**MANAGING PRIVATE LABEL BRANDS AND STORE IMAGE TO INCREASE PURCHASE INTENTIONS IN RETAIL STORE**

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*ABSTRACT*

*The primary purpose of this study is to examine the influence of store image on consumer purchase intention of private label brands in the context of convenience store and also to confirm the factors that directly influence purchase intention of consumers. Jabodetabek area are the studied market. In all, 239 respondents evaluated about private label brand at the famous convenience store in Jabodetabek, as an object of this study. A structural equation model is used to evaluate the relationships among the constructs. The results indicate that store the image and private label brand image has a direct positive impact on purchase intention. The findings demonstrated that service quality has a direct positive effect on private label brand (PLB) image. Surprisingly, service quality has no direct influence on purchase intention, but have indirect influence through private label brand (PLB) image.*

***Keywords****: Purchase Intention, Private Label Brand, Price**Consciousness, Service Quality, Store Image.*

INTRODUCTION

 The Bank Indonesia Retail Sales Survey confirmed stable growth of annual retail sales in April 2017, indicated by a Real Sales Index (RSI) of 206.5 recording growth of 4.2% (yoy), same as the previous period. The presence of modern retail growth has eroded the traditional retail market share in recent years, because they are capable of providing more services either to consumers by providing what the consumer wants, for example by providing a diverse product variation with a comfortable, good quality and competitive prices. The growth of the middle class and lifestyle changes spurred the growth of convenience store business, where this segment tend to prioritize practicality, and fast service to their needs, especially the need for food and beverage.

 Convenience retailers are normally recognized as having a strong focus on service and product innovations, which are related to their value propositions (Sundström and Reynolds, 2014). The ability of a convenience retailer to innovate has been widely recognized as a critical reason why several convenience retailers, such as 7-Eleven and Family Mart, perform better than their competitors (Lin et al., 2013; Wu et al., 2009). Sundström and Reynolds (2014) specified these retailers coordinate their product, process, and value proposition innovations across the value networks where they operate.

Private Label brands, merchandise produced on behalf of retailers to sell under the retailers’ names or under an exclusive name in the retailers’ stores (Raju et al.,1995; Baltas,1997), have progressed through many stages in the past decade. Private Labels offered products with lower quality and lower price to compete against strongly established national brands (Granzin, 1981; Cunningham et al., 1982). Numerous investigations of PLs have focused on consumer-level factors that affect both proneness and purchase intention (Richardson et al., 1996; Sinha and Batra, 1999; Batra and Sinha, 2000; Ailawadi et al., 2001; Baltas and Papastathopoulou, 2003).

Previous research on private label brands are divided into two categories, the first category on the relationship between private label brands and national brand promotion in The Journal Sloan Management Review (Hoch, 1996) and The Journal of Retailing (Garretson, 2002), showing the differences and similarities between the two concepts the. The second category, explain the factors that influence consumer behavior towards the consumption of private label products (Baltas, 2003; Batra and Sinha, 2000; Burton (1998), Richardson (1996)). The study looks at the second category is focused on product factor level and consumer level. Product level describes the product category (Delvecchio, 2001) and the perceived risk (Semeijn, 2004), while the consumer level to explain the price consciousness as quoted in Australian Marketing Journal (Burger and Schott, 1972; Jin and shuh, 2005; Sinha and Batra , 1999) and its relationship with extrinsic factors (Delvecchio, 2001; Batra and Sinha, 2000). Although previous studies rarely to discuss factors store level, currently these factors become important (Semeijn, 2004) Collins-Dodd and Lindley (2003) and Vahie and Paswan (2006), this study shows that when consumers are not familiar with private label brand, they rely on their perceptions of the image of the store (store image) to decide to buy a private label product. High-quality PLBs help retailers build a strong store image (Saraswat et. al., 2010; Kremer and Viot, 2012), strengthen relationships with consumers, and enhance store loyalty (Koschate-Fischer et al., 2014).

