The Influence of Store Image, Service Quality, Private Label Brand Image, Perceived Risk, and Price Consciousness on Purchase Intention

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Abstract

Previous study found supporting evidence of several factors affecting purchase intention in retail environment. However, there is still few that focus on the private label brand (PLB) despite of the importance of the products for the convinience store business. This study aims to find the direct effects of store image and service quality on brand image and purchase intention for a private label brand (PLB) in the context of convinience store. In addition, it also aims to confirm the factors that directly influence purchase intention of consumers. Two hundred and seven respondents were investigated using nonprobability sampling technique (purposive sampling). The analyses emploted Structural Equation Modelling techniques and results indicate that store the image and private label brand image has a direct positive impact on purchase intention. The findings also confirmed that service quality has a direct positive effect on private label brand (PLB) image. Surprisingly, service quality has no direct influence on purchase intention, but have indirect influence through private label brand (PLB) image.

Keywords: Perceived Risk, Purchase Intention, Private Label Brand, Price Consciousness, Service quality, Store image.

Beberapa studi di lingkungan ritel menemukan bukti yang mendukung dari beberapa faktor yang mempengaruhi niat beli. Namun, masih ada beberapa yang berfokus pada label merek pribadi (PLB) sebagai hal penting bagi produk untuk bisnis toko kebutuhan seharihari. Penelitian ini bertujuan untuk menemukan efek langsung dari citra toko dan kualitas pelayanan terhadap citra merek dan niat beli untuk label merek pribadi (PLB) pada toko kebutuhan sehari-hari . Selain itu, juga bertujuan untuk mengkonfirmasi faktor-faktor yang secara langsung mempengaruhi niat beli konsumen. Dua ratus tujuh responden diteliti dengan menggunakan teknik sampling nonprobability (purposive sampling). Analisis

menggunakan teknik Structural Equation Modelling dan hasilnya menunjukkan bahwa citra toko dan citra label merek pribadi memiliki dampak positif langsung pada niat beli. Temuan juga menegaskan bahwa kualitas pelayanan memiliki efek positif langsung pada citra label merek pribadi (PLB). Anehnya, kualitas pelayanan tidak memiliki pengaruh langsung terhadap niat beli, tapi memiliki pengaruh tidak langsung melalui citra label merek pribadi (PLB).

Kata kunci: Risiko Persepsi, Niat Pembelian, Label Merek Pribadi, Harga Kesadaran, Kualitas Pelayanan, Citra Toko.

Background

The retail business in Indonesia groe rapidly from year to year. It is evident from the many traditional retail businesses that transform their concept into a modern retail business as well as the emergence of new modern retail business. According to data obtained from Business Monitor International (BMI), that traditional retail growth estimates around 77% of total retail sales in 2012. The presence of modern retail growth has eroded the traditional retail market share in recent years, because they are capable of providing more services either to consumers by providing what the consumer wants, for example by providing a diverse product variations with a comfortable, good quality and competitive prices. The growth of the middle class and lifestyle changes spurred the growth of convenience store business, where this segment tend to prioritize practicality, and fast service to their needs, especially the need for food and beverage.

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Previous research on private label brands are divided into two categories, the first category on the relationship between private label brands and national brand promotion in the journal Sloan Management Review (Hoch, 1996) and the Journal of Retailing

(Garretson, 2002), showing the differences and similarities between the two concepts the. The second category, explain the factors that influence consumer behavior towards the consumption of private label products (Baltas, 2003; Batra and Sinha, 2000; Burton (1998), Richardson (1996)). The study looks at the second category is focused on product factor level and consumer level. Product level describes the product category (Delvecchio, 2001) and the perceived risk (Semeijn, 2004), while the consumer level to explain the price consciousness as quoted in Australian Marketing Journal (Burger and Schott, 1972; Jin and shuh, 2005; Sinha and Batra , 1999) and its relationship with extrinsic factors (Delvecchio, 2001; Batra and Sinha, 2000). Although previous studies rarely to discuss factors store level, currently these factors become important (Semeijn, 2004) Collins-Dodd and Lindley (2003) and Vahie and Paswan (2006), this study shows that when consumers are not familiar with private label brand, they rely on their perceptions of the image of the store (store image) to decide to buy a private label product.

