

# Visual Merchandising Impact on Intention to Buy Private Label Products at Modern Stores

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**Abstract**—The rapid growth of modern stores such as minimarkets, supermarkets, and hypermarkets in Indonesia has led to intense competition among these stores. One of the strategies that can be used to attract consumer purchase intentions is application on visual merchandising. The purpose of this study is to: determine the most dominant dimension in shaping visual merchandising variables and how much impact visual merchandising has on purchase intention of private label products in modern stores. The data collection method used questionnaires to 125 consumers who bought private label products in modern shops. Hypothesis testing uses the statistical tool Structural Equation Model with the Partial Least Square (SEM - PLS) approach. The results showed that the most dominant dimension forming the visual merchandising variable is shelf management, and visual merchandising has a significant effect on the purchase intention of private label products.

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

## I. INTRODUCTION

The retail industry in Indonesia contributed significantly to Gross Domestic Product (GDP), amounting to \$ 13,230 with retail sales of \$ 396 billion in 2019 [1]. Consumer Behavior Expert & Executive Director Retail Service Nielsen Indonesia, Yongky Susilo said that in 2020, around 9-10% of the modern retail industry will experience an increase. This increase is said to be better than in 2019 of 8% [2].

In West Java, there are 232 units of modern shops [3]. Meanwhile, the number of modern shops in Bandung is dominated by minimarkets with 566 units, the second position is controlled by supermarkets with 27 units and the last position is occupied by hypermarkets with 12 units [4].

Retnawati [5] suggested that entrepreneurs should find opportunities for their competitive advantage and capture people's intentions by shopping at their retailers due to the increasing growth of modern retail.

More and more of modern shops have made competition between these types of modern stores tighter so that retailers must have a competitive advantage in order to survive. One of the competitive advantages of stores is by providing goods

under their own brand or also known as private label brands. Private label brands are products that are produced and sold under the name of a particular retail store. This private label brand has the advantage of building consumer loyalty to the store and differentiating the store from its competitors [6].

Retailers who excel in the competition, beside providing private label products, they can also create memorable shopping experiences by optimizing the store environment so that it can attract consumers' attention, generating shopping intentions that end with shopping decisions. Inman [7] argued that shopping decisions for fast-moving products occurred in stores, with the majority of consumers (60%) making shopping decisions when they were in the store.

Consumer purchase intention can be encouraged by implementing attractive visual merchandising [8]. Visual merchandising is the communication of a product or brand visually to customers so that it gives a certain impression in the minds of customers influencing customer behavior which ultimately leads to purchase [9] and contributes to brand image [10]. Clement [11] and Hussain [12] argue stimuli visual that are in the form of lighting, product display, shelf management, color, and cleanliness in the sales area can make our products stand out from competitors and will affect consumer purchase intentions.

Empirical research on visual merchandising has been conducted by Kerfoot [9], Bhatti [13], Randhawa [14] and Iberahim [15] the research context is clothing stores and malls. Research on visual merchandising on purchase intention or repurchase intention is very rare, this study was only conducted by Gajanayake [8] and Dursun [16], but research on visual merchandising on products was private label only conducted by Dursun [16].

This study is different from previous studies because (1) uses a combination of research dimensions from Gajanayake [8], Kouchekian [17] and Berman [9] with dimensions: store layout, color, signage, shelf management, product displays, and lighting, (2) besides in previous studies, the research context was clothing stores and mall. In this study, the research context

was modern stores (minimarkets, supermarkets, and hypermarkets).

This study aims to determine what dimensions of visual merchandising are the most dominant in shaping variable visual merchandising and how much influence visual merchandising has on the purchase intention of the product's private label.

## II. LITERATURE REVIEW

Ebster [18] argues that visual merchandising is the art and science of presenting products in a visually attractive way. A complete opinion is expressed by Berman [19] the factors of visual merchandising that can encourage customers to spend longer in stores including the in-store location, type of equipment, shop window, and aisle width, as well as how merchandise is visually arranged, in-store signage, background music selection, lighting type, paint on walls and graphics, floor type, and use of on-screen video in the shop.

