Factors Influencing Purchase Intention on Private Label Products*

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Abstract

This study aims to develop propositions about the factors that influence the purchase intention of private label products. These factors are: in-store promotion, visual merchandising, store image, and customer value. This study elaborates on some of the results of previous studies that have examined the factors that influence purchase intention of private label products that have been published on Google Scholar and indexed by Scopus between 1991-2020, to develop a proposition. This paper fills a lack of Studies which discuss purchase intention from a consumer behavior perspective. From the perspective of consumer behavior, purchase intention is influenced by three factors, namely: intrinsic factors including: consumer value, extrinsic factors including: in-store promotions, visual merchandising and store image, and consumer factors. This paper defines purchase intention as the effort and strong urge to buy a particular product in the future, the possibility of considering buying the product, the decision to rebuy the product and the desire to recommend the product. The main findings of this research are several propositions, namely: in-store promotion, visual merchandising and store image influence purchase intention mediated by customer value.

Keywords: Customer Value, In-Store Promotion, Private Label Product, Purchase Intentions, Visual Merchandising

JEL Classification Code: L81, L84, M31

1. Introduction

One strategy used to build a store’s competitive advantage is by creating a robust retail brand image and providing merchandise with a private label/store brand (Levy et al., 2014). Private label/store brand is an item that is only owned or traded by individual retailers (Sprott & Shimp, 2004). Private labels can be used to build competitive advantage in stores (Levy et al. 2014) to increase profit, store traffic, and increase the power of negotiation with manufacturers (Batra & Sinha, 2000) and build store loyalty (Sprott & Shimp, 2004; Batra & Sinha, 2000).

Sethuraman and Gielens (2014) state that sales of store brands / private labels around the world have grown over the past two decades. In 2009 the average market share of private label products globally was only 14.9%, but in 2013 the average market share of private label products globally increased to 16.5%. However, sales of private label products in Asian countries, including Indonesia, only reached below 10%. It is due to the retailers’ lack of investment in marketing private label products as well as the intense loyalty of consumers to national brands/ manufacturing brands. (Nielsen, 2014).

In Indonesia, the average sales figure of own-label products compared to nationally branded products is 2:10, this proves that the consumers are less interested in buying private label products, so it takes effort to build purchase intentions for private label products (Besra, Kartini, & Hasan, 2015).

Herstein et al. (2017) argue that to increase sales of private label products, retailers should use promotions.
However, in practice, product promotions of private labels are not as extensive as promotions carried out for nationally branded products. Grewal et al. (1998) and Sprott & Shimp (2004) add to encourage purchases and improve the perceived quality of private labels so that retailers can use in-store promotions. Previous research on in-store promotions influenced purchase intentions of private label products (Ye & Zhang, 2014; Abril & Canovas, 2016) in-store promotions affect shopping preferences of private label products (Chen, 2009) and build brand equity (Buil et al, 2013)

Another factor which influence purchase intention is visual merchandising. In future, visual appearance is one of the factors that can make our products stand out from competitors on the shelf or online (Grewal et al., 2017), whereas Kahn (2016) highlights the importance of various visual components, increasing consumer attention to encourage buying intentions. Previous research has proved that visual merchandising could encourage consumer buying intentions (Gajanayake et al., 2011; Ha & Lennon, 2010; Jain et al., 2014; Kerfoot et al., 2003; Kouchejian & Gharibpoor, 2012; Mary & Naud, 2015; Law et al., 2012).

Store image is another factor that influenced buying intentions as the opinion of (Bao et al., 2011; Wu et al., 2011; Diallo, 2012; Diallo et al 2015; Besra et al., 2015; Mathur & Gangwani, 2016; Konuk, 2018) Whereas Liljander et al. (2009) argued that store image influences purchase intention indirectly by reducing risk perception and increasing the quality of store-brand perception.

Customer value is one of the factors driving the purchase intention of a product and private label product (Dodds et al., 1991; Sweeney & Soutar, 2001; Liljander et al., 2009; Beneke et al., 2013; Rintamäki & Kirves, 2016; Mohseni et al., 2016; Toufani et al., 2017; Konuk, 2018; and Nikhashemi et al., 2016). Customer values are obtained by evaluating what customers feel as the benefit of owning/consuming goods (Eggert et al., 2018).

What differs in this research from previous studies is that this study combines variables of previous studies. This study also utilizes customer value as an intervening variable. We will conduct this research at stores which applies the principle of self-service market. Mini markets, supermarkets and hypermarkets sell daily necessities with the principle of self-service.

2. Literature Review

2.1. In-Store Promotion

Fam et al. (2011) emphasized in-store promotions in the form of individual sales, in-store display, and price reductions. Different opinions expressed by Berman et al. (2018) in-store promotions can be in the form of point of purchase, contests, sweepstakes, coupons, prizes, samples, special events. Yang & Lee (2016) added promotions in the store in the form of coupons, sweepstakes, free samples, premiums, store atmosphere, interactions with salespeople, as well as attractive packaging. Chen (2009) added that in-store promotions must provide benefits, attractiveness, and value to consumers.