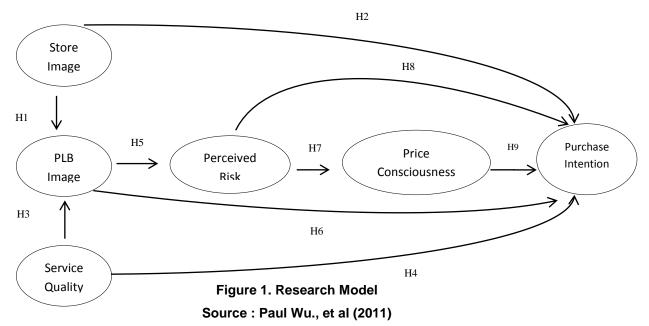
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Service quality is also an important factor in consumer buying decision process (Carrilat, FA., Jaramilo. F., Mulki, J.P. 2009). According to Ailawadi and Keller (2004), retailers have to establish their brand image by creating something unique to the quality of its services. Therefore, this study aims to describe the direct impact of two variables, namely store image and service quality in a brand image and the purchase intention in the private label brand. The study also aims to look at the factors that influence directly the interest to buy (purchase intention) consumers.

This study aims to find out if there is any influence of store image on the image of private label brands (PLB image) and the purchase intention in convenience stores 7-Eleven, and then aims to know if there is any influence of service quality to the image of private label brands (PLB image) at the 7-Eleven convenience stores as well as to determine the factors that influence directly the consumer's purchase intention.

Theoritical Framework

In this study, researchers replicate a study that was taken from the Australian Marketing Journal, entitled The Effect of Store Image and Service Quality on Brand Image and Purchase Intention for Private Label Brands. This journal is the result of research Wu, Paul CS; Yen, Gary Yeong-Yuh; Hsiao, Chieh-Ru (2011) and following a research model that was built as a reference of this study:



Impact of Store Image to the image of Private Label Brand (PLB Image) and Interest Purchase (Purchase Intention)

Factors store image used by consumers to decide to buy a private label brand (Ailawadi and Keller, 2004; Collins-Dodd and Lindley, 2003). When the consumer perception of the image height shop, will form a positive impact on a brand. The image of the store has a direct positive relationship with interest in buying the private label brand. The more positive the image generated by the store, the higher the interest in buying that will be generated Dodds., (1991) and Grewal. (1998) Based on the above relationship, it can be collated hypothesis as follows:

- H1: The image of the store (store image) has a positive influence on the image of the private label brand (PLB image).
- H2: The image of the store (store image) have a positive influence by interest in buying private label products.

Quality of service is one important factor in consumer decision process. According to Brady, (2002), there is a relationship between service quality and behavioral intention. Good service will generate behavioral intention positive and increasing buying interest from consumers so that eventually the consumer will increase the frequency of visits to the store (Carriliat, 2009; Cronin and Taylor, 1992; Fornell, 1992; Szymanski and Henard, 2001; Zeithaml., 1996), It indicates when a store provides a good service, customer satisfaction with the store increases, and purchasing decisions towards private label products will increase as well. Based on the above relationship, it can be collated hypothesis as follows:

- H3: Quality of Services (service quality) have a positive influence on the image of Private Label Brand (PLB image).
- H4: Quality of Services (service quality) has a positive influence on interest in buying (purchase intention). Dampak Citra *Private Label Brand* (PLB *Image*) terhadap Persepsi Risiko (*Perceived Risk*) dan Minat Membeli (*Purchase Intention*)

