

How to Create Sustainability for Modern Retail through Private Label: Case Study for Giant Supermarket in Indonesia

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ABSTRACT

From year to year, modern retail business has changed quite drastically and by that we can see new retail businesses. Nowadays, retail businesses in Indonesia is having a drastic increase and we can know this is happening because of the Indonesian's character where they do thing such as shopping for their "holiday". One of the developing supermarket, Giant. Now their shares is owned by Hero Supermarket Group. In August 2010, they opened 46 Giant hypermarket and 104 supermarkets in Indonesia.

The purpose of this research is that to know what is the effect of the store image, the quality of the service and brand image to the decision of the customer buying. This research is a causal research. This research uses quantitative method and using SPSS to process the data. The collection of data is using questionnaire to 200 respondents with the characteristics of gents and ladies with the age between 18 to 60 years old, and once bought anything in Giant Private Label in the last 3 months in Indonesia

Keywords: Store Image, Service Quality, Brand Image of Private Label, and Buying Intention Private Label

I. Introduction

From year to year modern retail business experienced a fairly rapid growth and it can be seen from the number of new retail business.

Retail business in Indonesia currently continues to experience a considerable increase. This phenomenon happens because of the character of the Indonesian people who make a shopping activity as a recreation. The retail market provides a wide range of facilities, such as: low price products, fresh products, large shopping areas, and easily accessible and comfortable areas. The retail market also provides a complete product ranging from household, office, school, and electronic appliances. There are various reasons why consumers choose to shop at a modern retail company (Siahaan, 2011).

From modern retailers' view, urban lifestyle becomes the main selling point to make consumers to choose to shop in modern retail, especially, when urban communities are no longer questioning the price difference between one outlet to the other outlets. People are more concerned with a comfortable, clean, and safe shopping place to shop. All of retail businesses today heavily prioritize in their customer services to compete with other retailers (Kristanti et al., 2012).

The development of retail business in Indonesia is very rapid and quite large because in the last six years, from 2007-2012, modern retail outlets in Indonesia experienced an average growth of 17.57% per year. In 2007, the number of retail business in Indonesia is still 10,365 outlets, then in 2011 reached 18,152 outlets spread in almost all cities in Indonesia. The growth in number of outlets is followed by sales growth. According to the Association of Indonesian Retail Companies (Aprindo), the growth of retail business in Indonesia is between 10% - 15% per year. Retail sales in 2006 stood at Rp 49 trillion, and shot up to Rp120 trillion in 2011. In 2012, retail growth is projected to remain at 10% - 15%, or reach Rp 138 trillion. The largest revenue is contributed by Hypermarket, followed by Minimarket and Supermarket (www.marketing.co.id, downloaded on May 24, 2014).

Hypermarket is a form of modern market in a large scale, in term of area of premises and traded goods. In addition to its vast place, hypermarkets usually have a large parking lot. Hypermarkets can be categorized by the number of cashiers per store that reach more than 20 people and the variety of the products at least 25,000 items including daily necessities, electronic appliances, and furniture. Supermarkets came first before hypermarkets and are known as modern markets. Supermarkets are different from traditional markets because of their self-service treatment. Minimarket is the development of a convenience store that offers convenience and services such as supermarkets but on a smaller scale (International Comercial Newsletter, 2011).

Currently the development of Private Label is very rapid. Currently a large number of modern retailers such as hypermarkets and minimarkets are competing to launch their own

brand products (Private Label). For example, Carrefour Indonesia currently has two to three thousand items of private label products from a total of 40 thousand items of its products. In fact, a minimarket like Giant Supermarket alone has about 500 items of products with its own brand name, followed by Alfamart which is estimated to have 100 Private Label products. The number of such products does not seem to decrease and it only continues to grow. Within a year the Giant Supermarket issues 100 - 200 Private Label items. This product (Private Label) is expected to continue to grow, although, eventually it will find its limit in other words it will experience a slower increase and eventually it will stop (Ivana Faustine, 2011).

