

# Purchase Intention of Private Label Products as the Impact of Visual Merchandising and Customer Value

Nina Maharani\*

Management Department, Faculty of Economics and  
Business  
Universitas Islam Bandung  
Bandung, Indonesia  
\*ninamaharani@unisba.ac.id

Arief Helmi, Asep Mulyana, Meydia Hasan

Management Department, Faculty of Economics and  
Business  
Universitas Padjadjaran  
Bandung, Indonesia

**Abstract**—The Purchase intention of private label products in Indonesia is below 10%, so it takes effort to build the purchase intention of private label products. Factors that can affect the purchase intention of private label products are visual merchandising and customer value. This study aims to develop propositions about visual merchandising, customer value and purchase intention of private label products. This research method used an article literature review by elaborating on several previous studies that have been published in Google scholar and indexed by Scopus. The results showed there was a proposition between visual merchandising, customer value and purchase intention, where visual merchandising produced customer value, customer value formed the purchase intention, and visual merchandising encouraged buying intention.

**Keywords:** *visual merchandising, private label products*

## I. INTRODUCTION

The Indonesian retail industry experienced an average growth of 10.8 percent in 2015 with the highest growth occurring in the minimarket group at 11.0 percent and supermarkets / hypermarkets at 10.6 percent. Sales of modern shops per capita in Indonesia are estimated at the US \$ 60 with a composition of 56 percent in minimarkets and 44 in supermarkets / hypermarkets [1]. The growth of the retail industry in Indonesia is also accompanied by the growth of private labels, based on a survey conducted by Euromonitor in 2011, Indonesian consumers are increasingly exposed to receiving private label products due to two factors. The first factor is an increase in demand from low to middle- income consumers of private label products that are more affordable. The second factor is the increasing number of modern retail outlets in many cities in Indonesia.

This is because private labelling is one of the strategies used by retailers to build competitive advantage in stores [2] and can differentiate stores and build store loyalty [3] and accelerate market share growth [4].

However, private label development in Asia is slow because retailers are less invest in marketing private label products, so consumers lack confidence in their quality. In

addition, consumers in Asia have strong brand loyalty. This causes the sales of private label products in Asian countries including Indonesia to only reach below 10% [5]. In Indonesia consumers are less interested in private label products evidenced by the average sales figures for private label products compared to nationally branded products is 2:10, so it takes effort to build purchase intentions of private label products [6].

The results of previous research stated that several factors affecting purchase intention of private label products are using store image, perceived risk, perceived quality, perceived value, trust, and service quality [6-18].

One way that can be used to encourage purchase intentions is to apply good visual merchandising [19]. The same opinion expressed by Grewal et al in the future, one of the factors that can make our products look more prominent than competitors on the shelf or online is to use visual display [20]. Clement argued that visual stimuli in the sales area will influence consumer purchase intention [21].

Several previous studies have proven that visual merchandising is one of the factors that can encourage consumers' purchase intentions for daily necessities and clothing products in supermarkets, online, convenience stores as done by [19,22-25].

In addition to visual merchandising, customer value is one of the factors driving the purchase intention of clothing products, green products, and private label products [14,16,26,27]. Customer value is the benefit felt by consumers when owning / consuming the goods bought [28]. Visual merchandising affect customer value is the result of research from Beneke and Carter [13] and Davis and Dyer [29].

This study is different from previous studies because this study combines several research variables, namely: visual merchandising, customer value and purchase intention in one study. Previous research has focused on clothing and green products, while this research has focused on private label products. This study aims to develop propositions from visual merchandising, customer value and purchase intention.

## II. RESEARCH METHODS

The method used in this research is an article literature review, which examines articles that discuss visual merchandising, customer value/perceived value and purchase intention. Articles used as a study are articles that have been published in 1991 - 2017 in Google Scholar indexed Scopus by using keywords: visual merchandising, customer value/perceived value and purchase intention.

## III. RESULTS AND DISCUSSION

This research offers a proposition between visual merchandising, customer value and purchase intention of private label products. Before outlining the propositions of each variable, it is first discussed about visual merchandising, customer value and purchase intention.

### A. *Visual Merchandising, Customer Value, and Purchase Intention*

Visual merchandising is the art and science of presenting products in the most visually appealing manner [30]. A deeper opinion about visual merchandising and its impact on consumers and purchases is expressed by Somroo, Mehta and Chugan and Nell, visual merchandising is the art of displaying goods beautifully, thereby stimulating purchases among consumers [31], impacting on purchases [32], and maintaining consumers staying longer in the store which ultimately has an impact on purchases [33].

The broader definition stated by Chandon et al and Jain et al, visual merchandising is a technique that marketers use visually to increase the attractiveness of their outlets by creating a beautiful atmosphere, as well as managing shop elements such as proper rack arrangement, display attractive windows, cleanliness and so on that triggers impulse purchases among consumers, triggers curiosity and consumer interest to come to the store, increases the attractiveness of the product and brand of the store which ultimately has an impact on increasing sales [23,34].