Private labels have limitations in terms of promotion when compared to other products. So the brand image factor and the price becomes a reference for consumers in evaluating private label brand and reduce the risk (perceived risk) of existing products (Shimp and Bearden, 1982; Perry and Perry, 1976). When consumers perceive the brand image well, then they will decrease the risk perception (Cox, 1962; Kotler and Keller, 2008; Roselius, 1972). Brands that have a good perception consumers will have a positive attitude toward the brand and ultimately the desire to buy their products will also be high (Kamins and Marks, 1991). Based on the above relationship, it can be collated hypothesis as follows:

- H5: The better the consumers' perception of the image of private label brand (PLB image), the lower the perception of risk (perceived risk) of consumers towards private label products.
- H6: The better the consumers' perception of the image of private label brand (PLB image), the higher the interest in buying consumer (purchase intention).

Impact of Risk Perception (Perceived Risk) to Price Consciousness and Interest Purchase (Purchase Intention) Private Label

Consumers tend to avoid risk (Bauer, 1960), meaning that when the consumer perceptions of the emergence of risks that would affect the interest to buy, then the

consumer will decide to reduce their purchases, so then the perception of risk is an important factor in the purchase of private label products (Bettman, 1974), However, if a consumer facing private label products as a brand they do not know, it will lower the price consciousness and reduce their purchases (Tseng and Hwang, 2003). Thus, they will not be motivated to go back to buy products that are cheaper and tend to buy products with other brands (national brand). Based on the above relationship, it can be collated hypothesis as follows:

H7: Perceptions of risk (perceived risk) against private label products have a negative effect for the price consciousness.

H8: Perceived risk (perceived risk) against private label products have a negative effect for the interest to buy (purchase intention) private label products. Dampak *Price Consciousness* terhadap Minat Membeli (*Purchase Intention*) Produk *Private Label*

Price consciousness is high tend to make consumers to purchase products that cost (Moore and Carpenter, 2006). Prices are cheap is one important factor to attract consumers to buy private label products. Based on the above relationship, it can be collated hypothesis as follows:

H9: The increase in price consciousness will cause interest to buy (purchase intention) against private label products increased.

Method of Data Collection

To validate the hyphothesis and answering the research, quantitative study was conducted using questionnaire distributed to respondents, including being distributed to the subject at 7-Eleven outlets. Population and sample in this research are everyone knows that 7-Eleven has a private label products sold in their stores. The sample using purposive and non-probability sampling where the sample is selected based on an assessment of researchers that it is the best sample for being research sample. Total 239 respondents surveys were gathered, of which 32 questionnaires were un-valid so it cannot be processed further.

This study uses a scale of 1-6 with the Likert scale interval. Answer to every items of instrument that uses Likert Scale has value of very positive to very negative to the form of words among others: Strongly Disagree (SS), Agree (S), Somewhat Agree (USA), Somewhat Disagree (ATS), disagree (TS) and Strongly disagree (STS). Analysis and testing models in this study is conducted by using the tools of statistical program LISREL

8.87 (Linear Structural Relations). SEM analysis phase in this research is done by using the "two step approach" which begins with the analysis and testing of the measurement model and then perform the analysis and testing of structural models (Ghozali, 2005):

Research Result

Below table represents the loading factor value, which indicates the level of validity of the questionnaire that can be declared invalid. All loading factor values are above 0.50. It shows that each of the questions posed in the questionnaire can measure every latent variable or construct well. The level of reliability that is expressed by Cronbach's Alpha showed scores above 0.60 indicating that the questions have a high degree of reliability that can be used as a measuring tool in the research.

