

Private Label Brand as Better Competitive Advantage for Local Retailers

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Abstract—Increasing the number of middle class coupled with the decline in prices of goods and services due to decreasing inflation rate, will be directly proportional to the increase in purchasing power of society in general. The increasing effect of purchasing power is believed to change consumer behavior. Consumers who initially shop at traditional markets will switch to the modern retail market. This is cause of retail trends currently enter the lifestyle sphere. This phenomenon makes retailers try to package products using their own packaging and brands, often known as private label brands. Implementation is expected to create an attractive store image and become a shopping preference for consumers. The study used simple regression analysis to consumers who had been shopping in Indomaret and Alfamart. The results showed that there is influence of private label brand to consumer shopping preference and minimarket brand image in Jakarta.

Keywords—private label brand; consumer shopping preferences; store image; minimarket

I. INTRODUCTION

One of the indicators of the existence of economic growth is the increasing number of middle class in Indonesia. An increasing number of middle class occurs after the monetary crisis 1997/1998. An increasing number of middle-class accompanied by a decrease in the price of goods and services due to the declining inflation rate, will be directly proportional to the increase in the purchasing power of society in General. The effect of increased buying power is believed to change consumer behavior. Consumers who shop at traditional markets will switch on the retail market. This is because the current retail trends entered the realm of lifestyle [1]. High purchasing power will also change consumer preferences in choosing a quality product where consumers will be willing to spend a little more to get a quality product.

Indonesia with a population of about 230 million is a potential market for modern retail business. Modern market share reaches 30 percent compared to traditional market just 70 percent. This shows the business opportunities of modern retailing enough potential. The statement is also supported by research from A.T. Kearney Global Retail Development Index (GRDI) that put Indonesia on the ranking of the 15 developing countries for purposes of the retail investment. In addition with the opening for the entrance of foreign retailers as Presidential Decree No. 118/2000 of retail business which has

issued from the negative list for Foreign Investment. The policy resulted in a proliferation of modern retail business format hypermarkets, supermarkets, and minimarket. Even now the retail business began venturing into towns County especially the kind of supermarket and minimarket.

The retail business grew rapidly in the suburbs, given the number of locations that many settlements in the area. Based on a 2014 total turnover of retail sales modern reached 162.8 trillion rupiah which divided into 35 hypermarkets composition percent, 35 percent and supermarket stores 30 percent [2]. Minimart is known also as a convenience store, is a progression from the grocery store that offers comfort and services such as supermarkets but in a smaller scale. Although the scale of the effort is small but the benefit is almost the same with the business of large-scale hypermarkets.

Based on the market share of mind that Alfamart and Indomaret 40.75% have 43.16% so dominate the market share of modern retail formats minimart. Mastery of the market share with its numerous shops spread doesn't make retailers based minimart sits hand became a salesman that comes from other manufacturers. The presence of Presidential Decree No. 118/2000 made a map of modern retail competition is becoming increasingly widespread because it must compete with the international retail network.

According to data of retail Indonesia employers Association (Aprindo), then there are two local stores that companies registered as members of the Association namely Alfamart under PT Sumber Alfaria Trijaya and Indomaret under PT Indomarco Prismatama [3]. Where both the local retailers have to compete with a wide range of international retail and presence of a variety of products and brands that circulate with various types, quality and prices will make consumers it is hard to distinguish the goods of high quality.

Such phenomena make retailers try to pack the products use packaging and brand themselves, which is often known for its private label brand. The implementation is expected to be able to create the image of an interesting store and shopping preferences be for consumers.

A. Theoretical Framework

Brand is an important element that affects the success of a company. According to the American Marketing Association, the brand is a name, sign, symbol, design, or a combination of

those things which are meant to identify goods or services from a seller or group of sellers to distinguish goods or services of a competitor. The concept of private label has been known since 1990 in various European countries. Private label is defined as a brand that is sold and distributed by retailers [4]. The retail channel stores are eager to set up their store brands with mass presentation on shelves to attract customers' attention in order to they might offer more value-added services to the consumers [5].

The retailers know that the shelf space allocation is an issue because it is limited resource and related on not only pricing strategies but also quality of product private label brand [6]. Retailers can integrate their category product and marketing mix to set up programs that target at consumers shopping preference. Private label products were originally produced in the country of Canada by offering premium wafer but changes the position of the private label along with the change in time. Private label products currently known as product that is cheap and has low quality [7]. The perception of low quality may also lead to the inferior image association.

