THE PERCEPTION OF PRODUCT QUALITY AND THE INTENTION TO REPURCHASE ON SHIRT/BLOUSE PRODUCTS MADE IN CHINA AMONGST CONSUMERS IN KOTA KINABALU

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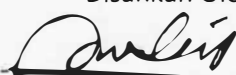
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ABSTRACT

The purpose of this study is to examine the relationship between product quality concerned in the eight quality dimensions and the intention to repurchase on shirt/blouse products made in China in Kota Kinabalu, Sabah. The study has conceptualized that product quality as a multidimensional construct which consists of eight dimensions, which are performance, features, reliability, conformance, durability, aesthetics, serviceability and perceived quality, and an uni-dimensional construct, the intention to repurchase. There were 229 respondents used for the statistic analysis. The data was gathered using survey interview questionnaire through snowballing technique in Kota Kinabalu. From the framework of this study, eight hypotheses have been developed and tested using PLS-SEM. The result showed that product performance, features, reliability, aesthetics and perceived quality positively impact on consumers' repurchase intentions on the shirt/blouse products made in China. The finding of this research suggested that performance, features, reliability, aesthetics and perceived quality are essential for China export companies because that directly influence consumers' repurchase behavior. Future research should do a similar study in light of the relationship between eight quality dimensions and the intention to repurchase on other products made in China, such as electronics or electronic products in other states of Malaysia.
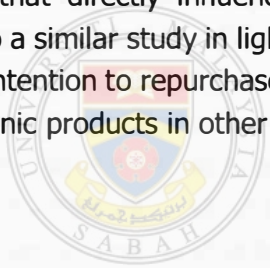
ABSTRAK

PANDANGAN TERHADAP KUALITI PRODUKDAN NIAT UNTUK MEMBELI SEMULA SHIRT / BLOUSE DIKALANGAN PENGGUNA KOTA KINABALU

Tujuan kajian ini adalah untuk mengkaji hubungan antara kualiti produk dalam lapan dimensi kualiti dan niat untuk membeli semula pada baju produk / blaus yang dibuat di China di Kota Kinabalu, Sabah. Kajian ini telah dikonsepkan bahawa kualiti produk sebagai penentu pelbagai dimensi yang terdiri daripada lapan dimensi iaitu prestasi, ciri-ciri, kebolehpercayaan, kesesuaian, ketahanan, estetika, kebolehkhidmatan dan kualiti , dan membina uni-dimensi dalam niat untuk membeli semula. Terdapat 229 responden yang digunakan untuk analisis statistik. Data dikumpul dengan menggunakan soal selidik dan temu bual melalui pendorong teknik di Kota Kinabalu. Dari rangka kajian ini, lapan hipotesis telah dibangunkan dan diuji menggunakan PLS-SEM. Hasilnya menunjukkan bahawa prestasi produk, ciri-ciri, kebolehpercayaan, estetika dan kualiti dilihat memberi kesan positif kepada niat pembelian semula pengguna baju produk / blaus yang dibuat di China. Hasil kajian ini menunjukkan bahawa prestasi, ciri-ciri, kebolehpercayaan, estetika dan kualiti dilihat adalah penting bagi syarikat-syarikat eksport China kerana ianya secara langsung mempengaruhi tingkah laku pembelian semula pengguna. Kajian akan datang perlu melakukan kajian yang sama memandangkan hubungan antara lapan dimensi kualiti dan niat untuk membeli semula pada produk lain yang dibuat di China, seperti elektronik atau produk elektronik di negeri-negeri lain di Malaysia.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter presents the whole picture of the study. It starts with a discussion of the background of the study, and explains the reason why the topic has been chosen. Next, research questions and research objectives are also discussed, together with the scope and significance of the study. For the purpose of understanding the important terms being used in this study, the appropriate definitions are also available. These definitions of key variables are introduced based on the relevant definitions found in published literature. Lastly, the outline of this study is also provided at the end of the chapter.

1.2 Background of study

China's economy has had a significant change since the economic reforms in 1978. The objective of the economic reform was to shift from agricultural industry to the manufacturing industry, boosting economy through enhancing the productivity. Simultaneously, the adoption of the establishment of economic liberalization attracted more foreign direct invested (FDI) enterprises which outsourced manufactories to China due to the cheap labor cost and abundant resources (Fung, Iizaka and Tong, 2014), and stimulated the development of international trades. According to the International Trade Report 2013, China surpasses the United States

and became the largest trading nation, with an average export of USD 516.51 hundred million within 1983 to 2015. Due to its fast growth, China today, has become the second country with the largest economy in the world, just behind the global giant, America.

With a large market and a huge pool of resources, China became the key player in the global market (Qazi, 2012). After the Olympics in 2008, "Made in China" products seem to have had a sudden boom, dispersing widely that has drawn attention to the world. Even though the products are not fully made in China, part of the products are still manufactured in China. A very good example is Iphone which is assembled by the Foxconn company located in China.

