








“In-store promotion and customer value on private label product purchase intention”

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IN-STORE PROMOTION AND CUSTOMER VALUE ON PRIVATE LABEL PRODUCT PURCHASE INTENTION

Abstract

This study aims to determine the influence of in-store promotion in the form of price discount and price package on customer value and purchase intention. The research sample was 120 consumers purchasing the private label products in modern stores using a purposive sampling technique. The data were then analyzed using SEM PLS. The result revealed that all hypotheses were accepted and each variable studied showed a strong and significant influence on each other, especially in terms of its influence on the purchase intention. In-store promotion is a more influencing variable of purchase intention in private label products than customer value. The result also pointed out the three most dominant items forming in-store promotion, customer value, and purchase intention. Those items are the frequency of discount program, the products' quality, and the reference group that helps the company promoting private label products, usually friends' recommendation. These findings are expected to be used by decision-makers in retail businesses to formulate in-store promotional activities and create customer value following the target market to increase consumers' willingness to buy private label products.

Keywords

price discount, price package, performance value,
willingness to recommend, modern stores, Indonesia

JEL Classification

D46, L81, M31

INTRODUCTION

In Indonesia, private label product as a part of the retail sector has contributed 18.63% to employment absorption and 13.20% to gross domestic product (Badan Pusat Statistik [Statistics Indonesia], 2020). Goods exclusively owned and traded only by certain retailers and bring the retailers' name are called store brands/private labels (Spratt & Shimp, 2004; Levy et al., 2014) sold by the retailers to increase their margins, provide choices for customers, and encourage customer loyalty (Kumar & Steenkamp, 2007).

Sethuraman and Gielens (2014) state that store brand sales throughout the world have increased for the last two or three decades, especially in the developed countries, has a retail sales contribution of 43% of to the employment absorption and gross domestic product. Unfortunately, the private label product sales in Asian countries, including Indonesia, have only reached less than 10% because customers in Asia have a strong loyalty to a brand and lack of retailers' investment to promote the private label products in the market (Nielsen, 2014).

Herstein et al. (2017) suggest that to increase private label product sales, the retailers must use promotion. According to Grewal et al.



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(1998), Abril and Sanchez (2016), and Bues et al. (2017), one factor causing the consumers' purchase intention in stores is attractive promotion, price reductions, and pleasant price.

The previous studies on the forms of in-store promotion have been conducted by the researchers and resulted in the research on demonstration (Nordfalt & Lange, 2013), sample (Sprott and Shimp, 2004), discount (Ailawadi et al., 2009), and display product at the hallway end (Philips et al., 2015). Furthermore, some researchers previously used in-store promotional instruments, such as price discount, to encourage non-private label product purchase (Buyukdag et al., 2020; Crespo & Garcia, 2016; Akaichi et al., 2015; Faryabi et al., 2012). However, previous studies still rarely discussed the influence of price discount on private label product purchase intention (Grewal et al., 1998; Neves, 2018).

The Indonesian consumers' attitude on private label product is always looking for lower prices with the same quality because they are very sensitive to prices (Retnawati et al., 2018). Thus, most retailers use price discounts in marketing private label products. Abril and Canovas (2016) argue that price reduction and coupon distribution provided by retailers to private label brand make the consumers feel receiving more values at lower prices and consequently strengthening the value position of private label brand.

Besides in-store promotion, customer value also becomes one factor driving the purchase intention on a product (Zielke, 2010; Jaafar et al., 2012; Kakkos et al., 2015; Neves, 2018; Curvelo et al., 2019). Previous research on customer value focused on the perceived, symbolic, economic, functional, social, and emotional value (Sheth et al., 1991; Jaafar et al., 2012; Kakkos et al., 2015; Curvelo et al., 2019). This study focused on customer value, especially on economic, functional, social, and conditional value.

Thus, this research will be different from the previous studies as the authors focused on in-store promotion in the form of price discounts and packages and evaluated the other factors driving the purchase intention on a private label product, such as customer value. This research was conducted on respondents purchasing products in three modern retail types: minimarkets, supermarkets, and hypermarkets.