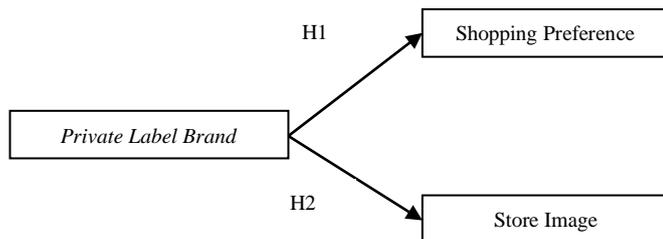


Fig. 1. Research model.

B. Hypothesis Development

The dominance of product that comes from the manufacturing company has been in quite a long time span on a retail business in various countries. Profits obtained any manufacturing company pushing retail business companies to start producing products under the same brand name company name retail or often referred to as private label brand. Products private label brand is currently known as the product of cheap and quality also low [7].

But research from Chen and Liang shows that there is a positive correlation between the quality of the products offered by retail companies with other manufacturing companies [8]. Consumers judge products private label brand that can be trusted and has no significant difference with the product manufacturing company. Other factors such as packaging, pricing strategies, promotion and presentation of products offered is also positive in contribution formulate the strategy of private label brands in the consumer shopping preferences influence at the company's retail network international hypermarket type i.e. Carrefour, RT-Mart and Taisuco.

Hypothesis 1: Private label brand will have a significant effect on customers' shopping preference

Keller defined store image as the perception or impression of the brand which is reflected by a group of associations which connects customers' with brand in their memory [9]. Keller stated that although marketers differed in terms of the measurement of brand image but an agreed common things is that the brand image is the perception of the consumer which is reflected through the existing brand association in memory of the consumer [9]. When a certain private label brand is not popular, consumers speculate the private label brand image from the image of the retail store [10]. This is because many people can view the private label brand as an extension of the brand name of the store itself. Chowdhury et al. conducted an extensive review of extant literature on store image and identified six dimensions that seem to capture the common elements across these varied conceptualizations of store image [11]. Then tested its reliability and validities in the context of grocery stores. The six dimensions are employee service, product quality, product selection, atmosphere, convenience and prices or value [10].

Hypothesis 2: Private label brand will have a significant effect on store image

C. Research Framework

This research included in the quantitative methods using cross-sectional design. Cross-sectional design is a way of collecting information is only done once in one sample [12].

II. METHOD

A. Samples and Data Collection

This research use questionnaire survey approach to collect data with certain judgement namely people who ever shopping at minimarket Indomaret Plus and Alfa Midi. All item on questionnaire required five Likert responses. All items required five Likert-style responses, ranging from extremely agree until disagree. There are 260 valid responses were obtained from the retailers. This research offer groceries and household category with Indomaret and Alfamart label in Jakarta.

B. Analysis

The research stages was to test validity and reliability to knowing the suitability of indicator variables and consistency with the measuring instrument. And then hypothesis testing with simple regression analysis.

III. RESULTS AND DISCUSSION

This research performed Pearson correlation to estimate the validity and reliability for thirteen dimension. The result shows that all item of questionnaire is above 0.361. It can be concluded that indicators for private label brand, store image and shopping preference variable is valid. Then reliabilities coefficients are all above 0.70.

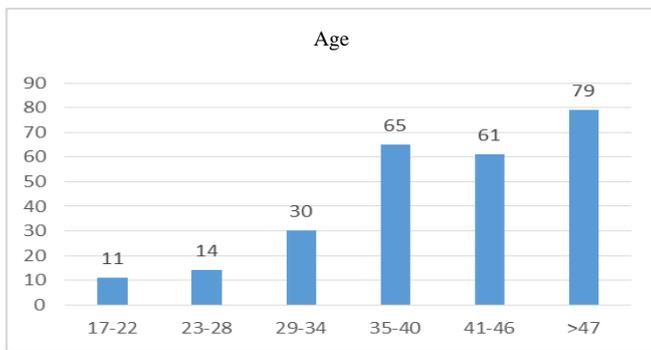


Fig. 2. Characteristic ages of respondent.

Based on characteristic age of respondent stated that the majority of the age of customers who shop at the minimarket is above the age of 47 years. The strategies location of minimarket nearby with housing also encourages interest in the elderly consumers to shop. Hypothesis testing use simple regression analysis to knowing the effect between dependent and independent variable.