Table 1. Validity and Reliability Test

Store Image	Construct	Indicator	Loading Factor	Information	Cronbach's Alpha	Information
SI3	Store Image	SI1	0.575	Valid	0.771	Reliable
SI4		SI2	0.728	Valid		
SI5		SI3	0.753	Valid		
Services Quality		SI4	0.697	Valid		
Services Quality SQ1 0.923 Valid SQ2 0.923 Valid SQ3 0.974 Valid SQ4 0.974 Valid SQ5 0.935 Valid SQ6 0.935 Valid SQ6 0.935 Valid SQ6 0.935 Valid PLB2 0.862 Valid PLB3 0.735 Valid PLB4 0.854 Valid PLB5 0.854 Valid PLB5 0.854 Valid PLB5 0.854 Valid PLB5 0.854 Valid PLB6 PR5 0.875 Valid O.822 Reliable PR2 0.840 Valid PR3 0.713 Valid PR4 0.616 Valid PR5 0.955 Valid PR6 0.924 Valid PR6 O.924 Valid PR5 O.924 Valid Valid O.825 PR5 O.924 Valid Valid O.826 PR5 O.924 Valid O.826 O.826 PR5 O.926 O.924 Valid O.826 O.826 O.826 PR5 O.926 O.926		SI5	0.596	Valid		
SQ2 0.923 Valid SQ3 0.974 Valid SQ4 0.974 Valid SQ5 0.935 Valid SQ6 0.935 Valid SQ6 0.935 Valid SQ6 0.862 Valid PLB2 0.862 Valid PLB3 0.735 Valid PLB4 0.854 Valid PLB5 0.854 Valid PLB5 0.854 Valid PLB5 0.854 Valid PLB5 0.875 Valid PR2 0.840 Valid PR3 0.713 Valid PR3 0.713 Valid PR4 0.616 Valid PR5 0.924 Valid PR5 0.924 Valid PR6 Valid PR6 0.924 Valid		SI6	0.768	Valid		
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SQ6 0.935 Valid		SQ4	0.974	Valid		
PLB Image PLB1 0.822 Valid 0.864 Reliable PLB2 0.862 Valid Valid PLB3 0.735 Valid PLB4 0.854 Valid Valid Valid Information Information Construct Indicator Loading Factor Information Alpha Information Perceived Risk PR1 0.875 Valid 0.822 Reliable PR2 0.840 Valid Valid PR3 0.713 Valid PR4 0.616 Valid Valid PR5 0.955 Valid PR6 0.924 Valid Valid Valid Valid		SQ5	0.935	Valid		
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PLB3 0.735 Valid PLB4 0.854 Valid PLB5 0.854 Valid Construct Indicator Loading Factor Information Alpha Information Alpha Perceived Risk PR1 0.875 Valid 0.822 Reliable PR2 0.840 Valid Valid PR4 0.616 Valid PR5 0.955 Valid PR6 0.924 Valid	PLB Image	PLB1	0.822	Valid	0.864	Reliable
PLB4 0.854 Valid PLB5 0.854 Valid Construct Indicator Loading Factor Information Alpha Information Information Alpha Perceived Risk PR1 0.875 Valid 0.822 Reliable PR2 0.840 Valid Valid PR4 0.616 Valid PR5 0.955 Valid PR6 0.924 Valid		PLB2	0.862	Valid		
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Construct Indicator Loading Factor Information Cronbach's Alpha Information Perceived Risk PR1 0.875 Valid 0.822 Reliable PR2 0.840 Valid PR3 0.713 Valid PR4 0.616 Valid PR5 0.955 Valid PR6 0.924 Valid Valid Valid		PLB4	0.854	Valid		
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PR2 0.840 Valid PR3 0.713 Valid PR4 0.616 Valid PR5 0.955 Valid PR6 0.924 Valid	Construct	Indicator		Information		Information
PR3 0.713 Valid PR4 0.616 Valid PR5 0.955 Valid PR6 0.924 Valid	Perceived Risk	PR1	0.875	Valid	0.822	Reliable
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PR5 0.955 Valid PR6 0.924 Valid		PR3	0.713	Valid		
PR6 0.924 Valid		PR4	0.616	Valid		
		PR5	0.955	Valid		
DD7 0.022 Volid		PR6	0.924	Valid		
PR7 0.932 Valid		PR7	0.932	Valid		

	PR8	0.945	Valid		
	PR9	0.806	Valid		
Price Consciousness Purchase Intention	PC1	0.619	Valid	0.775	Reliable
	PC2	0.851	Valid		
	PC3	0.850	Valid		
	PC4	0.762	Valid		
	PI1	0.931	Valid	0.846	Reliable
	PI2	0.931	Valid		

Source: Data Processed (2012)

Pictures of the model t-values below displays the track diagram with the complete model numbers that indicate the value t of each number associated estimation. Value-t <1.96 (α = 5%) is shown in red and shows that an estimate is not significantly related to or equal to zero.

