

Strategy to Increase Consumer Purchasing Decisions in Supermarket Business

Agus Supandi Soegoto
Faculty of Economics & Business
Sam Ratulangi University
Manado, Indonesia
supandi@unsrat.ac.id

Een N. Walewangko
Faculty of Economics & Business
Sam Ratulangi University
Manado, Indonesia

Abstract— This study aims to determine strategies to improve consumer purchasing decisions through Product Quality, and Servicescape in the Supermarket business both partially and simultaneously. The method used is associative and aims to uncover the model of the relationship between variables, with multiple linear regression analysis techniques. The independent variables measured are Product Quality and Servicescape and Consumer Purchasing Decisions as the dependent variable. The object of research is consumers who shop at supermarkets, where supermarkets that operate are the unit of analysis. Data collection is done randomly, with a proportional sampling technique so that respondents can represent the population. Sampling areas include supermarkets in the Manado, Bitung and Tomohon city as major cities in North Sulawesi. Test statistics include classical assumptions, and hypothesis testing is z , t , and F tests with a significance level of 5% and calculated with the Eviews program. Statistical analysis uses a descriptive verification test. The results of the study concluded that Product Quality and Servicescape both simultaneously and partially had a positive and significant effect on purchasing decisions. Thus the application of the right strategy by offering quality products and structuring Servicescape will be able to improve consumer purchasing decisions, increase profits and maintain the sustainability of the supermarket business.

Keywords— Product Quality, Servicescape, Purchase Decisions

I. INTRODUCTION

This study aims to determine strategies to improve consumer purchasing decisions through Product Quality, and Servicescape in the Supermarket business. The development of retail business in Indonesia is starting to worry now. Some supermarkets have to close their outlets because of the very fierce competition. Competition in the supermarket business also occurs in both traditional and modern management, including supermarkets and hypermarkets [1].

The current globalization in trade and financial services, accelerating the inflow and outflow of capital from business people to developing countries. The influx of capital helps the development of the national retail business through equity participation in retail company shares, including in Indonesia and Asian countries whose economies are growing fast. Indonesia, with a large market potential (237 million), has become one of the world's most important markets, especially for the entry of the latest products and technologies, including offers for environmentally friendly products [2]. At present developments, especially towards the last decade of the millennium, business competition has a widespread impact, including in developing countries. At present, the regulations and deregulation undertaken by the government, especially in the retail sector, aim to increase

foreign direct investment (FDI) that has developed, including in the supermarket business chain [3].

Supermarket competition is currently very competitive, supermarkets generally act as intermediaries that provide added value to companies and suppliers who are geographically dispersed with the financial capabilities of different customers who will then become supermarket product buyers [4]. The phenomenon of the closing of several supermarket outlets, allegedly because of internal company problems, is also due to competition (the number of buyers is lacking) so that sales cannot reach the point of business return. Customer relationship management is also suspected to be another cause where supermarket managers are suspected of not fostering relationships with customers in the long term because it tends to survive in business competition. Concerning suppliers, the supermarket manager selects, regulates, and binds its suppliers with a medium-term contract by considering the economies of scale of the business [5].

The phenomenon of the development of supermarkets and minimarkets has been studied previously both internationally and through local research [1,3,5, 6,7 & 11]. Previous research generally focused on the development and impact of the existence of a supermarket business on the economy or other businesses. The research to be carried out aims to find out the application of the right business strategy in the field of marketing for supermarket businesses, so that they can offer their products appropriately and can improve consumer purchasing decisions so that their business can survive and excel in this competitive environment.