2.2. Visual Merchandising

Visual merchandising is presenting the most visually appealing products due to the combination of art and science (Ebster & Garaus, 2015). Mehta & Chugan (2013) argued retailers can use the art of displaying merchandise in a wonderful manner, thus stimulating consumer purchasing. A broader definition stated by Chandon et al. (2009) says that visual merchandising is a technique that marketers use visually to increase the attractiveness of their outlets by creating a beautiful atmosphere, proper rack arrangement, attractive window display, cleanliness and many other aspects. It triggers impulse purchases among consumers.

2.3. Store Image

Chowdhury et al. (1998) and Orth & Green (2009) expressed a different opinion, they state that the store image is a picture of the store, it is inherent in the mind of the buyer based on core elements such as atmosphere, comfort, price/value, product selection, quality products, and services. According to Diallo (2012), consumers use different elements when evaluating a store. Therefore, the store’s image is a multidimensional concept. It includes various aspects of a store, namely: layout, merchandise, and services. Bao et al. (2011) declared that shop image forms to the combination of retail attributes such as store service, shopping environment, product diversity, and quality of merchandise.

2.4. Customers value of Private Label Products

Customer value is the consumer’s judgment about the benefits of the product based on perceptions of the sacrificed and the received (Zeithaml, 1988). Gallarza & Gil (2008) said that customer value is the value that arises when consumers own and consume the goods/services they buy. Eggert et al. (2018) confirmed the value in the use of expressing utility of particular objects, while the value in exchange expresses the power to buy other goods owned by the object.

We could classify customer value (Sweeney & Soutar, 2001) in four dimensions, namely: (1) emotional value is a feeling or affective statement arising after using the product (2) social value is the benefit arising from the ability of the
product to improve the social concept of self, (3) functional value (price/value for money) that is the benefits generated from the product compared to the costs incurred, and (4) functional value (performance/quality) is the expected performance of a product. Walsh & Mitchell (2010) and Rintamäki & Kirves (2016) stated four dimensions of customer value commonly used in research on private label products, fashions online and offline, and also electronic online and offline, namely: economic value, functional value, emotional value and social value.

2.5. Purchase Intention on Private Label Products

Bilal & Ali (2013) revealed that there are three factors that influence consumer purchase intentions, namely intrinsic factors including: perceived value, extrinsic factors include: store image, visual merchandising and in-store promotion, while consumer factors include: attitude and trust. Research on attitudes can influence purchase intention has been carried out by Nguyen et al. (2020) who argue that green product purchase intention is positively influenced by the attitude of buying green products and altruism towards the product. Phuong & Dat (2017) added that consumer purchase intentions are higher if consumer attitudes are more positive towards functional food products.

The likelihood of someone doing certain behaviors reflects intention (Ajzen, 1991). Buying habits reflect behavior planned by potential customers and the likelihood that we will translate the behavior into buying behavior (Engel et al., 1990; Schiffman and Wisenbilt, 2015). Furthermore, Dodds et al. (1991) and Schiffman and Wisenbilt (2015) add that an increase in purchase intention means a possibility of increased purchases. When consumers have positive purchase intentions in the form of commitment to the brand, it encourages consumers to make actual purchases.

Wu et al. (2011) and Shao et al. (2004) argue that buying intention shows the likelihood that consumers will plan or attempt to buy certain products or services in the future, referring to the possibility of consumers to consider buying, or the consumer's decision to repurchase the product. (Shao et al. 2004). Hoang et al. (2020) argued that on the purchase of organic milk products, purchase intention occurs when consumers are aware of the brand, this brand awareness is strengthened or weakened by corporate social responsibility carried out by the company.

3. Propositions

This study offers a conceptual framework of factors that influence purchase intentions that are mediated by customer value. The following section explains the relationship between each variable in explaining the purchase intention of private label products.

3.1. The Impact of In-Store Promotion to Customer Value

Moliner et al. (2007) and Yoo et al. (2000) show that product, promotion, price, and distribution significantly influence customer value. Chen (2009) argues that promotion of products with private label that are attractive, useful and of good value can encourage consumer shopping preferences. In-store promotions in the form of discounts, premiums are usually used by retailers to increase store traffic, encourage purchase intentions depending on the benefits and perceived value of customers (Grewal et al., 1998; Gauri et al., 2017; Chandon et al., 2009). Yang & Lee (2016) added that when in-store promotions are attractive, consumers with purchase intentions will react more to retailers’ in-store promotions. Iranmanesh (2017) says that price promotions and volume discounts affect purchase intentions. Luo & Lee (2018) argued discount after purchase either in the form of nominal value or discount percentage can affect consumer desire to repurchase to the company.

Proposition 1: In-store promotions affects customer value

3.2. The Impact of Visual Merchandising to Customer Value

Levy et al. (2014) stated that one way to add value to motivate consumers to shop impulse is to use visual merchandising. Ebster & Garaus (2015) argues that shopping at stores will meet the following values: efficiency, aesthetics, exploration, and social interaction caused by displaying goods, music, lightings, and if the store layout is a beautiful one. At the same time, the findings of Beneke & Carter (2015) are that visual merchandising through customer value creates an indirect effect on store brand loyalty. Toufani et al. (2017) state that aesthetics (colour, design, product shape) affect the emotional value and functional value of the stores.