High-speed growth has not been matched by high quality and efficiency. China has grown into a global trade heavyweight yet it punches below its weight in the international division of labor and value chain. Referring to manufactured product from China, there are some China brands nowadays which managed to get a positive response in the market (Marvel, 2013), such as Lenovo, Oppo and Huawei. This shows that the quality of manufactured product from China has been improved which directly influence the exports trading in recent years (Alvarez and Claro, 2006). However, it has not essentially changed some consumers' mind in regards to "made in China" products that is low quality, cheap price and mass production (Christian, Peter and Tomas, 2005; Marc, Qing and Johan, 2008). According to Ivan (2014), China is still the workshop for the world rather than the workshop of the world. Namely, China still mass produce products for other countries, especially those developed countries yet build less its own brands.

There is still an unsolved issue in the China's trade structure that product quality has not extremely acquired the world's elite level yet (Li, Jiang and Song,

2014). It is blatantly obvious that China still has a long way to become the trade power in the global market. China now faces a period of transition where users are looking for quality products which affecting its productions. This transition has also been experienced by other Asian countries such as Japan, South Korea and China Taiwan as part of the initial phase of international development (http://www.mckinsey.com/insights/manufacturing/a_new_ era_for_manufacturing_ in_china, June, 2013).

According to Li, Jiang and Song (2014), as China joins the ranks of middle-income countries, some factors underpin fast economic growth that are undergoing changes. These include but are not limited to decreasing efficiency of investment, rising raw materials and prices of energy, shifting population structure, narrowing advantages in cheap labor and mounting external pressure exerted by the global economic imbalance. To improve the trade power, either the development model or strategy must be altered and improved.

With increasing global competitive pressure, only continuous quality improvement can improve China's position (Li, Anderson and Harrison, 2002). Product quality as the core dimension of quality improvement not only significantly influences the firm performance but also directly satisfies consumers' preferences. It is deemed to be a key focus for many organizations (Siegal *et al.*, 1996), and is likely to remain a key issue for many companies in a new century. In other words, it is very important for China's manufacturing companies to understand how to evaluate and continuously improve exported quality products.

Product quality is sourced from the difference between actual products and the alternative products that could be made available or provided by the particular industry (Neil and Paul, 1994). It can also be defined by the way customers perceive

product quality in the market (Wankhade and Dabade, 2006). With the improvement of life quality and knowledge, the requirements of product quality from consumers not only lie in the basic functions but also emphasize on the after-sales service. Overall, consumers are seeking reliable products that meet their needs and are able to stand the intended functions (Mohd, Suhardi, Anita, Maznah and Etty, 2011). Therefore, it is essential to understand what consumers are looking for in a future product and what type of quality characteristics concerned them, and hence will influence them to continue purchasing products manufactured from China.

1.2.1 Current Trends of Malaysian Consumer

Malaysia is one of the fastest growing economies in Asian countries. It is the top trading partner among Asean's ten member nations of China. According to the report of the official portal of Malaysia External Trade Development Corporation (MATRADE, 2014), China is Malaysia's largest trading partner and Malaysia is one of the largest export destinations for China. The major import products from China include, electronic products, machinery appliances, chemicals and chemical products and so on. In conclusion, made in China products can be easily found in Malaysia's market. In other words, made in China products has already got the position in the market also in the mind of the Malaysian customers.

Malaysia is a multiracial and multi-cultural country, thus Malaysian consumers hold different perceptions, attitudes and cognition towards a product (Ernest and Fah, 2006). Apart from that, personal knowledge and ethnicity also have significant impact on the purchase behavior amongst Malaysian consumers (Hassan and Mustapha, 2010). Yet, on the whole, there is a consensus that Malaysian consumers buy "made in China" products mostly due to low price (Sharon and Zuraidah, 2013).

1.3 Problem Statement

Crosby (1979) claims that quality will enable an organization to increase profits by getting the trust from customers. Similarly, James, Frank and Hal (2012) indicated that quality can assist the firm to achieve customers satisfaction, cost effectiveness, and defect free work as well. China began its quality management in the 1970s, and in the early 1990s. The China National Accreditation Committee for Product Quality Registration Bodies (CNACR) was established to regularize quality accreditation to international standards, and at the same time China adopted the first quality certificate ISO 9000 to control its quality system.

However, up to this point, all the "made in China" products are still having a reputation for poor quality, especially with relation to counterfeit products that are made in China (Zhang, 2000). In the context of Malaysia, consumers have similar perceptions as other countries towards "Made in China" products that products are often cheaper compared to locally made products. It is now common that most products with the label "Made in China", unfortunately, there products are not renowned for their quality (Sharon and Zuraidah, 2013).