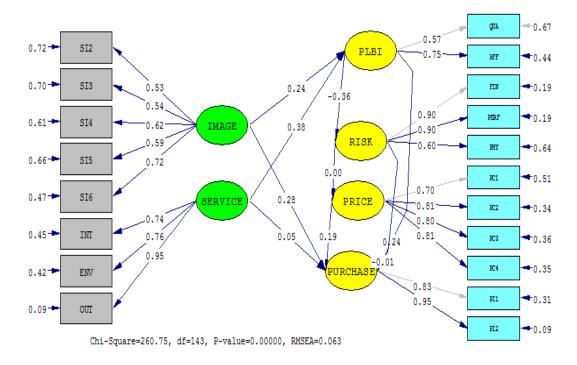


Figure 2. Structural Model - estimates Source: Data Processed (2012)

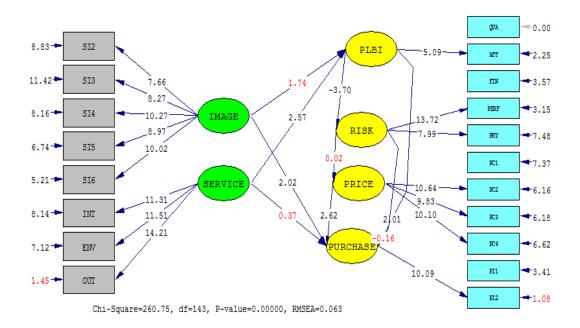


Figure 3 - Structural Model t-values

Sources: Data processed (2012)

From the above picture, it can be explained that:

Store image of 7-Eleven that had been captured by the respondent was not strong enough to improve the image of private label brands. Store image is still perceived as a store that has a reasonable price, good quality and have products that are economical compared to the impression of the main product that is owned by 7-Eleven (the image of private label products). Then, from the 7-Eleven store image, the purchase intention will be higher to buy private label products 7-Eleven. When it is viewed from the functional aspects, store image is associated with products sold in stores, price and store layout. While the psychological aspect, store image is related to the value of those stores as a result of perception that is raised by the consumer, friendly feelings that are created by the shop staff, feeling of belonging (sense of belonging) to the store, as well as the values obtained from the design store, symbols, colors and store displays. In this study, the service quality has an influence on the image of private label brands, but the service quality does not have an influence on consumer's purchase intention against private label products brand. Consumer convenience stores like 7-Eleven is a consumer serve themselves when shopping (self-service), so the factor of service quality provided by the store through its staff does not affect the interest of consumers to buy.

The better the image or consumer perceptions of private label products of 7-Eleven, the lower their concern over the risk that will happen when they consume the product 7-Eleven. When consumers are faced with the reality that they do not recognize the product, consumers will tend to hesitate to buy the product. Then, the better the image or perception of private label products of 7-Eleven, the higher the interest of the consumer to buy the product. It proves that a good image is very important in influencing consumer buying interest.

On the other hand, the perceived risk has no effect on price consciousness. It is seen that consumers do not care about the risks that would occur if they consume the product 7-Eleven, but they are more concerned with the price of a cheap product. This could happen because as much as 63% of respondents in this study were students, which in this group have a low income.