1. LITERATURE REVIEW AND HYPOTHESES

1.1. In-store promotion

Moreau et al. (2001) emphasize that in-store promotion refers to personal sale, in-store display, and price reduction/price promotion. The other forms or dimensions related to in-store promotion are stated by Philips et al. (2015), mentioning that in-store promotion can be in the form of demonstrations, samples, displays, coupons, price discounts, or value deals. Nordfalt and Lange (2013) added that in-store promotion forms include special display, coupon, sign, shelf tag, discount, and demo.

Furthermore, Nordfalt and Lange (2013) state that time is one factor determining the effectiveness of a promotion. Thus, a pattern is required to emphasize the sale variations and cycles between different parts within a week or different periods

within a month. Ailawadi et al. (2009) add that when retailers do price promotion, some factors to consider are: depth, frequency, time, online, and offline. Chen (2009) states that to create shopping preferences, private label product promotion activities must be valuable, useful, and interesting. Moliner et al. (2007) and Wu and Li (2018) show that customer value is significantly influenced by all marketing mixed components (product, promotion, price, and distribution). Chandon et al. (2000) state that monetary promotion in the form of price reductions and coupons applied by the retailers will impact the values perceived by customers. Palazon and Ballester (2009) add that retailers usually use in-store promotion in the form of discounts and premiums to encourage the purchase intention depending on the benefits and values perceived by customers.

The findings of the research by Chen (2009) state that the promotion made by stores influences the store brand equity and customers' shopping

preferences. Sales promotion in the form of discounts and premiums influences purchase intention (Palazon & Ballester, 2011). Buyukdag et al. (2020) emphasize that a special discount in price promotion implemented in a store influences the customers' purchase intention. Crespo and Garcia (2016) and Pai et al. (2017) suggest that in-store promotion in the form of price discounts positively influences purchase intention.

The items used to provide some statements in the questionnaires for in-store promotion consist of attractiveness and frequency of price discounts and price packages (Yoo et al., 2000; Buil et al., 2013; Buyukdag et al., 2020).

1.2. Customer value

Consumer evaluation of product benefits is simultaneously based on the perception of what is sacrificed compared to what is obtained, called customer value (Zeithmal, 1988). In contrast, Gallarza and Gil (2008) argue that the value arising when consumers own and consume the purchased goods/services is called customer value. The consumption value expressed by Sheth et al. (1991) can be classified into four dimensions: (1) functional value, (2) social value, (3) emotional value, (4) epistemic value, and (5) conditional value.

Sheth et al. (1991) focus on five dimensions of customer value, Kakkos et al. (2015) show two customer values: economic and social. Khan and Mohsin (2017) state that customer value dimensions are emotional, functional, social, epistemic, and conditional. The repeated purchase intention is positively influenced by the functional, social, and emotional value felt by the customers (Yang & Kim, 2018). A similar opinion was expressed by Kakkos et al. (2015), Jaafar et al. (2012), and Curvelo et al. (2019), mentioning that purchase intention is directly influenced by the values perceived by the customers. Mohseni et al. (2016) add personal, shopping, and experience value, influence purchase intention to use the website.

Customer value dimension was used as a result combined from some dimensions: economic, functional, social, and conditional value (Floh, 2014; Wang et al., 2013; Khan & Mohsin, 2017).

1.3. Purchase intention

Consumer purchase intention refers to the efforts made to purchase a product or service or consume the products available in the retail stores they have visited (Diallo, 2012; Retnawati et al, 2018). Diallo (2012) states that the intention to buy a product is usually manifested in purchasing a product. Engel et al. (1990) and Schiffman and Wisenbilt (2015) emphasize that purchase intention reflects the behaviors planned by the potential customers and possibly translated into purchase behaviors. Wang et al. (2012) assert that the customers take several steps when they want to purchase goods by looking for information, considering information, and evaluating the products to possibly purchase.