LITERATURE REVIEW

The previous study was taken from the Australian Marketing Journal, entitled The Effect of Store Image and Service Quality on Brand Image and Purchase Intention for Private Label Brands. This journal is the modification of research Wu, Paul CS; Yen, Gary Yeong-Yuh; Hsiao, Chieh-Ru (2011) and following a research model that was built as a reference of this study:

Store Image

**Private Label Brand Image**

**ore Image**

Service Quality

**Purchase Intention**

**Price Consciousness**

H1

H2

H3

H4

H5

H6

Figure 1. Research model

Store image was defined in a seminal by work by Martineau (1958) as “the way a store is defined in the consumer’s mind, partly due to its functional qualities and partly due to an aura of psychological attributes”.

Factors store image used by consumers to decide to buy a private label brand (Ailawadi and Keller, 2004; Collins-Dodd and Lindley, 2003). A strong relationship between a retail SI and the image of its PLB is considered to be a “fundamental requirement for a successful differentiation strategy” (Collins-Dodd and Lindley, 2003, p. 2).

When the consumer perception of the image height shop, will form a positive impact on a brand. The image of the store has a direct positive relationship with interest in buying the private label brand. Dodds (1991) and Grewal (1998) specified that, the more positive the image generated by the store, the higher the interest in buying that will be generated. Based on the above relationship, it can be collated hypothesis as follows:

H1: The image of the store (store image) has a positive influence on the image of the private label brand (PLB image).

H2: The image of the store (store image) have a positive influence by interest in buying private label products.

Quality of service is one important factor in consumer decision process. According to Brady (2002), there is a relationship between service quality and behavioral intention. Good service will generate behavioral intention positive and increasing buying interest from consumers so that eventually the consumer will increase the frequency of visits to the store (Carriliat, 2009; Cronin and Taylor, 1992; Fornell, 1992; Szymanski and Henard, 2001; Zeithaml., 1996). It indicates when a store provides a good service, customer satisfaction with the store increases, and purchasing decisions towards private label products will increase as well. Based on the above relationship, it can be collated hypothesis as follows:

H3: Quality of Services (service quality) have a positive influence on the image of Private Label Brand (PLB image).

H4: Quality of Services (service quality) has a positive influence on interest in buying (purchase intention).

Brands that have a good perception consumers will have a positive attitude toward the brand and ultimately the desire to buy their products will also be high (Kamins and Marks, 1991). Based on the above relationship, it can be collated hypothesis as follows:

H5: The better the consumers' perception of the image of private label brand (PLB image), the higher the interest in buying consumer (purchase intention).

The definition of a price- conscious consumer is one who will look for low prices (Sproles and Kendell, 1986) and focus exclusively on paying low prices (Lichtenstein et al., 1993), making this the most important factor in their decision to purchase (Burton et al., 1998; Sinha and Batra, 1999). Prices are cheap is one important factor to attract consumers to buy private label products. Therefore, there is an anticipation of a positive association between consumer price consciousness and a private label purchase:

H6: The increase in price consciousness will cause interest to buy (purchase intention) against private label products increased.

RESEARCH METHODS

In order to validate the hypothesis and answering the research, quantitative study was conducted using questionnaire distributed to respondents, including being distributed to the subject at convenience store (outlet). Population and sample in this research are everyone knows that the store has a private label product sold. The sample using purposive and non-probability sampling where the sample is selected based on an assessment of researchers that it is the best sample for being research sample. Using the structured questionnaire, data was collected from respondents who regularly shopped at one object of convenience store with total 239 respondents survey were gathered, of which 32 questionnaires were not valid so it cannot be processed further.

This study uses a scale of 1-6 with the Likert scale interval. Answer to every item of instrument that uses Likert Scale has value of very positive to very negative to the form of words among others: Strongly Disagree (SS), Agree (S), Somewhat Agree (USA), Somewhat Disagree (ATS), disagree (TS) and Strongly disagree (STS). Analysis and testing models in this study is conducted by using the tools of statistical program LISREL 8.87 (Linear Structural Relations). SEM analysis phase in this research is done by using the "two step approach" which begins with the analysis and testing of the measurement model and then perform the analysis and testing of structural models (Ghozali, 2005).

RESEARCH RESULT

Below table represents the loading factor value, which indicates the level of validity of the questionnaire that can be declared invalid. All loading factor values are above 0.50. It shows that each of the questions posed in the questionnaire can measure every latent variable or construct well. The level of reliability that is expressed by Cronbach's Alpha showed scores above 0.60 indicating that the questions have a high degree of reliability that can be used as a measuring tool in the research.