Perceived risk has no influence on purchase intention. The risks that arise when consumers do not feel familiar with 7-Eleven products, such as financial risk factors, performance and physical risks does not directly affect the consumer's purchase intention of 7-Eleven's product. Interest to buy again the products at 7-Eleven stores is not directly affected by the perception of the risk of loss that will be experienced by respondents when purchasing the product 7-Eleven. Price consciousness has an influence on buying interest. 7-Eleven consumers are very concerned with the price factor. It is because as much as 55% of respondents in this study is in the age range 21-25 years 7-Eleven is the target consumer. To maintain this, then at an affordable price on the product 7-Eleven will be the hallmarks of 7-Eleven convenience stores on the other.

After conducting Structural Equation Modeling (SEM) analysis and see the causal relationship of the research model that is previously set, it appears that the perceived risk of latent variables has no effect on price consciousness and purchase intention. It is then proposed to simplify the model by removing the perceived risk variables. Here are the results of Lisrel 8.87 processing by eliminating the perceived risk of latent variables:

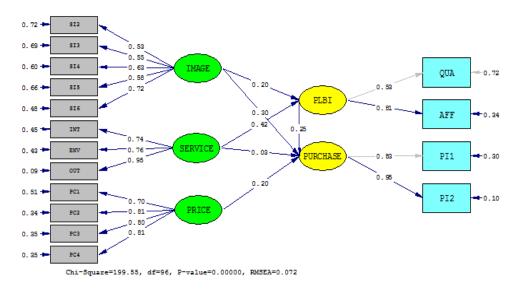


Figure 4: Structural models of alternative models - estimates Source: Data processed (2012)

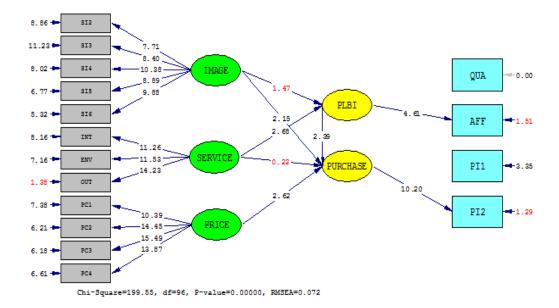


Figure 5: Structural Model of Alternative Model - t-values

Source: data processed (2012)

Based on the above results, it can be seen that there is no significant change of the result between the hypothesized latent variables compared to the previous model, the explanation as shown in the table below:

- Store image does not have positive influence on PLB image, however, it will have positive influence on purchase intention.
- Service quality has significant influence on PLB image but it does not influence significantly on purchase intention.
- PLB image has significant influence on purchase intention.
- Price consciousness has positive influence on purchase intention.

Research model that eliminate the perceived risk level indicates better match, although the absolute GoF dimension is RMSEA showing higher values. GoF size is incremental between the two models show that the value of GoF model without perceived risk shows higher yields.

Table 2. Goodness of Fit (GoF) Comparison Initial Model and Alternative ModEL

GoF Dimension	Match Target		
	Initial Model	Alternative Model	
Estimated Non-centrality Parameter (NCP)	117.75	103.55	
Root Mean Square Error of Approximation (RMSEA)	0.063	0.072	
Model AIC	354.75	279.55	
Model CAIC	558.38	452.86	

GOF Dimension	Match Target			
	Initial Model	Alternative Model		
Normed Fit Index (NFI)	0.9	0.91		
Non-Normed Fit Index (NNFI)	0.94	0.94		
Parsimony Normed Fit Index (PNFI)	0.75	0.73		
Comparative Fit Index (CFI)	0.95	0.95		
Incremental Fit Index (IFI)	0.95	0.95		
Relative Fit Index (RFI)	0.88	0.89		
Goodness of Fit Index (GFI)	0.86	0.87		
Adjusted Goodness of Fit Index (AGFI)	0.82	0.82		
Parsimony Goodness of Fit Index (PGFI)	0.65	0.61		
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Source: Data Processed (2012)

Conclusion

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In general, there is only one variable that affect private label brands image (PLB image) that is service quality with amount of 0,51. Overall, there are 3 (three) variables that affect the purchase intention, they are the image of store image, PLB image and price consciousness. Nevertheless, among these three variables, store image plays an important role in the decision related to purchase intention. The store image has the greatest influence in the amount of 0.240 followed by PLB image that has influence in the amount of 0.232, and price consciousness in the amount of 0.205.