The first simple linear regression to test the influence of the variable private label brand towards shopping preference. R Square or can be called the coefficient of determination is worth 73.3% of consumer shopping preferences can be explained by the variable private label brand. Whereas 26.7% is explained by other factors. Significance shows 0.000 so far under the 0.05 probability so that private label brand effect on customers' shopping preferences. In addition a regression equation shows that each addition 1 Rupiahs in making private label brand products will increasing 3,200 rupiahs consumer shopping preferences.

The second simple linear regression to test effect of private label brand toward store image in minimarket. R Square shows 90.1% image minimarket can be explained by the variable private label brand. While 9.9% is explained by other factors. Significance shows 0.000 so far under the 0.05 probability so that private label brand effect on the store image of the minimart in Jakarta.

IV. CONCLUSION

Private label brand products are products that are special packaged and only can get in identify of the place that sold and can only be obtained at that place. Based on the results of linear regression test note that variable private label brand effect on shopping preferences. It is in accordance with previous research conducted by Chen and Liang [8]. Customers confidence indicator of the quality of private label brand products have a high value namely 3.180. Alfamart and Indomaret minimart proved to be seriously thinking about its products by coworking with small medium enterprise by working with local entrepreneur and distributors. Alfamart step in building private label brand products through empowerment of the more than 100 entrepreneurs of small medium enterprises. The small medium entrepreneur also

local supplier. Alfamart apply some requirements for the suppliers of the legality of a business and product, hygiene place of production and capability to fulfill customers demand and strong commitment toward quality product. In addition customers' trust can be created through packaging and description which provided on the product private label brand. Packaging with quality materials make it is not easily tear off and eye-catching label has an important role to encourage customers' purchasing decisions. Indicator effort consistency to increasing product quality include the highest score 3.176. Monitoring quality Improved such as obligate supplier to meet SNI, laboratory test and periodically sales evaluation can make discontinue cooperation if the supplier does not match the minimarket standart.

Most of respondent state that price of private label brand are lower and more reasonable compared to similar products issued by a private company that is valued at 2.930. It can be caused due to local raw material products private label brand so that the production cost is not too high. The savings rates in Indomaret can reach 10%-20%. This is possible because private label products reduce the cost of marketing and cut distribution lines [13]. Alfamart does not need to spend a large budget to promote products private label brand. The arrangement of product private label brand adjacent to similar categories products simply make customers think to compare its product with other private products before deciding to buy. Some products private label brand also has a special display or golden rack that is placed at the front entrance so as to be the first impression for customers who want to shop or being impulsive when in place above the cash register to encourage customers to buy.

Despite of lower marketing cost, but Alfamart still promote its private label product with advertising jingle which announced around their stores. Minimarket also give sales promotion such as private label brand special price, savings package. Alfamart and Indomaret also known by their greetings start with welcoming customers, shopping goods confirmation, offering sponsor goods, asking membership, stating and saying thank you to the customers. Beside good services, customers can access minimarket easily because almost all minimarket are strategic so passed by private or public transportation. Customers value the strategic location with 3.012.

Image is perception towards a company, someone or certain activity [14]. Image may create with company identity like organization name. Alfamart create belanja puas, harga pas tagline as wish image. Wish image is the image desired by the company. Alfamart wants their customers to be satisfied to shop for all their needs because the prices offered are right (not necessarily negotiable) and conformance with the quality of the products and services offered. In addition, the researcher formulated the association given by the respondent to Alfamart which can be seen in Figure 3.

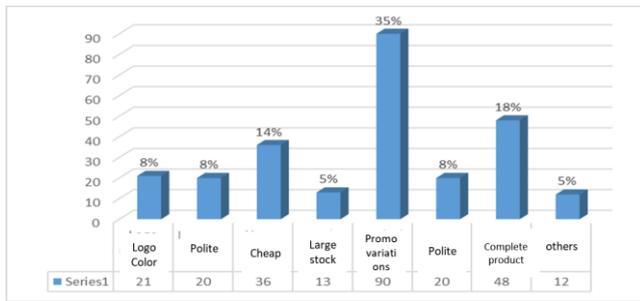


Fig. 3. Image association.

The majority of respondents associate Alfamart with the number of promo variations worth 35%. This is in accordance with the respondent's agreement that consumers get value for money every time they shop at Alfamart or Indomaret. In addition, respondents associate complete products worth 18%. Completeness of the product includes variations of food offered. The two minimarkets began offering fresh products such as fruit, vegetables, donuts, traditional cakes, pizza and more besides packaging products. The fresh product has a short expiration period or approximately two days to maintain its quality.

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