PURCHASE INTENTION THROUGH DISTRIBUTION SERVICES

LOH WOEN JIANN

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   Alamat Tetap: 5a, Jalan 23, New Wang, 88000,
   Kampar, Perak

   Tarihk: 30-4-08

   Po: Noraini Abdullah
   Nama Penyelia

   Tarihk: 30/4/08

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LOH WOEN JIANN
HS2005-2366
CERTIFICATION

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Signature

1. SUPERVISOR
   (PN. NORAINI ABDULLAH)

2. CO – SUPERVISOR
   (PN DARMESAH GABDA)

3. EXAMINER
   (PROF DR ZAINODIN HAJI JUBOK)

4. EXAMINER
   (ASSOC. PROF. DR HO CHONG MUN)

5. DEAN
   (ASSOC. PROF. DR. SHARIFF A. K. OMANG)
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LOH WOEN JIANN
HS2005-2366
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ABSTRACT

Consumer behaviour plays an important role in the world of marketing nowadays. Business owners have to accept the fact that the consumers’ purchasing patterns and intentions are the sources that can determine their profit level and not merely by the pricing strategy. The main objective of this research is to highlight the importance of distribution services towards a business. They are store design and layout, store image, store ambience, store location; and store strategies. Data were collected from 136 respondents through self-administered questionnaires, taken from work force of Yayasan Sabah, Government Complex of Putra Jaya in Kota Kinabalu, and students of Universiti Malaysia Sabah where the total return rate is 68%. Confirmatory factor analysis was used to define the factors and their correlations were studied. Regression analysis was used to test the significance of the factors. Results showed that there existed significant relationships between store design and layout, store location with purchase intention. Besides these, differences across demographic factors were studied as well using MANOVA, so as to know the pattern of the consumers’ perception around the Likas area. Conclusively, business owners have to understand the background of their target customers for maximum profit optimization.

Keywords: Consumer behaviour, purchase intention, distribution services, factor analysis, regression analysis.
KEINGINAN PEMBELIAN MELALUI SISTEM PENGAGIHAN

ABSTRAK


Kata kunci: tabiat pengguna, keinginan pembelian, sistem pengagihan, faktor analisis, analisis regresi.
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CHAPTER 1

INTRODUCTION

1.1 Introduction

From the very beginning of all economic studies, we know that the main objective of a firm is to achieve maximum profit. From the consumers’ point of view, they wish to have the best transaction, which means to have bought their product at the lowest price. Hence, there exist a relationship between firms and consumers. What is the best approach to measure the combination between firm’s activities and consumers’ purchasing power? In such a case, it would be the marketing attributes.

1.2 Definition of Marketing

According to Abu Bakar (2007), when one needs to make decisions concerning products, pricing, promotion, place and so on, they are instantly involved in the marketing processes. The essence of success for a company lies how well they can deliver the value that meets the buyers’ expectation. Marketing is dynamic rather than
static. It needs long run efforts to make it a success from a series of carefully planned and executable steps that are taken with caution. Tow (2004) defined the job of marketing as to reach as many customers as possible in order to increase sales, and ultimately to increase the profits of the business.

The American Marketing Association describes marketing as in Tow’s (2004) book:
“Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.”

In a firm’s marketing strategy, they have to classify their elements and contributing factors to their sales. Lots of marketing analysis should be done. The main decision variables for any marketing strategy should include the marketing mix. It explains much of the real situation and main aspect to focus on.

1.2.1 Marketing Mix Variables

Referring to Abu Bakar (2007), marketing mix variables profoundly shaped the way people think about a product through marketing field. Marketing mix strategies scope out the tactics necessary to build brand equity which are closely related to consumers’ perceived quality of the product. Although brand equity is not a mix variable but it is an inter-related concept. Products with higher brand equity will lead to higher sales. Strategically, brand equity is viewed as an outcome of a long-term marketing effort, involving activities designed to create sustainable, differential advantage relative to competitors.
Much managerial efforts manifested in controllable marketing actions will influence consumers’ brand knowledge, and brand awareness, which are the consumers’ perceptions on the product itself which might be positive or negative. Smart marketing managers will respond proactively, instead of reactively, in the marketing environment. Marketing efforts are the firms’ investment on the marketing mix elements encompassing the 4P’s which are product, pricing, promotion and placing.