Not only having a direct influence on purchase intention, but customer value is also a variable, which mediates the influence of in-store promotion on purchase intention. Grewal et al. (1998) state that the discounts implemented by the retailers will influence customer value and store image and positively influence purchase intention. Vazifehdoost and Jamali (2017) add that purchase intention is positively influenced by customer value and store image resulted from the price discounts and the perceived brand quality. Pai et al. (2017) emphasize that monetary promotion activities in the form of price discounts will increase customer value and positively encourage customer purchase intention.

Intention to purchase uses the combined items from (Diallo et al., 2015; Mohseni et al., 2016; Retnawati et al, 2018; Graciola et al., 2020) covering: the interest of finding information; private label product information comparison with nationally branded products; a strong desire to purchase in the future; repeatedly purchase when needed; recommendation to relatives or friends.

This study examines retailers who apply in-store promotional tools to increase economic, performance, social, and conditional value, which, in turn, will encourage consumers' willingness to buy private label products. Based on the research objectives, the formulations of the research problem are as follows: (1) How does in-store promotion influence customer value? (2) How does in-store promotion influence purchase intention? (3)

How does customer value influence purchase intention? and (4) How does in-store promotion influence purchase intention through customer value as a mediating variable?

ducted by providing explanations of the research variables based on survey data with a descriptive statistical approach, such as means and standard deviation.

To reach the objectives of this research, the authors use the following hypotheses:

The data were collected using a questionnaire. The distributed questionnaires contained 19 statement items regarding in-store promotion, customer value, and purchase intention. The questionnaire uses a Likert scale with the answer category of 1 to 5 (Strongly Disagree – Strongly Agree). The questionnaire was distributed to the consumers in modern stores (minimarkets, supermarkets, and hypermarkets) who have purchased private label products in every modern shop. The sample was consumers in Bandung, West Java, Indonesia. West Java is one of the provinces in Indonesia, which has the most modern stores in 2017 (Good News from Indonesia, 2020). Bandung city, located in West Java, is the city with the fifth largest population in Indonesia (Badan Pusat Statistik [Statistics Indonesia], 2019). A total of 120 questionnaires were collected.

- H1: In-store promotion has a positive and significant influence on customer value.*
- H2: In-store promotion has a positive and significant influence on purchase intention.*
- H3: Customer value has a positive and significant influence on purchase intention.*
- H4: In-store promotion has a positive and significant influence on purchase intention through customer value as a mediating variable.*

2. RESEARCH METHODS

This research used both descriptive and verification methods. The descriptive method was con-

Variance Based Structural Equation Modeling (VBSEM), or better known as Partial Least