The current development of supermarkets has influenced the development of the retail sector in developing countries: both the newly formed supply chain and the increasing competition with traditional retailers [6,7,8,]. In the 1970s the first supermarket in Indonesia was opened, which then expanded rapidly between 1977 and 1992 with an average growth of 85 supermarket outlets each year. Hypermarkets first appeared in 1998, with Carrefour and Continent (later taken over by Carrefour) opening their first stores in Jakarta. From 1998 to 2003, Hypermarkets grew by 27 stores per year. Originally there were 8 Hypermarkets then grew to 49 stores. Although it is difficult to ascertain the number of supermarkets and hypermarkets across the country, since 2003, around 200 supermarkets and hypermarkets in operation are owned by the top ten retailers [9]. Fast supermarket business growth has become the focus of government attention (both central and regional because its rapid expansion can corner and shut down businesses from

small shops, grocery stores, which are mostly owned by small businesses or local entrepreneurs [10].

The phenomenon of the development of modern minimarket in almost all major cities in Indonesia has an impact on the economic development and has a significant influence on the choice of location determination shopping destination of communities to buy into modern minimarket or traditional retail. This is due to the presence of modern minimarket assessed potential enough by retail business holders. The modern retail growing quite rapidly are minimarkets with franchising or franchise concept. The rapid growth of the mini-market franchise system has also an impact of high competition and new problems for stores with traditional retail. Minimarket franchise system firstly is Indomaret in 1988, which until now has experienced remarkable growth that has reached almost 70%, special for Indomaret and Alfa Mart [11]. In the field of retail product marketing The challenge of competition in the field of product marketing between business people is increasing sharply in addition to consumers who are increasingly educated, and spoiled by the high competition among business people [14].

This new phenomenon especially in 2016, where the rapid growth of modern minimarkets in almost all major cities in Indonesia, has influenced economic growth and also significantly affected the patterns and ways of shopping for consumers. Rapid growth and the existence of an aggressive modern minimarket, are considered to have good business potential for retail business managers and investors so that the growth of retail businesses with a franchise model becomes a new trend. Nowadays, fast-growing modern retail is minimarket with the concept of a business franchise or franchise.

The retail business in North Sulawesi is currently growing rapidly, so competition for buyers is tighter. As a result of being unable to compete, there are several retail outlets and minimarkets which must eventually be closed because they are unable to attract people's buying interest, for example GIANT Supermarket, Coco Supermarket, Borobudur and Circle K which have to close down their businesses due to losses and unable to compete to win consumers due to intense business competition supermarkets and minimarkets in managed market areas.

Product quality is one of the assets for retail companies to be able to survive in business competition. Consumer perceptions of product quality will shape preferences and attitudes that will influence the decision to buy or not. Quality impressions provide value in several forms including the reasons for buying. The term servicescape refers to the style and appearance of the physical environment and also includes other elements of the service environment that shape the experience of consumers. Servicescape as a unity of the physical environment of a service that affects the consumer experience [15]. Architectural design and related design elements are important components of a servicescape.

Consumer purchasing decisions are unique because each person's preference for a product is different. This is influenced by many factors including Product Quality, Discounted Prices, Servicescape (physical environment) and other considerations according to consumer preferences.

Purchasing decisions are the result of choosing two or more alternative purchasing decisions [16].

The challenge of competition in the retail business at this time, which is very competitive due to the fast growth of the retail business, while there is a relatively fixed demand trend has caused some retail businesses to lose out in the competition. On the other hand there are retail business players who continue to grow, even expanding outlets in the North Sulawesi region, such as AlfaMart, Indo Maret, Fresh Mart and MultiMart. The expansion was carried out not only in the city of Manado, but also in other areas in the city and regency spread across North Sulawesi.

The unity of competing in the MiniMarket and SuperMarket businesses is greatly influenced by the high level of consumer interest in shopping at the MiniMarket and the SuperMarket. Another phenomenon is the increasing challenge of competition in the field of product marketing between business people who are increasing sharply in addition to consumers who are also increasingly reduced in quantity of business, and tend to be spoiled by the high competition among these business people [17].