There are several factors that may affect Purchase Intention. This research is using store image factor, service quality, and Private Label brand image that influence buyer's inclination in buying Private Label product in Giant Supermarket. This research wants to examine the variables that have a significant effect in efforts to increase buying interest in buying private label products.

II. Literature Review

2.1 Private Label

Kotler (1994) in Paul et.al., (2011) defines Private Label as a product that is generated or created by certain retailers. The goal of a Private Label product by a retailer is to increase the margins of a modern retailer, since Private Label products do not require huge promotional costs. Retailers may negotiate with manufacturing companies to obtain wholesale prices to generate greater margins (Siahaan, 2011).

2.2 Buying Interest in Private Label

Buying interest is a consumer decision to buy a product or brand (Peter & Olosun, 2008). According to Blackwell et al., (2006) what consumers think about buying is called buying interest. Mowen (1995) in Meldariana and Lisan (2010) expressed the buying interest of Private Label is the tendency of consumers to take buying action of a brand and it is measured by the probability level of consumers to make a purchase.

2.3 Private Label Brand Image

In the study, Paul et al. (2011) defines Private Label Brand Image as a consumer association

of Private Label Brands' products that leads to consumer perceptions of the said products. According to Kapferer (1997) in Liljander et al. (2009) explains that Private Label brand image is a choice of brand strategy by the retail-owned products depending on brand image, store name, and product engagement level. Kotler (1993) in Paul et al., (2011) defines the Private Label Brand Image as the consumer's meaning for the development of a Private Label brand as a result of the company's marketing activities for the Private Label brand. The hypothesis for this study, is:

H1: Brand image private label significantly affect the buying intention private label

2.4 Store Image

Store image can be described as what consumers see and feel toward a particular store. Consumer image of a store build on the consumers' impression of the exterior and interior. Store image is an important thing for retailers to attract customer and meet customer satisfaction (Umar, 2002). The hypothesis for this study, are:

H2: Store image significantly affect the brand image private label

H3: Store image significantly affect the buying intention private label

2.5 Service Quality

According to Zeithaml et al., (2009) Service Quality is the assessment from the customer for the overall Excellency of the services provided. Service quality can be measured through customer perceptions of the services provided by a company. From the customer's perception, if the service exceeds the customer's expectations then the customer will continue to repurchase from the company. If the Quality of the service provided unable to meet customer expectations, then it can lead to the loss of consumers. The ability of a company to maintain or keep customer loyalty depends on how consistent the company in delivering good service to its customers. The hypothesis for this study, are:

H2: Service quality significantly affect the brand image private label

H3: Service quality significantly affect the buying intention private label

III. Research Issue and Methodology

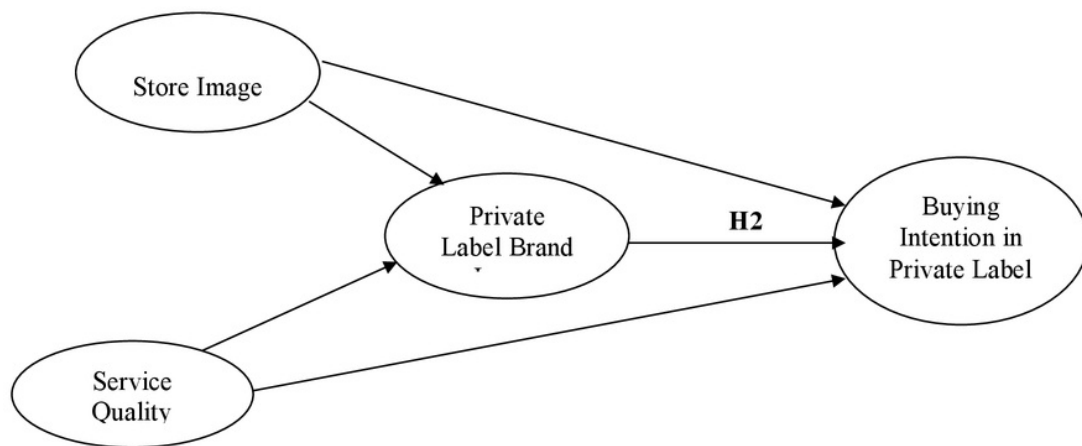
3.1 Research Issue

The application of Purposive Sampling Technique in this research was done by distributing questionnaires to consumers in Indonesia who have bought products in Giant Supermarket as sample. Questionnaires were given to consumers who had already purchased products at the Giant Supermarket and were interested in purchasing Private Label products owned by Giant Supermarket. So that the respondents selected were in accordance with what was expected.