The dimensions of visual merchandising according to Kerfoot [9] are merchandise color, presentation style, shop equipment, signage, and lighting. Gajanayake [8] stated different dimensions, according to him the dimensions of visual merchandising in supermarkets are color, product display, cleanliness, lighting, and music. Meanwhile, Kouchekian [17] stated that the dimensions of visual merchandising in supermarkets are store layout, color, lighting, shelf management, and store design.

The description of each dimension of visual merchandising is described as follows:

- The store layout is the activity of dividing the store space into different sections or aisles so that consumers can go back and forth and spend a lot of time and buy more products [20].
- Signage is a sign that contains words that aim to inform or promote products or help consumers find their way around the store. Good signage fulfills the following things: signs must be standing and visible, messages that are in signs are easy to read and the language is easy to understand [18].
- Shelf management is the allocation of products on the shelf and placing and managing the shelves in the sales place [20].
- Product display is the art of displaying products on shelves by paying attention to product diversity, product attractiveness, and ease of finding the products on display [18].
- Lighting includes lighting in the store that makes it easier for consumers to find the products they need.
- Color, in this case, is the color of the shop room, the color of shop equipment, or the color of the products on display.

Faryabi [21] argued that consumers 'plans or consumers' willingness to buy certain goods or services in the future is the definition of purchase intention. Purchase intention can be used by researchers as an indicator in estimating consumer behavior. Purchasing intention is influenced by positive feelings and attitudes of consumers towards a product or service or private label store [22].

Gajanayake [8] and Hussain [12] argue that repurchase intention and purchase intention are influenced by color, product display, lighting, music cleanliness, and layout. Dursun [16] added that product shelf space private label plays an important role in purchasing intention of private label products.

The hypothesis in this study is: visual merchandising affects the purchase intention of the product's private label.

## III. RESEARCH METHODS

The sample in this study has a small size, therefore the statistical analysis used is SEM PLS (Structural Equation Modeling with Partial Least Square [23]. The variables used in this study are visual merchandising as an exogenous variable and purchase intention as an endogenous variable, and indicators used to make statements in the questionnaire are as follows: visual merchandising uses a combination of dimensions and indicators from Kerfoot [9], Gajanayake [8], and Kouchekian [17] Purchase intention uses a combination of indicators from Hussain [12] and Retnawati [5].

Consumers in modern stores (minimarkets, supermarkets, and hypermarkets) who have purchased private label products in the last three months were research respondents. Respondents who were sampled in this study amounted to 125 people.

## IV. RESULTS AND DISCUSSION

### A. Research Results

Before discussing the research results, in this section, The characteristics of the respondents will be discussed and The characteristics of respondents based on gender are as follows dominate by the women as much as 68.8% and the rest are men as much as 31.2%. The dominant age of the respondents in this study were 46.4% 26-40 years old and the rest aged 15-25 and over 41 years was 53.6%. The dominant profession of respondents in this study was entrepreneurship as much as 36% and the rest were housewives, private employees, civil servants / BUMN, and 64% students/students. Education of respondents who dominate is S1 as much as 64% and the rest of them have a junior high school education, SMA, D1-D3, and S2 / S3 education as much as 36%.The majority of respondents buy 1 or 2 units of private label brands every time they shop as much as 44% and the rest of the respondents who buy more than 3 items are 56%. Respondents who spend 1,501,000-3,000,000 per month dominate over 48% and the remaining 52% of respondents spend 500 thousand rupiahs to 1.5 million rupiahs per month and more than 3 million rupiah.

SEM method with The PLS approach produces two types of models, namely the measurement model (outer model) and the structural model (inner model). Based on the results of calculations using the Smart PLS program, the following results were obtained (figure 1):

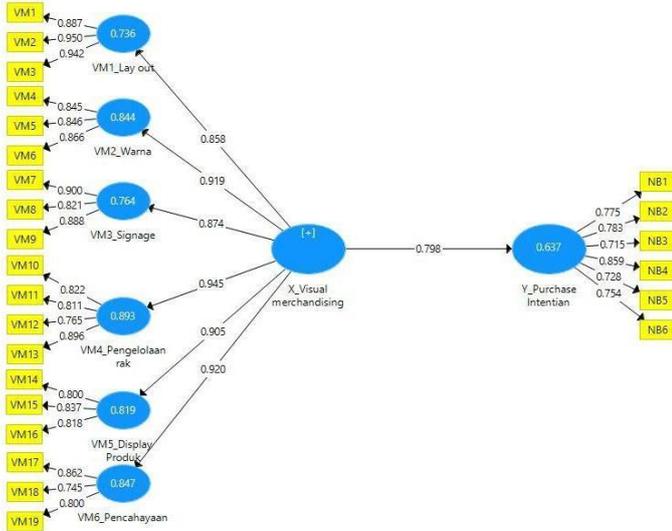


Fig. 1. Path diagram of research results this.