Table 1: Validity and reliability test

Source: Primary data analysis

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Construct | Indicators | Loading Factors | Remarks | *Cronbach's Alpha* | Remarks |
| *Store Image* | SI1 | 0.575 | Valid | 0.771 | *Reliable* |
| SI2 | 0.728 | Valid |
| SI3 | 0.753 | Valid |
| SI4 | 0.697 | Valid |
| SI5 | 0.596 | Valid |
| SI6 | 0.768 | Valid |
|  *Service Quality* | SQ1 | 0.923 | Valid | 0.898 | *Reliable* |
| SQ2 | 0.923 | Valid |
| SQ3 | 0.974 | Valid |
| SQ4 | 0.974 | Valid |
| SQ5 | 0.935 | Valid |
| SQ6 | 0.935 | Valid |
|  PLB *Image* | PLB1 | 0.822 | Valid | 0.864 | *Reliable* |
| PLB2 | 0.862 | Valid |
| PLB3 | 0.735 | Valid |
| PLB4 | 0.854 | Valid |
| PLB5 | 0.854 | Valid |
| *Price Consciousness* | PC1 | 0.619 | Valid | 0.775 | *Reliable* |
| PC2 | 0.851 | Valid |
| PC3 | 0.850 | Valid |
| PC4 | 0.762 | Valid |
| *Purchase Intention* | PI1 | 0.931 | Valid | 0.846 | *Reliable* |
| PI2 | 0.931 | Valid |

Pictures of the model t-values below displays the track diagram with the complete model numbers that indicate the value t of each number associated estimation. Value-t <1.96 (α = 5%) is shown in red and shows that an estimate is not significantly related to or equal to zero.



Figure 2: Structural models - estimates

Source: Primary data analysis using LISREL 8.87

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Figure 3: Structural model t-values

Source: Primary data analysis using LISREL 8.87

From the above picture, it can be explained that:

Table 2: Structural path coefficient

 Source: Primary data analysis using LISREL 8.87

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Hypothesis** | **Path Model** | **Structural Path Coefficient** | **Standard Error** | ***t-statistic*** | **Remarks** |
| 1 | Store Image -----> PLB Image | 0.20 | 0.14 | 1.47 | Data not supporting hypothesis |
| 2 | Store Image -----> Purchase Intention | 0.30 | 0.14 | 2.15\*\* | Data supporting hypothesis |
| 3 | Service Quality -----> PLB Image | 0.42 | 0.16 | 2.68\*\* | Data supporting hypothesis |
| 4 | Service Quality -----> Purchase Intention | 0.028 | 0.12 | 0.22 | Data not supporting hypothesis |
| 5 | PLB Image -----> Purchase Intention | 0.25 | 0.11 | 2.39\*\* | Data supporting hypothesis |
| 6 | Price Consciousness -----> Purchase Intention | 0.20 | 0.076 | 2.62\*\* | Data supporting hypothesis |

The explanation as shown in the table below:

* Store image does not have positive influence on PLB image, however, it will have positive influence on purchase intention.
* Service quality has significant influence on PLB image but it does not influence significantly on purchase intention.
* PLB image has significant influence on purchase intention.
* Price consciousness has positive influence on purchase intention.

Convenience store image that had been captured by the respondent was not strong enough to improve the image of private label brands. Store image is still perceived as a store that has a reasonable price, good quality and have products that are economical compared to the impression of the main product that is owned by store (the image of private label products). Then, from the convenience store image, the purchase intention will be higher to buy private label products. When it is viewed from the functional aspects, store image is associated with products sold in stores, price and store layout. While the psychological aspect, store image is related to the value of those stores as a result of perception that is raised by the consumer, friendly feelings that are created by the shop staff, feeling of belonging (sense of belonging) to the store, as well as the values obtained from the store design, symbols, colors and store displays. In this study, the service quality has an influence on the image of private label brands, but the service quality does not have an influence on consumer’s purchase intention against private label products brand. Consumer convenience stores is a self-service customer who serve themselves when shopping, so the factor of service quality provided by the store through its staff does not affect the interest of consumers to buy.