3.2 Methodology

The study used a descriptive study to describe the characteristics of the customer who buy private label products in Giant Supermarket.

Image 2.1. Research Model



Pic 2.3 Research Model

Source: Wu *et al.*, (2010)

IV. Findings and Discussion

4.1 Findings

4.1.1 Multiple Regression Analysis

Table 4.28

Multiple Regression Analysis Result

Variable	Standardized Coefficients
CT*PL	0.421
KL*PL	0.210

Source: Data processed, 2017

From the data, the result of regression equation as follows:

$$PL = b_1.CT + b_2.KL$$

$$PL = 0.421 CT + 0.210 KL$$

Description:

PL : Private Label Brand Image

CT : Store Image

KL : Service Quality

b₁, b₂ : Regression coefficient

Coefficients that are marked positive indicate a unidirectional change between independent variables to the dependent variable. In the calculation of the above regression show all independent variables have coefficients that are marked positive.

Table 4.29

Multiple Regression Analysis Result

Variabel	Standardized Coefficients
CT*MB	0.410
KL*MB	0.211
PL*MB	0.209

Source: Data processed, 2017

From the data, the result of regression equation as follows:

$$MB = b_3.CT + b_4.KL + b_5.PL$$

$$MB = 0.410 CT + 0.211 KL + 0.209 PL$$

Description:

MB : Buying Interest in Private Label

CT : Store Image

KL : Service Quality

PL : Private Label Brand Image

b_3, b_4, b_5 : Regression coefficient

Coefficients that are marked positive indicate a unidirectional change between independent variables to the dependent variable. In the calculation of the above regression show all independent variables have coefficients that are marked positive.

4.1.2 F-test

Tabel 4.32
F Test Result

Variable	Sig.	Standard	Description
CT,KL*PL	0.000	0.05	Hypothesis accepted
CT,KL,PL*MB	0.000	0.05	Hypothesis accepted

Source: Data processed, 2017

Based on ANOVA or F test results in the above table, the significance (CT, KL * PL) is 0.000. Based on hypothesis testing criteria if the significance is <0.05 , hence hypothesis accepted, meaning free variable of CT (Store Image), KL (Quality of Service) are simultaneously has significance influence to PL (Private Label Brand Image).

Based on ANOVA or F test results in the above table, the significance (CT, KL, PL * MB) is 0.000. Based on hypothesis testing criteria if the significance is <0.05 , then hypothesis accepted, meaning free variable of CT (Store Image), KL (Quality of Service), PL (Private Label Brand Image) simultaneously influence the significance to MB (Buying Interest in Private Label).

4.1.5 t-test

T Test t is used to determine whether there is a significant influence or significant relationship between the independent variables of the Store Image, the Quality of Service Partially to the Buying Interest, then between the independent variables of the Store Image, the Service Quality, and the Private Label Brand Image partially to the Buying Interest in Private Label.

Table 4.33
T Test Result

Variable	Sig.	Standard	Description
CT*PL	0.000	0.05	Hypothesis accepted
KL*PL	0.010	0.05	Hypothesis accepted
CT*MB	0.002	0.05	Hypothesis accepted
KL*MB	0.001	0.05	Hypothesis accepted
PL*MB	0.000	0.05	Hypothesis accepted

Source: Data processed, 2017

Then the test criteria as follows:

If significance is > 0.05 then the hypothesis is rejected.

If significance is < 0.05 then the hypothesis is accepted.