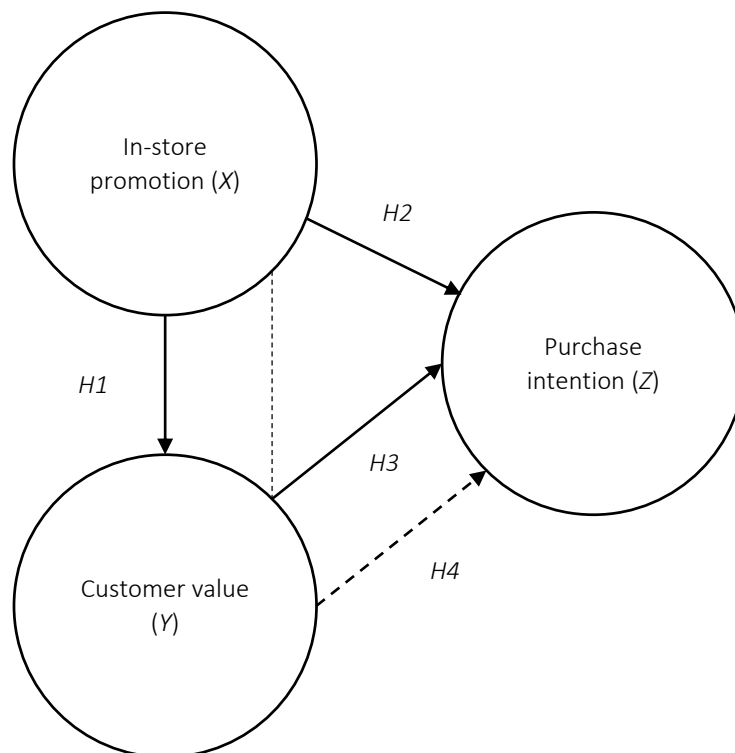


Figure 1. Research hypotheses

Squares-Path Modeling (PLS-PM), was conducted to test the hypotheses (Hair, Hult, Ringle, & Sarstedt, 2017). The hypotheses in this research can be more clearly described in the path diagram (see Figure 1).

3. RESULTS

Before discussing the research results, the respondents' characteristics were explained in this section, as presented in Table 1. Meanwhile, Table 1 describes the respondents' characteristics based on demographic factors. The samples consisted of 37 (30.8%) males and 83 (69.2%) females categorized into five age groups. Most respondents (46.7%) were aged 26-40 years old. Based on their educational background, most respondents graduated with a Bachelor degree (strata 1). If categorized based on income, 57 respondents earned IDR 2-3 million, yet 2 respondents earned more than IDR 6.1 million.

The research validity was seen from the loading factor of minimally 0.50, while the research reliability was seen from the combination of Cronbach's alpha (alpha), composite reliability

(CR), and average variance extracted (AVE). The value of Cronbach's alpha and composite reliability should be greater than 0.700, while AVE should also be greater than 0.50 (Hair, Ringle, & Sarstedt, 2011; Hair, Matthews, Matthews, & Sarstedt, 2017; Henseler, Ringle, & Sinkovics, 2009).

The research instruments were in the second-order format, which was then used as the measurement since having variable structures, dimensions, and items. The first-order model was presented in Table 2, while the second-order model was presented in Table 3. The measurement model evaluation results found that 1 item in the in-store promotion variable was invalid since the loading factor value was less than 0.50. The other invalid item was in the customer value variable, and two invalid ones were in the purchase intention variable. Those items include (1) price package frequency with a loading factor (0.363), (2) well-produced private label product with a loading factor (0.357), (3) comparing private label product info and national product with a loading factor (0.255), and (4) purchasing more products when needed with a loading factor (0.470).

Table 2 presents all valid items after removing the invalid items. Based on Table 3, the measurement

Table 1. Respondents' profile

Demographic factor	Frequency	(%)
Gender		
Male	37	30.8
Female	83	69.2
Occupation		
Student	11	9.2
Civil servant/state-owned enterprise employee	12	10
Private employee	17	14.2
Entrepreneur	34	28.3
Retired/housewife	46	38.3
Education		
Junior high school	0	0
Senior high school	12	10
Diploma (D1-D3)	24	20
Bachelor	79	65.8
Master-Doctor	5	4.2
How many private label product items were purchased?		
< 2 items	50	41.7
3-5 items	46	38.3
> 6 items	24	20

Source: Processed questionnaires (2020).

Demographic factor	Frequency	(%)
Age (year)		
15-25	21	17.5
26-40	56	46.7
41-55	36	30
> 56	7	5.8
Income		
1 - 2 million	31	25.8
2.1 - 3 million	57	47.5
3.1 - 4 million	25	20.8
4.1 - 6 million	5	4.2
> 6 million	2	1.7
Shopping frequency		
2x per week	17	14.2
1x per week	19	15.8
1x per month	70	58.3
1x per two months	14	11.7
Shopping time		
< 1 hours	50	41.6
1-3 hours	68	56.7
> 3 hours	2	1.7
Total	n = 120	100.0

Table 2. First-order measurement model

Source: Data processing (2020).