Even though the China made products do not always perform low quality, customers do prefer products manufactured from China mostly due to the affordable price and multi-choices (Marvel, 2013) rather than quality. Furthermore, there are still some China companies which provide less durable product, poor post-purchase service, and low warranty to markets in order to gain short-term and fast benefits. There were few types of products that have been inspected that the quality was below the specified standardization in recent times, such as tainted milk powder, kid toys, and medicine capsules totally shattering the reputation of the Chinese products. This bad image also causes Malaysian consumers to have less confidence in the product quality made in China .

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In spite of that, Chinese products are still being sold widely in the global market. The topic on what consumers perceive China made product to be before purchasing experience has drawn much attention by most social science researchers who have studied primarily on the effect of country of origin image on consumers' perception (Yassin *et al.*, 2010) or ethnocentrism, product quality, product types and price influences consumers' perception (Sarwar, *et al.*, 2013).

It is reasonable that consumers nowadays prefer cheaper options. However, with increased standard of living, consumers' perception and cognition have improved at the same time. It is conceivable that the "price war" has made the position of goods from China facing difficulties to sustain in the global market. Thus, changes in the competitive environment and increasing customers' expectations regarding to product quality and customers' satisfaction are requiring China's manufacturers to place a greater amount of emphasis on understanding consumers' quality perception and purchase behavior.

However, the specific research on what characteristics of product quality drive consumers' intentions to repurchase the Chinese product is lacking, especially in the context of Malaysia. Therefore, this study has filled the gap that the perception of product quality characteristics which are performance, features, reliability, conformance, durability, serviceability, aesthetics and perceived quality as proposed by Garvin (1984) on the intention to repurchase China made products in the surrounding area of Kota Kinabalu, Malaysia.

1.4 Research Questions

The research question is to find out whether there exists a significant relationship between product quality and intention to repurchase. According to Garvin (1984),

there are eight quality dimensions can be defined as the basic elements of product quality: performance, features, reliability, conformance, durability, aesthetics, serviceability and perceived quality (PQ). Thus, this research study looks for the answers for the following questions:

a. Does product performance influence on the intention to repurchase China made products?

b. Does product features influence on the intention to repurchase China made products?

c. Does product reliability influence on the intention to repurchase China made products?

d. Does product conformance influence on the intention to repurchase China made products?

e. Does product durability influence on the intention to repurchase China made products?

f. Does product aesthetics influence on the intention to repurchase China made products?

g. Does product serviceability influence on the intention to repurchase China made products?

h. Does customer perceived quality influence on the intention to repurchase China made products?

1.5 Research Objective

The main objectives of the study are:

a. To examine the relationship between perception of product performance and the intention to repurchase China made products.

b. To examine the relationship between perception of product features and the intention to repurchase China made products.

c. To examine the relationship between perception of product reliability and the intention to repurchase China made products.

d. To examine the relationship between perception of product conformance and the intention to repurchase China made products.

e. To examine the relationship between perception of product durability and the intention to repurchase China made products.

f.   To examine the relationship between perception of product aesthetics and the intention to repurchase China made products.

g. To examine the relationship between perception of product serviceability and the intention to repurchase China made products.

h.   To examine the relationship between customer perceived quality and the intention to repurchase China made products.

1.6 Significance of Study

How far product quality being observed by the consumers especially in the context of Malaysia, the reason of product quality has been chosen to measure the purchasing trends amongst consumers is because as of now product purchasing is mostly based on price and reputation (Sarwa *et al.*, 2013, Sharon and Zuraidah, 2013). Product quality is an important element for a firm to sustain longer success. It is the core dimension of total quality management which make a firm possess high quality performance and satisfied customers (Hidayat *et al.*, 2013). For China manufacturing, the quality should be concerned seriously because the strength of cheap labor and resources might be changed in terms of the unstable economy and the intensive competition from neighboring countries such as Indonesia, Vietnam and Cambodia (Oliver, Jonathan and Matteo, 2014). Thus, it is essential to do such a research that emphasize the product quality regard to eight dimensions which are performance, features, conformance, reliability, durability, aesthetics, serviceability and perceived

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quality and study how the product dimensions influence customers' purchase behavior.

1.7 Scope of Research

As China is the number one imported country of Malaysia, it is necessary for China exporters to know the Malaysian consumers' perceptions towards the China made products regarding to product quality. This study adopted Garvin 's (1984) eight quality dimensions (i.e. performance, features, reliability, conformance, durability, aesthetics, serviceability and perceived quality) to examine the relationship between consumer quality perceptions on the intention to repurchase China made products.

The targeted group for the scope of the study focuses on local individual consumers in Kota Kinabalu, Sabah. This study is only focusing on a group of individuals who had used or purchased the products mentioned for own-uses or as a gift to friends or families, in order to get the unbiased response. Questions provided in the survey questionnaire are based on their experiences in purchasing the products before.

In order to avoid confusion, this study specifically focused on one particular product only that is the shirt/blouse product. The reason behinds the choice of this product is because every product measurements scale would require different approaches. For example, one of the measurement items that will be included in the survey instrument is related to the fabric used, which is not suitable to be used for electrical appliances.