Proposition 2: Visual merchandising affects customer value

3.3. The Impact of Store Image to Customer Value

Ryu et al. (2008) and Ryu et al. (2012) argue that the store/restaurant image directly and significantly influences the customer value. Grewal et al. (1998) reveal the relationship between store image and customer value, consumers will feel the added value felt when buying products in stores that have a positive image. Whereas Beneke et al. (2013) reveals that store image both directly and indirectly influences brand loyalty which is mediated by customer value. Loyalty to store brands arises when the stores’ image shapes customer
value. In contrast, Konuk (2018) believes that the store’s image influences customer value through perceived quality. Chang & Tseng (2013) and Tu & Chih (2013) stated that store image influences perceived value and utilitarian value.

**Proposition 3: Store image affects customer value**

3.4. The Impact of In-Store Promotion to Purchase Intention

Grewal et al. (1998) argue that discounted prices are often used by retailers to increase in-store traffic and encourage purchases. Furthermore, Gauri et al. (2017) stated that discounted prices would increase store traffic and store sales. Meanwhile, Palazon & Ballester (2009) argue that in-store promotions in the form of premiums and discounted prices can encourage purchase intentions depending on the perceived value of consumers to these two promotional tools. Palazon’s opinion is reinforced by Yang & Lee (2016), which states that if in-store promotions are attractive, consumers with purchase intentions will react more to in-store promotions by retailers. Whereas Ye & Zhang (2014) argued that sales promotions and price promotion activities influence buying intentions.

**Proposition 4: In-store promotions affect customer intentions**

3.5. The Impact of Visual Merchandising to Purchase Intention

Jain et al. (2014) argue storefront that is part of visual merchandising creates pleasant feelings for consumers which leads to consumer buying intentions. Opinions of Gajanayake et al. (2011) color, appearance of the product, cleanliness, lighting, and music affect consumer purchase intentions. A different opinion raised by Park et al. (2014). They stated that a positive attitude or liking visual merchandising changed to a favorable brand attitude directly that was positively related to purchase intention. According to Wu et al. (2014), store layout creates emotional arousal influences buying intentions. Kerfoot et al. (2003) added that merchandise color, presentation style, the distance between shelves, equipment as well as the quality of materials and lighting affect product purchase intentions.

**Proposition 5: Visual merchandising affects purchase intentions**

3.6. The Impact of Store Image to Purchase Intention

Grewal et al. (1998) found a relationship between self-service image directly to product purchase intentions, so it is essential for companies to improve their image. The same opinion was stated by Champion et al. (2010) which states that the store’s image influences the willingness of consumers to buy products, where consumers judge that supermarkets that have an unfavorable image carry low-quality products as well. Whereas Liljander et al. (2009) argued that store image influences purchase intention indirectly by reducing risk perception and increasing the quality of store-brand perception.

Store image significantly influenced the purchase intention of products private label (Diallo, 2012; Bao et al., 2011; and Wu et al., 2011; Diallo et al., 2015). Hu (2011) added that merchandise management, harmony, and comfortable store atmosphere significantly influences shopping intentions and shopping frequency. Hu’s statement was supported by Konuk (2018), who stated that increased buying intentions were influenced by customer value, trust in private organic labels, product quality, and positive store image.

**Proposition 6: The store’s image affects Purchase intentions**

3.7. The Impact of Customer Value to Purchase Intention

Customer value is a vital determinant in repurchase intentions using online channels (Chang & Wang, 2011). A similar opinion was expressed by (Dodds et al., 1991; Grewal et al., 1998; Beneke et al., 2013) the perceived value of the customer directly influences the desire to buy. The findings of Kakkos et al. (2015) that risk perception, value for money, social value are the main driving factors of consumers’ purchase intentions for products’ private labels.

Liljander et al. (2009) and Konuk (2018) emphasized that the main factor driving the purchase intention of products private labels is customer value. Mohseni et al. (2016) added that personal value, shopping experience, and perceived risk affects purchase intentions using the website, while Lien et al. (2015) stated purchase intentions were directly affected by three essential factors: brand image, price, and perceived value.

**Proposition 7: Customer value affects purchase intention**

Based on the literature discussed above, the variables proposed in this study are determining factors that influence purchase intention of private label products, including in-store promotions, visual merchandising, store image, and customer value. Figure 1 shows the relationship between each proposed construct.
4. Conclusion

We purpose this study to develop propositions about the factors that influence the purchase intention of private label products. The findings of this research are several propositions, namely: in-store promotions, visual merchandising and store image directly affect customer value and purchase intention. The following propositions are: In-store promotion, visual merchandising and store image influence purchase intention mediated by customer value. However, based on previous research, it has been found that there are gaps in the literature discussing the factors that influence the purchase intention of private label products. This research offers a proposition to explain and fill the gap in research.

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