Variable	Dimension	Item	Loading	R ²	Mean	SD
In-store promotion	Promotional instrument attraction K = 2 Alpha = 0.727 CR = 0.880 AVE = 0.786	Price discount attraction	0.886	0.785	3.590	0.841
		Price package attraction	0.887	0.787	3.607	0.711
	Promotional instrument frequency K = 1 Alpha = 1.000 CR = 1.000 AVE = 1.000	Private label product frequency discount	1.000	1.000	3.057	0.826
Customer value	Economic value K = 2 Alpha = 0.523 CR = 0.807 ST = 0.670	Private label product economical price	0.733	0.537	3.754	0.647
		Private label fairness price	0.896	0.803	3.721	0.564
	Performance value K = 2 Alpha = 0.765 CR = 0.895 ST = 0.810	Private label product security	0.892	0.796	3.721	0.549
		Private label product quality	0.907	0.823	3.639	0.576
	Social value K = 2 Alpha = 0.566 CR = 0.822 ST = 0.697	Feeling accepted since purchasing private label product	0.850	0.723	2.902	0.765
		People's impression of private label product	0.819	0.671	3.451	0.532
Conditional value K = 2 Alpha = 0.448 CR = 0.784 ST = 0.632	Purchasing due to the unavailability of national brand product	0.659	0.434	3.049	1.035	
	Purchasing due to the private label product promotion	0.910	0.828	3.631	0.947	
Purchase intention	K = 4 Alpha = 0.830 CR = 0.888 ST = 0.660	Willingness to obtain information related to private label product	0.770	0.593	2.738	0.841
		Willingness to repurchase private label product	0.756	0.572	2.975	0.828
		Willingness to recommend private label product to families	0.854	0.729	3.172	0.820
		Willingness to recommend private label product to friends	0.864	0.746	3.262	0.870

Note: * K: number of valid and reliable items.

model analysis for items on all dimensions was considered valid and reliable with a validity coefficient of greater than 0.500. the reliability coefficient has met the minimum limit of 0.700 for alpha and CR, while that for AVE was above 0.500. The second stage measurement process also concludes that all dimensions were considered valid and reliable in measuring the research variables with a loading factor value of greater than 0.500 and a reliability coefficient of greater than the minimum limit.

The results of the second-order measurement model (Table 3) analysis found one dimension with a low loading factor, that is, the condition-

al value dimension, which indicated that this dimension was not considered important in explaining the customer value variable. However, this dimension was maintained because the hypothesis testing results had the *p*-value (0.031) smaller than 0.05. It means that this dimension had a significant relationship with the customer value variable. Besides, the customer value variable still had a high-reliability value indicated by the value of CR = 0.712. Based on the instrument testing results, it can be concluded that both items or dimensions were valid and reliable. Thus, the conclusions obtained in this research were expected to present both valid and reliable results.

Table 3. Second-order measurement model

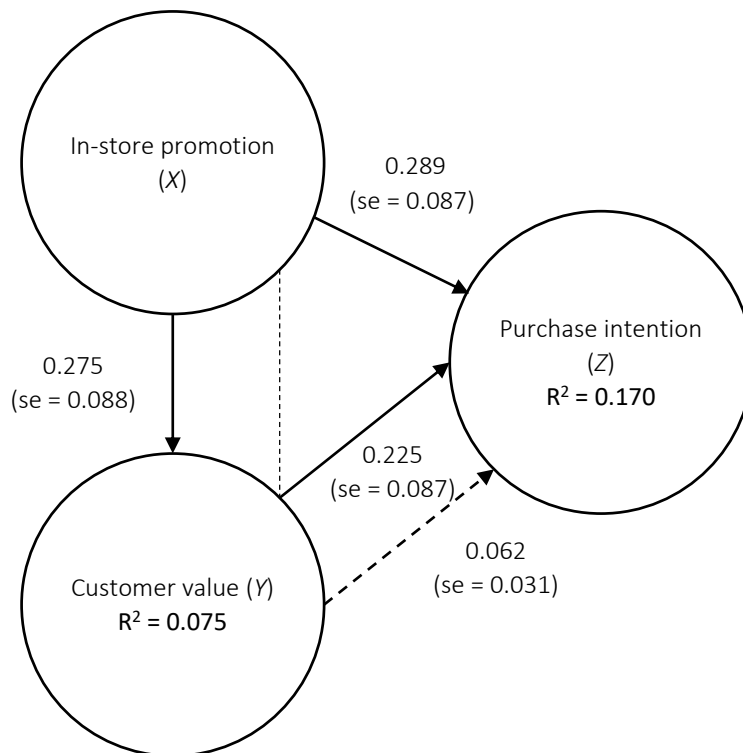
Variable	Dimension	Loading	R ²	Mean	SD
In-store promotion L = 2 CR = 0.78 RD = 0.651	Promotional instrument attraction	0.924	0.854	3.598	0.776
	Promotional instrument frequency	0.670	0.449	3.057	0.826
Customer value L = 4 CR = 0.712 ST = 0.419	Economic value	0.728	0.530	3.738	0.606
	Performance value	0.843	0.711	3.680	0.563
	Social value	0.631	0.398	3.176	0.648
	Conditional value	0.196	0.038	3.340	0.991