**Figure 1.1** Marketing Mix Variables

(Source: Abu Bakar, 2007. *Principles of Marketing*)

Following Tow (2004), these decision variables concepts build up the marketing mix variable in order to reach target market. In every business firms, they try to allocate the benefits of the firms’ product and services to their potential
customers. Through these 4P’s, product, pricing, promotion, and placing, it is a direct attempt to reach, inform, and persuade customers to buy or use the firms’ product. How the firms reach this target is the essence of 4P’s concept. In this sense, they are looking at marketing as a tactic. Before a product or service being introduced, they should segment the market according to customers’ needs. Identify differential advantage for each segment and position the company objectives before formulating marketing mix.

**Product** – A smart manager should be more creative and innovative in finding ways to improve the product in order to present the best quality product to customers. Furthermore, designation of the product is of much importance in order to compete in the market.

**Pricing** – Every firm have the ability to set their own price. However what are the factors that determine the price? Product cost, brand equity, and the reward of the desired are definitely in accounting. However, who will buy those products or services if it is too expensive? If a firm would like to make profit at teenagers, the price should be low and vice versa.

**Promotion** – What type of advertisement should be on screen? It should be colorful, lots of words on description, or no any promotion strategy should be taken? Everyone knows advertisement is costly but how far public will know the benefit they get from those advertisement? Different markets focus on different promotion strategy.
Placing – Concerning placing factor, we should identify the population of our served markets. It is regarding where and when we should venture into the business. How are we going to circulate them into the market is another interesting point of placing.

1.3 Study of Interest

Why do some of the organizations make it so fit with the customers, while most do not? According to Widing and Sheth (2003), market oriented organizations listen to customers, while care and response to customers’ needs. Successful marketers believed that understanding customer behaviour is the best way to profitability and survival. Widing and Sheth (2003) defined customer behaviour as below:

“Customer behaviour is the mental and physical activities undertaken by household and business customers that result in decisions and actions to pay for, purchase and use products and services.”

Widing and Sheth (2003) had stated that understanding customer behaviour is the first step towards meeting the challenges in this competing world. Study on customer behaviour provides the basic knowledge necessary in decision-making process. There are three reasons for understanding customer behaviour to a successful business.

- To achieve the purpose of business – customer satisfaction
- To carry out the marketing concept
- To achieve a customer focus – business democracy
1.3.1 Customers' Satisfaction

Drucker (1973) to be one of the leading management gurus in the world had said that the purpose of business is to create and then retain a satisfied customer. He argued that making money is a necessity but not the sole purpose of a business. It is analogous to human beings – all humans have to eat to survive, but eating is not their purpose in life. In addition, making money is not a good reason for the public to support the firm. Hence, the key determinant to a business success is to build customers’ satisfaction. With a level of satisfaction, customers are more willing to support those firms which cater their needs. Dissatisfy enough customers, will not only stop customers from future purchasing, but society at large will condemn the firm and even penalize it to the extent of extinction!

1.3.2 The Marketing Concept

According to Kotler (2005), marketing concept is an improvement to the selling concept. The selling concept stated that a firm principle focus is on finding a buyer for the product they would like to sell, and somehow ‘selling’ that customer into parting with his or her cash in exchange for the product the firm has to offer. In contrast, marketing concept explained that the firm’s obsession is to produce what the customer wants or anticipated. Due to this reason, market-oriented firm focused on understanding the customers’ dynamic needs and wants. For an example, the Ford Company, invites car owners to meet engineers and dealers to discuss quality problems every year. They have a special team on handling customer complaints and they believed that ‘everything can always be done better than it is.’
1.3.3 Business Democracy

Customer-orientation leads to serving society’s needs better. The concept can best be explained by business democracy. Smith (1995) had quoted sentence from Abraham Lincoln who described democracy – government of the people, by the people and for the people. Likewise in marketing, Smith (1995) viewed the business democracy as: companies are governed by and for the customers. Customers are the assets of a company. Once you lose a customer, you suffered loss in your business. Customers cast their economic votes by patronizing the marketer they believe will respond to their needs best.

1.3.4 Attitudes

People often made choices over many things. Pepsi or Coke? McDonald or KFC? Good or bad? Our study of interest is on predicting customer behaviour, hence marketers are of extreme interest in knowing customer attitudes about their product and services and other element of the marketing mix (Widing & Sheth, 2003). Let us first review a classic definition of attitudes by psychologist Allport (1935):-

"Attitudes are learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourable way."

This definition has few implications:

- Attitudes are learned, that is, they are formed on the basis of some experience with or information about the object. (either direct or indirect experiences)
- Attitudes are predispositions. As such, they reside in the mind.
• Attitudes cause consistent response. They precede and produce behaviour.