The phenomenon of intense competition in the MiniMarket and SuperMarket businesses today, causes business managers or store outlets are required to always innovate so that their business can still be favored by consumers and the desire to shop consumers remains high when in a managed shopping area. Attitudes toward behavior is one of the variables that affect directly and indirectly to the interests and buying behavior [18]. In this context, the purchase of consumers is something unique that is supposed to get special attention, because the preferences and buying the interest of each consumer for a product is always different.

This study use the multiple linear regression analysis method to analyze how Product Quality, and Servicescape can significantly positively affect their implications to customer purchase decisions. This result obtained because the statistical test showed that Product Quality and Servicescape increases then implications customer purchase decisions. The purpose of this article is to analyze Product Quality and Servicescape and their implications on the customer purchase decisions either partially or simultaneously in the Supermarket business.

II. METHODS

The research was conducted in the period of February to September 2019. The population of this study are consumers who shop for supermarkets business in Manado, Bitung and Tomohon City. Purposive technique is used when the researchers selects a sample based on several criteria [19]. The sample used proportionally on retail business in Hypermart Supermarket, Fresh Mart, Multi Mart, AlfaMart, and Indomaret in Manado Bitung and Tomohon City as much as Hypermart 20 respondents , Fresh Mart 20 respondents, Multi Mart 20 respondents, Alfa Mart 20 respondents, and Indomaret 20 respondents Manado, Bitung and Tomohon City.

This research uses a descriptive associative method, which aims to test the model of the relationship between variables, including testing the influence between research

variables. Multiple linear regression analysis techniques, which are used to prove hypotheses. The measured variables are Product Quality and Servicescape as the independent variable (X) and the Consumer Purchase Decision as to the dependent variable (Y). The object of research is consumers who shop at supermarkets, where supermarkets operating by region become the unit of analysis. Data collection is done randomly, with a proportional sampling technique so that respondents can represent the population. Sampling areas include supermarkets in the cities of Manado, Bitung, and Tomohon as major cities in North Sulawesi. Test statistics include classical assumptions, and hypothesis testing is the z, t, and F tests with a significance level of 5% and calculated by EvIEWS program.

The analysis model used to test the hypothesis is:

$$PD = b_0 + \beta_1 PQ + \beta_2 Sc + \varepsilon_t \quad (1)$$

Where:

- b_0 = Constant
- β_1 = Regression coefficient for PQ
- β_2 = Regression coefficient for Sc
- ε = Standard error
- PD = Purchase Decision
- PQ = Product Quality
- Sc = Servicescape

2.1. Multiple linear regression analysis Product Quality and Servicescape to purchase decisions

The results of multiple linear regression tests, obtained values for the following equations: value $a = 0.36$, $b_1 = 0.35$, and $b_2 = 0.53$. This number is then used for the regression equation, as follows:

$$Y = 0.36 + 0,35 X_1 + 0,53 X_2 \quad (1)$$

The a and bi values in the above equations can be interpreted as follows:

- $c = 0.36$ means: if Product Quality and Servicescape is 0 percent, then customer Purchase Decisions will be worth 36% percent.
- $X_1 = 0.35$ means: if Product Quality increases by one percent while Servicescape is constant, then the customer Purchase Decisions will increase 35% percent
- $X_2 = 0.53$ means: if Servicescape increases by one percent while Product Quality has a fixed value, customer Purchase Decisions will increase by 53% percent increase.

Against the classic assumption test, the test results show that:

1. In the Correlation biserial test, the criterion test $X^2_{\text{statistic}} < X^2_{\text{table}}$ where $0.687 < 5,99$ obtained that: model free from serial correlation problem.
2. In the Normality test, use test criteria; $X^2_{\text{count}} < X^2_{\text{table}}$ where $2.28 < 5.99$ shows that: residual is normally distributed.
3. Linearity test, using the Ftest criteria; $f_{\text{statistics}} < f_{\text{table}}$ $(0.05; 2; 100) = 3.09$ so $1.32 < 3.09$ shows that: linear model is acceptable.
4. Heteroscedasticity test, using test criteria; $\text{Obs} * R^2 =$

$0.925665 < \text{chi-square table } (5\%, \text{df}) = 5.99$ so we get the result: the model passed the heteroscedasticity test.