Note: * L: Number of valid and reliable dimensions.

Furthermore, a model analysis on the influence of in-store promotion on customer value and its influence on purchase intention was conducted. The influence parameter estimation was conducted using the ordinary least squares (OLS) method, and hypotheses testing was based on the bootstrap method (Hair, Ringle, & Sarstedt, 2011).

The analysis results (Table 4) showed that the direct influence of in-store promotion on customer value was shown with a standard deviation of 0.275 and a *p*-value of 0.002. The influence of in-store promotion on purchase intention was direct, with a stand-

ard deviation of 0.289 and a *p*-value of 0.001. the influence of customer value on purchase intention was equal to the standard deviation of 0.225 with a *p*-value of 0.011. The *p*-value of each influence was less than 0.05. Thus, it can be concluded that the in-store promotion variable had a significant influence on customer value and purchase intention. It means that increasing in-store promotion influenced customer value and encouraged purchase intention. The customer value variable also had a significant influence on purchase intention. Thus, it can be concluded that increasing customer value resulted in higher purchase intention on private label product.



Note: se: standard error estimation; full line: direct influence; dash line: indirect influence.

Figure 2. Influence model of in-store promotion on customer value and its influence on purchase intention

Table 4. Influence parameter estimation of in-store promotion on customer value and its influence on purchase intention

Source: Statistical processing results (2020).

Parameter	Estimation	Std. error	t-value	p-value	Conclusion
X*Y	0.275	0.088	3.130	0.002	Significant
X*Z	0.289	0.087	3.330	0.001	Significant
Y*Z	0.225	0.087	2.590	0.011	Significant
X*Y*Z	0.062	0.031	2.774	0.003	Significant

Apart from direct influence, this research also involved the indirect influence of the in-store promotion variable on purchase intention through customer value. The analysis result found the indirect influence with the standard deviation of 0.062 and *p*-value of 0.031. The *p*-value of less than 0.05 indicated a significant indirect influence of the in-store promotion variable on purchase intention through customer value. Thus, it can be concluded that customer value had played its function as a variable, which could mediate the influence of in-store promotion on purchase intention. Based on the calculation of direct and indirect influence, it was found that in-store promotion variables had a total influence of 0.3512 on purchase intention.

The analysis results also found that the determination coefficient magnitude from the in-store promotion variable on customer value was 0.075, while the determination coefficient of the in-store promotion variable and customer value on purchase intention was 0.170. The relatively small determination coefficient indicated that changes in customer value and purchase intention influenced complex systems involving more variables than those included in this study. However, the goodness of fit (Gof) value was 0.476, greater than 0.36. It indicated that the proposed model was in accordance with the data. In other words, this model greatly described the existing phenomena. The changes made by the in-store promotion variable had a positive influence directly on customer value, directly and indirectly on purchase intention, while changes in customer value were also proven to cause changes in purchase intention.