Overall consumer assessment of the benefits of the product is based on perceptions about what is sacrificed and what is obtained is called value [35]. Customer value is the benefit felt by consumers when owning / consuming the goods bought [28]. Five consumption values that influence consumers in purchasing products are: (a) Functional value is the value obtained from functional, utilitarian or physical performance such as: reliability, durability and price, (b) Social value is the value obtained from association with one or more specific social groups, (c) Emotional value is the value obtained from feelings or affective statements (d) Epistemic value is the value obtained from curiosity, produces newness and or satisfies the desire of knowledge, (d) Conditional value is the value obtained from the results of special situations or a set of circumstances faced by decision-makers [36]. Customer value can be classified in four dimensions, namely: (1) emotional value, (2) social value, (3) functional value (price / value for money) (4) functional value (performance / quality) [37]. Customer values used in product research in retail stores are:

economic value, functional value, social value, performance value and emotional value [14,38,39].

Purchase intention reflects the behaviour planned by potential customers and the likelihood that this behaviour will be translated into buying behaviour [40,41]. A more complete opinion is expressed by Lin and Lu and Mohseni et al buying intention means what we want to buy in the future, referring to the possibility for consumers to consider buying, representing what people want to buy in the future, finding information about products in the future, and consumers' decision to 'buy' the company's products again [18,42].

### B. *The Impact of Visual Merchandising on Customer Value*

One way to create a pleasant shopping experience and add value to motivate consumer's impulse buying is to use visual merchandising [2]. Davis and Dryer believes that shopping at department store will meet the following values: acquisition, efficiency, aesthetic, exploration, self-gratification, and social interaction caused by display of goods, music, lighting, and beautiful store layouts [29]. While the findings Beneke and Carter, visual merchandising indirect effect on store brand loyalty through customer value [13].

*Proposition 1: Visual merchandising has an impact on customer value*

Visual merchandising has an impact on customer value, if visual merchandising in the form of a store layout makes it easy for customers to go back and forth in the store, so that they can interact with other consumers in choosing items to buy, rack arrangements that are neat, and easily reachable, clear and informative signs of sale, these things make it easier to find products, thus saving consumers' time in shopping. Besides that, the attractive product displays creating beauty, product colour composition on shelves and elements in the store (shelves, equipment, and props) will increase the attractiveness of products and store brands and make consumers feel at home so they stay longer in the store.

### C. *The Impact of Visual Merchandising on Purchase Intention*

Show windows that are part of visual merchandising that creates pleasant feelings for consumers will lead to consumer buying intentions [23]. Gajayanake and Gajayanake supports the opinion of Jain et al by adding other dimensions besides the show window, namely colour, display product, cleanliness, lighting, and music affect consumer purchase intentions [23]. A positive attitude or liking visual merchandising directly changes to a favourable brand attitude which is positively related to buying intention [33,43]. Display elements such as dolls, colours, styles, presentations, equipment, shop interiors, props, and lighting tend to trigger affective responses which ultimately affect purchase intentions [22,24,25].

*Proposition 2: Visual merchandising has an impact on purchase intention*

Purchase intentions are influenced by visual merchandising, if visual merchandising displays regular shelf placement, neat product display racks with sufficient product density, attractive and clear sales signs, and easy lighting in product search. All of

these things cause feelings of joy and create a pleasant mood that will cause consumer buying intentions.

*D. The Impact of Customer Value on Purchase Intention*

Value is an important determinant in repurchase intentions in online channels. The desire to buy is directly influenced by the perceived value of the customer. The desire to buy is positively related to the perceived value of customers [7,13]. Economic value, social value are the main driving factors of consumer purchase intention towards private label products [16]. Personal values and shopping experience, influence purchase intentions using the website [18].

*Proposition 3: Customer value has impact on purchase intention*

Customer value that influences purchase intention is customer value which created economic value, performance value, social value, and emotional value. Economic value in the form of affordable product prices, performance values in the form of quality products and product safe for consumption, social value arises because they feel proud to buy products that have a positive impression in the community, emotional value arises because they feel happy after buying a product.

After observing the impact of visual merchandising on customer value, the impact of visual merchandising on purchase intentions, and the impact of customer value on purchase intentions, the visualization of these three things can be explained in Figure 1.

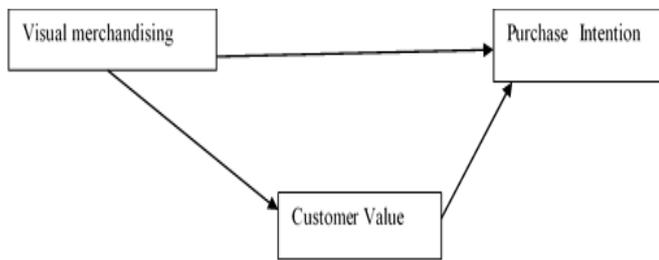


Fig. 1. Relationships between variables.

**IV. CONCLUSION**

Factors that can influence the purchase intention of private label products are visual merchandising and customer value. Visual merchandising that has an impact on customer value is the display of merchandise and elements in the store (shelves, equipment, props, display styles, store interiors) that create beauty, enhance the attractiveness of the product and store brand and also save time in shopping. Intention to buy can be influenced by visual merchandising if visual merchandising displays merchandise and elements in the store that create a feeling of joy and a mood those delight consumers. Customer value that can affect purchase intentions is customer value that created economic value, performance value, social value, and emotional value. The results showed there were propositions between visual merchandising, customer value and purchase intention.

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