5. Multicollinearity test, using test criteria; If $R^2_1 > R^2_2$ then $R^2_1 = 0.717 > R^2_2 = 0.513$ so the results are obtained: the model did not find any multicollinearity.

Test results on previous data show the results of data testing on the classical assumption test that the model-free from serial correlation problem, residual is normally distributed, linear model is acceptable, the model passed the heteroscedasticity test and the model did not find any multicollinearity, so the data is feasible to use to predict the destination variables, models and research instruments can be used for research.

III. RESULTS AND DISCUSSION

3.1. Model of the Simultaneous Influence of Product Quality and Servicescape Variables on Customer Purchase Decisions.

Testing of Product quality and Servicescape variables, their effects simultaneously on Customer purchase decisions, test hypotheses are used:

$$H_0: \beta_1 = \beta_2 = 0,$$

That is, there is no simultaneous influence of Product quality and Servicescape variables on Customer purchase decisions in the Supermarket business.

$$H_a: \beta_i \neq 0,$$

That is, there is a simultaneous influence of Product quality and Servicescape variables on Customer purchase decisions in the Supermarket business. The significance level used is $\alpha = 5\%$.

Test criteria:

- reject H_0 if value $F_{\text{stat}} > F_{\text{table}}$,
- accept H_a if the value of $F_{\text{stat}} < F_{\text{table}}$

Statistical test results obtained a value of F_{stat} equal to 113.27. This value will be compared to the F_{table} value. With $\alpha = 0.05$, $v = 2$ and $\text{df} = 94$, it is known that the F_{table} value is 3.09. From the above values, it is known that $F_{\text{stat}} (113.27) > F_{\text{table}} (3.09)$, so H_0 is accepted and H_a is rejected, meaning there are significant simultaneous implications of Product quality (X_1) and Servicescape (X_2) to Customer purchase decisions (variable Y), the test results indicate that Product quality and Servicescape implications simultaneously have a significant effect on Customer purchase decisions. The result of the research indicated that the implications of Product quality and Servicescape simultaneously give implications to Customer purchase decision variables equal to 70.38%, this means that if the Product quality and Servicescape are properly managed and enhanced, their implications to Customer purchase decisions will increase as well in the Supermarket business.

3.2. Correlation Product quality and Servicescape

Tests on the Product quality variable relationship with Servicescape, whether it has a positive or negative

correlation, then the z statistical test is used. Research hypothesis:

$$H_0: \beta_1 = \beta_2 = 0,$$

That is, there is no positive relationship between product quality and Servicescape in the Supermarket business.

$$H_1: \beta_i \neq 0,$$

That is, there is a positive relationship between the Product quality and Servicescape in the Supermarket business. The level of significance (α): 0.05

Test criteria:

- reject H_0 if value $Z_{\text{statistics}} > Z_{\text{table}}$,
- accept H_a if the value of $Z_{\text{statistics}} < Z_{\text{table}}$

The statistical test results obtained $Z_{\text{statistics}}$ value of 10.9 values are then compared with the value of Z_{table} .. with $\alpha = 0.05$, $Z_{\text{table}} = Z_{\alpha/2} = Z_{0,025} = 1.82$. The results of this statistical test can be seen that the value of $Z_{\text{statistics}}$ (17.25) > Z_{table} (1.82), so H_0 is rejected and H_a accepted. Positive Z_{value} means there is a relationship between Product quality and Servicescape with the same direction, meaning that every change in value on the product quality will be related to changes in the value of Servicescape. A value of 17.25 indicates that the assumption is that there is a positive relationship of 17.25 between product quality (X_1) and Servicescape (X_2) in Supermarket business activities.