Store image variable does not have significant direct influence on the image of private label brand (PLB image), so we can say the data does not support H1 or in other words if store image of 7-Eleven incrase, it will not affect image of PLB image of 7-Eleven. However, the study found that store image has a direct significant influence on the purchase intention, so we can say the data supports H2 or in other words if the store image of 7-Eleven increases, it will increase as well as purchase intention of 7-Eleven product.

Service quality variable has significant direct influence on the image of private label brand (PLB image), so we can say the data supports the H3 or in other words if the service quality of 7-Eleven increases, it will also increase the image of private label brand (PLB image). Service quality does not have significant direct influence on purchase intention, so we can say the data des not support H4. In other words, if service quality of 7-Eleven increase, it will not affect purchase intention to buy 7-Eleven products.

Private Label Brand image (PLB image) has significant direct influence on the perceived risk, so we can say the data supports the H5. In other words, if the image of the private label brand (PLB image) increases, the lower perceived risk of consumers towards products of 7-Eleven will be. It also validated the direct influence of this construct on the purchase intention, so we can say the data supports H6. In other words, if the image of the private label brand (PLB image) increases, purchase intention of consumers towards products of 7-Eleven will increase as well.

Perceived risk variable does not have significant direct influence on the price consciousness variable, so we can say the data does not support H7. In other words if the perceived risk increases, it will not affect the price consciousness of consumers. Perceived risk variable does not have significant direct influence on purchase intention variable, so we can say the data does not support the H8. In other words if the perceived risk of customers increases, it will not affect the purchase intention of consumers.

Price consciousness variable has significant direct influence on the purchase intention variable, so we can say the data supports H9. In other words if the price increases, purchase intention of consumers towards products of 7-Eleven will also increase. Finally, although the results of structural equation did not change between the initial model and an alternative model but, when seen from the good of fit (GoF), an alternative model is better than the early models.

Managerial Implication and Recommendation

There are several implications of this study to the industry. First is to improve the private label image of products through store image, it needs a special strategy to educate the customers who come by strengthening the image that the products 7-Eleven is a unique product and are not sold elsewhere. 7-Eleven should be able to maintain its differences in terms of products, where these products are not sold in other retail stores while it is maintaining quality of product in order to remain well and it can perform pricing strategies that can improve consumer perception that prices at the 7-Eleven affordable and have economic value that consumers are willing to buy the product 7-Eleven. Another suggestion is to train the staff on service excellent so that it can serve consumer of 7-Eleven well.

Store settings such as attractive store displays, is very factor important for convinience store. It should be strengthened with neatness and cleanliness, the easily visible products, accessible and searchable, as well as the storage location of the right product, and secured attractive.

On the feature of products, the brand should improve the quality of private label products with innovation in terms of both taste and variants as well as maintaining the

quality of private label products by monitoring the freshness of its products, such as monitoring the expiration date and the preventing of the product from damage.

The management should prioritize their marketing communications and promotions to enhance the brand image of the product in 7-Eleven. Marketing communications in the form of advertising, for example, can help to increase the brand consumers' awareness of the product of 7-Eleven. It might also work to promote through bundling package for foods and beverages with tester.

Reccomendation

This study is a replication of previous studies, it is expected that further studies looking at the relationship between quality service and perceived risk which has not been explained how the relationship between the variables. This is done so that the findings become more varied. Previous studies see the relationship among variable store image, service quality, brand image and the purchase intention on private label products in specialty stores. Meanwhile, this study was conducted on a convenience store, expected future studies can test it against other types of retails such as supermarkets, which usually has a more variants of private label products. The development of retail business in Indonesia is highly developed in the last few years, it is expected that further research will test it on other retail store brands, especially brands, new to the retail market in Indonesia.

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