	.42**	.51**	.56**	.64**	.66**	.52**	1.00		
PI2	.26**	.41**	.25**	.31**	.30**	.47**	.38**	.11*	.21**	.13*	.28**	1.00	
PI3	.22**	.28**	.31**	.38**	.28**	.36**	.41**	.33**	.49**	.44**	.35**	.28**	1.00

* Correlation is significant at .01 level.

** Correlation is significant at .05 level.

correlations between indices are lesser than the correlations within indices. Both have justified that convergent validity and discriminant of the measures used in this research is relatively suitable.

Regression Analysis

Multiple regression was used to examine the dependent variables. Table 4 shows the relationship of perceived price and selected other variables. The regression analysis indicates that product quality ($t=3.762$, $p<.01$), and branding ($t=2.814$) had significant influences on perceived price. Thus, hypothesis 1 and 2 were supported. Product quality, branding, and control variables, (i.e., gender, length of stay at café and average visit to the café) explained 19.6% of variance in perceived price.

Table 5 shows the relationship between perceived price and purchase intention. The regression analysis indicates that perceived price was a significant pre-

dictor of purchase intention ($t=11.361$, $p<.01$), thus supporting hypothesis 3. Perceived price and control variables explained 44.5% of variance in purchase intention.

CONCLUSION AND LIMITATION

In the competitive international café markets where café hoppers have many options which providing the café hoppers lower price perceived is important to the success of the business. Besides, if most of the café hoppers are more willing to purchase more beverages or foods in the international café, it helps the international cafés to able make more revenues without spending more time and effort to attract new comers. Owners and managers of the international cafes should know have the control of the product quality such as the presentation and quality of the foods and beverages. Also, international cafes

Table 4. Standardized regression coefficients predicting perceived price

Independent variables	Perceived price	
	Model 1	Model 2
Control variables		
Gender	.007	.009
Length of stay at the café		
Less than 1 hour	.047	.051
1~3 hours	.098	.076
3~5 hours	.047	.039
More than 5 hours	.031	.055
Time visited at the café		
Once a week	.087	.070
2~4 times a week	.091	.066
5~7 times a week	.065	.041
More than 7 times a week	.046	.043
Hypothesized variables		
Product Quality		.226**
Branding		.393**
R^2	.022	.196

* $p<.05$, ** $p<.01$.

Table 5. Standardized regression coefficients predicting purchase intention

Independent variables	Purchase intention	
	Model 1	Model 2
Control variables		
Gender	.028	.033
Length of stay at the café		
Less than 1 hour	.064	.045
1~3 hours	.098	.072
3~5 hours	.061	.057
More than 5 hours	.021	.037
Time visited at the café		
Once a week	.051	.066
2~4 times a week	.078	.052
5~7 times a week	.098	.055
More than 7 times a week	.031	.067
Hypothesized variables		
Perceived price		.775**
R^2	.031	.445

* $p < .05$, ** $p < .01$.

should know the significance of the product quality on influencing customers' price perceived. On the basis of the findings of this study on international cafes, the product quality and branding of the international cafes are more important than cafes layout. Based on a high level of product quality and branding on the international cafes, more satisfied café hoppers are able to be less price perceived which would leads to their purchase intentions. Good branding would help to involve the purchase intention of the customers[11]. Imported goods are often generate better sales than the local goods because some of the imported goods have better product quality which increase the purchase intention of the customers[21]. Customers have other options for services and products among the many international cafes in Malaysia. Therefore, service providers of the international cafes should know what exactly needs to be deliver in order to have the café hoppers' purchase intentions.

The findings have few theoretical and managerial

implications. In terms of a theoretical perspective, this research contributes to knowledge about the price perceived and purchase intentions of the customers towards the international cafes. This study showed that product quality and branding have a positive impact on the price perceived on the international cafes and a low level of price perceived which closely related to the customers' purchase intentions. It indicates that product quality and branding should be considered when owners and managers evaluate the customers' purchase intentions toward the international cafes.

In terms of a managerial perspective, the study results indicate that success in promoting practical indicators of customer price perceived depends on the international cafes ability to improve product quality and branding of their international cafes. A low level of the customer perceived price towards the international cafés would have higher possibility to increase the customer purchase intention. Therefore, bringing customers' price perceived to a low level is the

key to more success on the international cafes.

The present study has several limitations; (a) the findings of this study is not supposed to be generalized to all of the cafes in the Malaysia because the data were collected using a convenience sampling approach. All data was collected at the cafes in the Selangor state (e.g., Subang Jaya). Thus, the results can be generalized to only cafes that are in similar demographic areas, (b) bias could involve when the respondents turned their survey into the researchers. Future study would be able to combine intangible elements (i.e., assurances, reliability, responsiveness and empathy of the service providers) to better realize the significance of service offerings and physical environment in international cafes. Besides, this study only discovered two factors. These two factors might not reveal the whole features of the purchase intention of the international cafes. Future studies could contain Future research should provide more factors (e.g., café layout, ambience) of the segmentation and classification of the international cafes in order to clarify the behavior intention of the customers.

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