3.3. The partial model of Product Quality to Customer purchase decisions

3.3.1. The Partial Test of Product Quality on Customer Purchase Decisions.

Tests on the influence model of Product quality variables on Customer purchase decisions partially, using the test hypothesis:

$$H_0: \beta_1 = 0,$$

Meaning that Product quality partially has no effect on Customer purchase decisions.

$$H_a: \beta_1 \neq 0,$$

Meaning that Product quality partially influences the customer purchase decisions. The significance level used is $\alpha = 5\%$.

Statistical test results obtained that the t_{Stat} value for Product quality is 4.13. This value will be compared to the value of t_{table} in the distribution table t. With $\alpha = 0.05$, $df = n-k-1 = 96 - (3-1) = 94$, for the two-sided test the value of t_{table} is 1.66. It is known that t_{Stat} for X_1 (4.13) > t_{table} (1.66), then H_0 accepted. The results of this statistical test mean that partially significant Product quality has a positive effect on Customer purchase decisions. This means that any increase in the value of Product quality will affect the increase in the value of Customer purchase decisions.

3.3.2. The partial test of Servicescape on Customer purchase decisions.

Testing the Servicescape variable partially influences Customer purchase decisions, using a test hypothesis:

$$H_0: \beta_1 = 0,$$

This means that Servicescape partially has no effect on Customer purchase decisions.

$$H_a: \beta_1 \neq 0,$$

Meaning Servicescape partially significant implications effect to purchase decisions. With significance level $\alpha = 5\%$

Criteria:

- Reject H_0 if t_{Stat} is bigger than t_{table}
- Accept in other things.

Statistical test results obtained that the value of t_{Stat} value for Servicescape is 7.57 This value will be compared to the value of the t_{table} in the distribution table t. With $\alpha = 0.05$, $df = n-k-1 = 96 - (3-1) = 94$, for the two-sided test the value of t_{table} is 1.66. It is known that t_{Stat} for X_2 (7.57) > t_{table} , then H_0 accepted. The results of this statistical test mean that Servicescape partially significant has a positive effect on Customer purchase decisions. This means that any increase in the value of Servicescape will affect the increase in the value of Customer purchase decisions in the Supermarket business.

IV. CONCLUSION

The results of the analysis of the research data obtained several conclusions, that: 1) Product quality and Servicescape implications simultaneously have a significant effect on Customer purchase decisions. 2) There is a positive relationship between Product quality and Servicescape in the same direction, meaning that every change in value on the product quality will be related to changes in the value of Servicescape in Supermarket business activities. 3) Product quality has a positive and significant effect on customer purchase decisions. This means that any increase in the value of Product quality will affect the increase in the value of customer purchase decisions. 4) Servicescape has a positive and significant effect partially on Customer purchase decisions. This means that any increase in the value of Servicescape will affect the increase in the value of customer purchase decisions in the Supermarket business. Customers who receive the benefits will feel good they are against company Product quality and Servicescape. This means that if Product quality and Servicescape are properly managed and enhanced, their implications to purchase decisions will increase as well. Finally, these results tests indicate that to improve Customer purchase decisions, supermarket business entrepreneurs must pay attention to the quality of Products and Servicescape, Product Quality is well maintained and an increase in Servicescape will be able to improve Customer purchase decisions supermarket business in North Sulawesi.

ACKNOWLEDGMENT

The authors wish to express their gratitude to management and employees of Hypermart Supermarket, Fresh Mart, Multi Mart, AlfaMart, and Indomaret in Manado Bitung and Tomohon City as well as respondents who have been willing to answer the questionnaire that has been distributed, and the funding of this research by Riset Dasar Unggulan Unsrat (RDU Unsrat) Scheme 2019 which is provided by LPPM Sam Ratulangi University.