The outer model is used to determine the specification of the relationship between latent variables (constructs) and their manifest variables, testing this outer model includes convergent validity and construct reliability.

TABLE I. CONVERGENT VALIDITY AND RELIABILITY CONSTRUCT

Variable	Dimensi on	Indi-cator	pi	Loading Factor	AVE	CR	CA
Visual Merchandising	Lay Out	VM1	0.858	0.887	0.859	0.948	0.918
		VM2		0.950			
		VM3		0.942			
	Color	VM4	0.919	0.845	0.727	0.889	0.812
		VM5		0.846			
		VM6		0.866			
	Signage	VM7	0.874	0.900	0.757	0.903	0.839
		VM8		0.821			
		VM9		0.888			
	Self Management	VM10	0.945	0.822	0.680	0.894	0.840
		VM11		0.811			
		VM12		0.765			
		VM13		0.896			
	Display Product	VM14	0.905	0.800	0.670	0.859	0.754
		VM15		0.837			
		VM16		0.818			
	Lighting	VM17	0.920	0.862	0.646	0.845	0.725
		VM18		0.745			
		VM19		0.800			
Purchase Intention		P11		0.775	0.586	0.894	0.856
		P12		0.783			
		P13		0.715			
		P14		0.859			
		P15		0.728			
		P16		0.754			

Source: Statistical processing results, 2020.

In table 1. This symbol pi explains the contribution of influence given by the dimensions that make up the visual merchandising variables. From this table it can be seen that shelf management is the most dominant dimension in forming visual merchandising variables, followed by lighting, color, product display, signage, and finally layout.

All manifest variables have a value loading factor that is much greater than 0.5 (critical value) which indicates that all indicators have a good ability to explain the constructs to be formed, besides that all constructs have AVE (average variance extracted larger) value. of 0.5 so that the preconditions for convergent validity and construct reliability are met because both variables have CR and CA values above 0.7.

TABLE II. HYPOTHESIS TESTING

Hypothesis	pi	Direct Effect	T Statistics	Critical Value	Infor-mation
X (VM) → Y (PI)   H <sub>1</sub>	0.798	63.7%	25.262	1.96	Significant

Source: Statistical Processing Results, 2020.

The results of hypothesis testing in table 2 concluded that visual merchandising has a significant influence on purchase intention, where better visual merchandising will have an impact on the higher purchase intention. The amount of influence contributed by visual merchandising to purchase intention is 63.7%, while the remaining 36.3% is the amount of influence contributed by other factors not examined.

B. Discussion

Shelf management is the most dominant dimension in forming variables, visual merchandising is in line with the results of research from Zameer [24] and Nogales [25]. Zameer [24] stated that space, where various products are allocated on the shelf according to their categories, is called shelf space. For retailers, this space is very valuable because this shelf space is used for various purposes such as placing products according to categories, improving shelf appearance, making it easier for consumers to see and observe products, and to make it easier comparison between products. Well-managed shelf space will reduce inventory, strengthen relationships with suppliers, and increase customer satisfaction. Nogales [25] emphasized that giving more room to a particular product category or brand on the shelf, besides increasing visibility, it also increases the likelihood of an item to be purchased.

The results of hypothesis testing prove that visual merchandising has a significant effect on the purchase intention of products private label. The results of this study support the results of Gajanayake [8] and Hussain [12].

V. CONCLUSION

Some of the dimensions that form variables in visual merchandising are store layout, signage, shelf management, product display, lighting, and color, but the most dominant dimension forming variables in visual merchandising is shelf

management. Visual merchandising significantly affects the purchase intention of private label products.

The limitations of this study are in the context or samples that are only taken from one region in Indonesia as well as the limitations in the number of variables studied. Further research should be carried out in several regions in Indonesia and use several research variables.

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