4.2 Discussion

Based on the research that has been done, the results obtained from the five hypotheses studied is accepted. The first hypothesis: Brand Image significantly influences the Private Label Brand Image is accepted. The second hypothesis, that is, the Quality of Service has a significant effect on the Private Label Brand Image is accepted. The third hypothesis, Brand Image significantly influence Buying Interest in Private Label is accepted. Fourth hypothesis, that is Service Quality significantly influence Buying Interest in Private Label. The fifth hypothesis, which is Private Label Brand significantly influence Buying Interest in Private Label is accepted.

V. Conclusion, Limitation and Research Extention

5.1 Conclusion

Based on the research results, the variable Store image, Quality of Service, and

Private Label Brand are very important variables and gives big influences in increasing the Buying Interest in Private Label of Giant Supermarket. So, managerial implications should be more focused on those variables.

The findings of this study indicate that Store Image in general has an enormous influence in order to increase the Buying Interest in Private Label in Giant Supermarket in Surabaya. This is shown in the weight of regression of causal relationships for Store Image and Buying Interest in Private Label. So it is necessary to make an improvement to increase Buying Interest in Private Label in Giant Supermarket. It is important to improve Store Image to increase Buying Interest in Private Label. As seen on data it has a greater impact than the Service Quality and Private Label Brand Image.

The managerial implications of these findings can be based on theories that have been developed as follows:

First, Store Image is an important element that becomes an indicator for a consumer in the process of increasing Buying Interest in Private Label and Private Label Brand Image. Store image can be measured through consumer perception or what is felt by consumer, the consumer is satisfied when the impression given by the store met the expectation of the consumer through the store's atmosphere of Giant Supermarket. Therefore, in order to satisfy the consumers, Giant Supermarket should continue to improve the comfort of Giant Supermarket itself, such as the place should always be clean, there is no bad odor in the Supermarket, and so on. Therefore, every outlet of the Giant Supermarket should provide facilities that make consumers easy when transacting, such as ATM. Giant Supermarket must maintain a good value in public's eye, which Giant Supermarket is a minimarket that always provides the daily needs for the community. The cashier's place should be spacious so when there is a queue at the checkout, the queue does not interfere with other consumers who still searching products in the Giant Supermarket. In addition, Giant Supermarket needs to do promotions to introduce Private Label products in the community so that people know that in fact the image quality of private label Giant Supermarket is good.

Secondly, Quality of Service is an element that affects Private Label Brand Image and Buying Interest in Private Label, even if the influence is not as big as Store Image, but it is also important to note and evaluate in terms of Quality of Service because it cannot be denied that Quality of Service from Giant Supermarket more focus on services to consumers such as employees of the Giant Supermarket should have a friendly attitude to consumers by smiling when serving customers, because if the employees have friendly attitude, the consumers will feel comfortable when buying products at the Giant Supermarket. It is important for Giant

Supermarket to improve the Quality of Service by providing sufficient parking space, so that consumers do not need to be confused to find a place to park their vehicles. Employees of the Giant Supermarket should also be polite when talking or interacting with every customer. So that consumers feel happy and comfortable when shopping at the Giant Supermarket.

Third, Private Label Brand Image is an element that influences Buying Interest in Private Label, although the resulting effect is not as big as Store Image and Quality of Service, but it is also important to note and evaluate in terms of Private Label Brand Image because it cannot be denied that Private Label Image is more focused on the image or the consumer's view of private label brand, such as Giant Supermarket should further enhance the image of private label products in order to compete with national products. Giant Supermarket also needs to work with national product companies to create a product, but the brand should emphasize in private label products Giant Supermarket. Giant Supermarket also needs to think of packaging that has good quality for their each private label product so that the content of the product is maintained properly.

5.2 Limitation and Research Extension

In future research, it is expected to use other objects outside the field of Supermarket, For example, Hypermarket like drug store, or automotive field, so that research objects can be more varied. Future research can also expand the scope of the respondents, or conduct research in different areas.

In addition, it is also expected to use the Structural Equational Model (SEM) of AMOS 16.0 software in subsequent research, due to the complex model and the addition of Perceived Risk and Price Consciousness variables in the model used.

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