Then, the better the image or perception of private label products, the higher the interest of the consumer to buy the product. It proves that a good image is very important in influencing consumer buying interest.

Price consciousness has an influence on buying interest. These consumers are very concerned with the price factor. It is because as much as 55% of respondents in this study is in the age range 21-25 years who is similar with the target consumer. To maintain this, then at an affordable price on the product will be the hallmarks of this convenience store on the other.

Table 3: Goodness of Fit (GoF) Dimension

Source: Primary data analysis using LISREL 8.87

|  |  |  |  |
| --- | --- | --- | --- |
| **GoF Dimension** | **Target** | **Value** | **Result** |
| Root Mean Square Error of Approximation (RMSEA)  | ≤ 0.08 | 0.07 | Good Fit |
| Normed Fit Index (NFI) | ≥ 0.90 | 0.91 | Good Fit |
| Non-Normed Fit Index (NNFI) | ≥ 0.90 | 0.94 | Good Fit |
| Comparative Fit Index (CFI) | ≥ 0.90 | 0.95 | Good Fit |
| Incremental Fit Index (IFI) | ≥ 0.90 | 0.95 | Good Fit |
| Relative Fit Index (RFI) | 0.80 ≤ RFI ≤ 0.90 | 0.89 | Marginal Fit |
| Goodness of Fit Index (GFI) | 0.80 ≤ GFI ≤ 0.90 | 0.87 | Marginal Fit |
| Adjusted Goodness of Fit Index (AGFI) | 0.80 ≤ AGFI ≤ 0.90 | 0.82 | Marginal Fit |

CONCLUSION AND RECOMMENDATION

Store image of convenience store that had been captured by the respondent was not strong enough to improve the image of private label brands. so we can say the data does not support H1 or in other words if store image is increase, it will not affect image of private label brands. However, the study found that store image has a direct significant influence on the purchase intention, so we can say the data supports H2 or in other words if the store image is increases, it will increase as well as purchase intention of private label products.

Store image is still perceived as a store that has a reasonable price, good quality and have products that are economical compared to the impression of the main product that is owned by convenience store (the image of private label products). Then, from the convenience store image, the purchase intention will be higher to buy private label products of convenience store. When it is viewed from the functional aspects, store image is associated with products sold in stores, price and store layout. While the psychological aspect, store image is related to the value of those stores as a result of perception that is raised by the consumer, friendly feelings that are created by the shop staff, feeling of belonging (sense of belonging) to the store, as well as the values obtained from the design store, symbols, colors and store displays.

Consumer convenience stores is a self-service customer who serve themselves when shopping, so the factor of service quality provided by the store through its staff does not affect the interest of consumers to buy. The findings also confirmed that service quality has a direct positive effect on private label brand (PLB) image. Surprisingly, service quality has no direct influence on purchase intention, but have indirect influence through private label brand (PLB) image. We can say the data supports the H3 or in other words if the service quality of convenience store is increases, it will also increase the image of private label brand (PLB image), but the other side the data does not support H4. In other words, if service quality of convenience store is increase, it will not affect purchase intention to buy private label products.

Then, the better the image or perception of private label products of store, the higher the interest of the consumer to buy the product. It proves that a good image is very important in influencing consumer buying interest.

Price consciousness has an influence on buying interest. The consumers are very concerned with the price factor. Price consciousness variable has significant direct influence on the purchase intention variable, so we can say the data supports H9. In other words, if the price increases, purchase intention of consumers towards private label products will also increase.

It is expected that further studies looking for relationship between consumer decision-making styles and actual purchases of private label products in Indonesia market context, using price consciousness, quality consciousness, brand consciousness, value consciousness, and risk perception as factors for investigation. For future study, there are some improvement can be done, first is distributing the questionnaire directly in the related retail, because this study uses online method by online. This study was conducted on a convenience store, expected future studies can test it against other types of retails such as supermarkets, which usually has a more variants of private label products. The development of retail business in Indonesia is highly developed in the last few years, it is expected that further research will test it on other retail store brands, especially brands, new to the retail market in Indonesia.

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