REFERENCES

- [1] Suryadarma D, A.Poesoro, S. Budiyati, Akhmadi and M. Rosfadhila. "Impact of Supermarkets on Traditional Markets and Retailers in Indonesia's Urban Centers". The SMERU Research Institute, Jakarta, pp.11-62. 2007.
- [2] Indonesia Green Site. "Indonesian Market ready to welcome green products". <http://www.hijauku.com/> pp 1, 2011.
- [3] Reardon, T and R. Hopkins. "The Supermarket Revolution in Developing Countries: Policies to Address Emerging Tensions among Supermarkets, Suppliers and Traditional Retailers". Forthcoming in European Journal of Development Research.18 (4). 2006.
- [4] Steeneken, F. and D. Ackley. "A Complete Model of the Supermarket Business". BPTrends, www.bptrends.com January 2012. Pp.11-13, 2012.
- [5] Suryadarma, D, A. Poesoro, S. Budiyati, Akhmadi, Meuthia Rosladhia. "Impact of Supermarkets on Traditional Markets and Retailers in Indonesia's Urban Centers". The SMERU Research Institute, Funded by World Bank, Jakarta. August 2007. ISBN.978-979-3872-45-2. Pp.1-50, 2007.
- [6] Reardon, Thomas, C. Peter Timmer, Christopher B. Barrett, and Julio A. Berdegue. "The Rise of Supermarkets in Africa, Asia and Latin America. American Journal of Agricultural Economics, (2003), 85(5)
- [7] Reardon, Thomas and R. Hopkins. "The Supermarket Revolution in Developing Countries: Policies to Address Emerging Tensions among Supermarkets, Suppliers, and Traditional Retailers." Forthcoming in European Journal of Development Research, (2006), 18(4)
- [8] Traill, W. Bruce. "The Rapid Rise of Supermarkets?" Development Policy Review, (2006), 24 (2).
- [9] PricewaterhouseCoopers 2005/2006 From Beijing to Budapest: Winning Brands, Winning Formats. (online) <http://www.pwc.com/> (18 October, 2006).
- [10] Databoks. 2018, Terdapat 1.131 Toko Modern di Indonesia. 27 Maret 2019 <https://databoks.katada.co.id> 2019.
- [11] Rusno. "Dampak Pesatnya Minimarket Waralaba terhadap Usaha Kecil (jenis Ritel)". Jurnal Ekonomi Modernisasi Universitas Kanjuruhan, Malang, 2008, Vol.4(3): 194-207
- [12] Kotler P. and K.L Keller. *Marketing Management Fourteenth Edition*. Prentice Hall. New Jersey. 2013. 8.
- [13] Day, G.S. *Market Driven Strategy, Processes Creating Values*. New York: The Free Press. 1999.
- [14] Bailia, J.F.T, A.S. Soegoto, S.S.R. Loindong. "Pengaruh Kualitas Produk, Harga dan Lokasi Terhadap Kepuasan Konsumen Pada Warung-Warung Makan Lamongan di Kota Manado. *Jurnal EMBA*, 2014, Vol.2(3) :1768-1780
- [15] McDonnel, A. and C.M. Hall. "A Framework For The Evaluation of Winery Servicescapes A New Zealand Case". *Journal of Tourism and Cultural Heritage*, 2008, Vol. 6(2) New Zealand, Pp. 231-247.
- [16] Schiffman & L.Kanuk. "*Consumer Behavior*". 7th Edition. Australia: Pearson Education, 2008.
- [17] Chen, Y.S and C.H. Chang. "Enhance Green Purchase intentions The Roles of Green Perceived Value, Green Perceived Risk, and Green Trust". *Management Decision*, , 2012, Vol.50(3):502-520
- [18] Chen, Y. "The Drivers of Green Brand Equity: Green Brand Image, Green Satisfaction, and Green Trust. *Journal of Business Ethics*", 2010, Vol.(93)2: 307-319.
- [19] Cooper, D.R. & Schindler, P.S. *Business Research Methods*, 9th Edition. New York: Mc- Graw Hall, Irwin. 2006.