4. DISCUSSION

The data analysis shows a significant influence of the in-store promotion variable on customer value by 0.275. It means that promotion in an attractive and valuable store will influence customer val-

ue. This is following the statement made by Chen (2009), mentioning that private label product promotion, which is attractive, useful, and possessing a good value, will encourage the customers' shopping preference. Akram et al. (2017) argue that monetary promotion in the form of price discounts and packages provides benefits for the consumer in the form of convenience and economical prices. Sinha and Verma (2020) state that customer value in the form of utilitarian benefit, that is, money-saving, comfort, and hedonic benefit, covering exploration and entertainment resulted from the price discounts and generally provided related to food and body care products.

In Indonesia, promotion in private label product stores is usually in the form of price discounts and packages, generally informed in stores and displayed on banners. According to Gorji et al. (2020), sales promotion displayed in the form of banners can attract the consumers' attention and influence purchases if the banner has attractive displays, such as interesting banners with attractive images and information contained in the banners focuses on the discount percentage. Cavusoglu et al. (2020) added that consumer purchase intentions would increase if the price discount is offered at a certain percentage.

Retailers in Indonesia frequently give price discounts or packages several times in the year with a fairly large percentage of price and item discounts. Thus, the promotion should be made weekly or monthly. This is in line with the opinion stated by Nordfalt and Lange (2013), mentioning that in-store promotion will be more effective if regularly made and scheduled. Furthermore, the consumers feel that they have already got private label products at lower prices and are worth purchasing good quality products at lower prices.

Meanwhile, in-store promotions also have a significant direct influence on purchase intentions by

0.289. It means that promotion in modern stores influenced purchase intention. This study supported the research conducted by Yang and Lee (2016), mentioning that if the in-store promotion is attractive, the consumers will reactively have more purchase intention. Bues et al. (2017) add that in-store promotion, which can lead to purchase intention, results in enjoyment and excitement.

The results also found that the customer value variable positively and significantly influenced purchase intention by 0.225. It means that customer value influenced private label product purchase intention. According to Jaafar et al. (2012), Diallo et al. (2015), and Kakkos et al. (2015), purchase

intention is directly influenced by customer value covering social, economic, functional/performance value, and conditional value.

Besides having a direct influence, the in-store promotion variable also has a significant indirect influence through customer value on purchase intention by 0.062. It means that the better the store promotion, customer value can also increase purchase intention. This result supported the research conducted by Pai et al. (2017), emphasizing that monetary promotional activities in the form of price discounts increase customer value and encourage the consumers' purchase intention.

CONCLUSION

The results showed that in-store promotions had significant effects on customer value and purchase intention. Moreover, there was a significant effect on in-store promotions on purchase intentions through customer value as a mediating variable. The analysis found that in-store promotions had a greater influence on purchase intention than customer value. Discount frequency, performance value, and willingness to recommend private label products to friends are the most dominant items, which form the variables in this study and can be considered by decision-makers in the retail business.

This research has some limitations. First, the samples were only taken from one area in Indonesia. Second, the research was conducted on several product types. Further research should focus on more extensive regions in Indonesia and conduct research only on one product type. Having some limitations, this study has a strong element concern related to the conditional values, which were less frequently used by the other researchers.

One advises decision-makers in the retail business to implement in-store promotions in the form of price discounts and price packages to pay attention to the following suggestions, namely: (a) implementing scheduled price discounts and price packages more frequently and informing price discounts better in a certain percentage form than in a certain nominal (this information should be displayed in banners that have attractive shapes, fonts, and images); (b) using social media with the theme of recommendation groups of references so that consumers want to recommend products; (c) creating a quality control program to maintain the sustainability of the private label product quality.

AUTHOR CONTRIBUTIONS

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Writing – original draft: Nina Maharani.

Writing – review & editing: Arief Helmi, Asep Mulyana, Meydia Hasan.

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