Peter and Olson (2002) said that a store is thought of as providing form, time, place, and possession utilities for consumers. Form utility means stores convert raw materials into finished goods which finally reached customers. Time utility means stores make the product or service available at the time customer needs it. Place utility means goods and services are made available at the place customer would seek to purchase. Possession utility means stores facilitate the transfer of ownership of goods to consumers. In this paper, spotlight will be on store attribute which will be broken down into few dimensions which will be discussed in this chapter.

1.4 Problem Statement

In this research, distribution services are the main interest. A successful store owner should be able to control these questions from the customers’ perspective. Which store do you shop at? Do you shop there regularly or occasionally? Do you shop there exclusively, or is it just one of the several stores that you shop at? Why do you shop there rather than at other stores? Why is it that it is the store you shop at most frequently? Are there any other stores in the area? Are they less convenient? More expensive? Less friendly? Or what? Do you have a favourite store for several categories of goods (Widing & Sheth, 2003)? Store owner manipulate in-store factors to capture customers’ attention or purchasing behaviour, and motivated customers to pay a visit to the store even for not buying. The discussion is on how distribution services can initiate net positive attitudes, associations, and finally lead to their purchase intention. It summarized five dimensions that explain distributional service. i)
Store design and layout; ii) Store image; iii) Store ambience; iv) Store location; v) Store strategies. Figure 1.2 exhibits the flow of this discussion.

1.4.1 Store design and layout

Neuborne (1993) had published an article in the newspaper with the title -Can store Design Influence Consumer Behaviour?, suggested that shoppers move in predictable patterns. Humans respond predictably to light and colour stimuli. A nice design means another browser for customer. She adopted a phrase from Joseph Weishar, author of Design for Effective Selling Space who stated that:

“If you can get the customers to see what you want them to see, they will probably buy what you want to sell them.”

To have fresh browser for the customer, signs and price information are important. (McKinnon et al., 1981) Store owner have to set up a benefit sign in order to direct consumers to particular merchandise for offering product and price information. Besides this, store layout influences such factors as how long the
consumer stays in the store, how many products the consumer comes into visual contact with, and what route consumer takes to travel within the store. Store owner have to highlight some discussion on these factors. The importance for store design and layout can be shown by these examples in USA companies: Sears spent US $4 billion to upgrade its store, Kmart spent US $2.3 billion for store improvement, and J.C.Penney spent more than US $500 million a year on redesigning its store. Store owner can display their products at the end of escalator, end of aisle with the purpose of bringing the customer to visual contact with the product.

1.4.2 Store Image

According to Peter and Olson (2002), they treat store image as the total perceptions of customer towards a store. It includes attitudes based on sensations of in-store stimuli received through the five senses. Store image are normally being assessed through customer’s thinking about the operational service of a particular store. It can be measured through few dimensions: merchandise quality and assortment, services quality, clientele, facilities, convenience and so on. Often the same attributes are studied for closed competitors so as to check the strengths and weaknesses of each store. Based on this type of research, the management team only can change certain attributes to develop a more favourable image towards customers. Store owner have to know that the store image built is not fixed and there are many dynamic changes to the image. Hence, sometimes it have to be changed to adapt changes in the customers’ behaviour and as well as in the competitive position. An example would be such as: People would rather prefer buy jeans at specialize outlets where the same jeans can be bought at ‘pasar malam’. Let us just table the discussion of pricing matters of the jeans
but the place do matters. Retailers manipulate manufacture brands to build their own store image to the extent “you are what you sell”, and hence establish a positioning for the store. The image of retailers is instilled into consumers’ insight and affecting them in the decision making process.

1.4.3 Store Ambience

Store ambience including the atmosphere in the store itself had been of great interest for researchers. In Kusum and Keller (2004) studies, they found that the response which atmosphere elicits from consumers varies along three main dimensions which are pleasantness, arousal, and dominance. Different elements of a retailer’s in store environment, e.g., colour, music, scent and crowding, can influence consumers’ perceptions of a store’s atmosphere, whether or not they visit a store, how long they spend in the store, and how much money they spend there. The key point is that store owner should provide a comfortable and relaxing atmosphere to the customers for shopping. They are more willing to spend their time in the store even though they are not buying. For an example, most of the students will choose a cyber-cafe with powerful air-condition, sofas that let them use their service comfortably. Every cyber-cafe charged different prices over their services. For those who offer higher prices, they still have their portion of customer. Customers are willing to pay more for the environment being created. Another obvious example is Starbucks coffee. Starbucks doesn’t just sell coffee. It also offers its patrons a convenient and pleasant place to meet, socialize, and study. Starbuck’s owner knew that the environment would be an attraction for customers.
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