

THE INFLUENCE OF PERCEIVED RISK ON PURCHASE POSTPONEMENT OF PRIVATE LABEL BRAND PRODUCT AT HYPERMART

by:

Steven Wijaya¹
Peggy A. Mekel²
Johan Tumiwa³

^{1,2,3}Faculty of Economics and Business
International Business Administration (IBA) Program
University of Sam Ratulangi Manado

e-mail:

¹ steven.wijaya92@gmail.com
² peggymekel@yahoo.com
³ johantumiwa@gmail.com

ABSTRACT

Marketers nowadays focus on product attributes to satisfy the consumer needs and wants, most of them able to deliver the product value in consumer mind and success in triggering purchase decision, but unfortunately some marketers face the problem that consumer may perceived some risk on their product and can lead to purchase postponement by the consumer. The questions to be addressed in this research are, do consumers perceived risk exist on private label brand product offered by Hypermart with Value Plus trademark and do the perceived risk influence purchase postponement. The objectives of this research are to analyze the perceived risk factor in influencing purchase postponement of Hypermart private label brand product in Manado and identify which type of perceived risk that have the most significant effect on purchase postponement. Multiple Linear Regression Analysis chosen as the tool to reveal the associational of two or more variable in this research. From the examination of 100 respondents the research shows Perceived Risk factor which are Functional Risk, Physical Risk, and Financial Risk has significant effect on purchase postponement of Hypermart private label brand product. Therefore, Hypermart should be considering a strategy to minimize the risk perceived by consumer in order to trigger consumer not to postpone their purchase decision.

Keywords: *functional risk, physical risk, financial risk, purchase postponement.*

INTRODUCTION

Research Background

The retail industry continues to evolve in order to meet all the needs of its customers, increasingly fierce competition in the retail industry is forcing retail companies to provide a variety of products with the support of an appropriate marketing strategy to increase sales of products significantly. As a consequences from a tight competition to fulfill the needs and wants of consumer, retail company develop concept called private label brand. Private label brands are made and developed by retail companies. Currently private label brand concept implemented by retailers to increase sales because the number of products offered adopt a low pricing strategy.

For new customers as well as consumers who want to switch to use private label products will enter a phase of purchase intention before deciding to make a purchase. Essential thing is to be decisive for consumer in purchase intention phase is a matter of concern or in the theory of consumer behavior is called perceived risk, Perceived risk is the uncertainty faced by consumers when they can not predict the consequences of their purchase decisions (Schifman and Kanuk, 2004:197). Perceived risk present in consumer mind because an unfamiliar brand and the lack of information that can be gained by consumers. Mood effects on consumers' attitudes and perceptions about risk are stronger when brands are unfamiliar (Solomon, 2006:271).

Many marketers choose to use other brand name as an identity to their private label brand, in other words they separating the image of retail store and their private label brand. This situation can arising the perceived risk feeling since the brand unfamiliar and some of consumer may posses small portion of information. Kotler Understanding that the perceived risk related to determine the consumer decision to postpone the purchase of product in consumer market and providing information will help marketers how to reduce the perceived risk feeling. This research primarily will focus on 3 types of perceived risk which is functional risk, physical risk, and financial risk. Hypermart private label brand product choosen as the case study of this research because hypermart known as the popular retail store in Manado that provide varies private label brand product.

Research Objective

The objectives of this research are, to analyze the influence of:

1. Functional risk, physical risk, and financial risk to consumer purchase postponement of private label brand at Hypermart Manado simultaneously.
2. Functional risk to consumer purchase postponement of private label brand at Hypermart Manado partially.
3. Physical risk to consumer purchase postponement of private label brand at Hypermart Manado partially.
4. Financial risk to consumer purchase postponement of private label brand at Hypermart Manado partially.

THEORETICAL FRAMEWORK

Theories

Consumer Behavior

The field of consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society (Hawkins, 2010:6). Moreover, Consumer behavior involves the thoughts and feeling people experience and the action they perform in consumption process (Peter and Olson, 2005:5). That is why consumer behavior not only studies about the trigger factor that caused consumer purchase the product but also the intervening factor that caused consumer avoiding, postponing or cancelling purchase the product.

Purchase Postponement

In purchase intention stage consumer make up to five subdecision which is brand, dealer, quantity, timing and payment method (Kotler and Keller, 2012:192). This subdecision will influence by intervening factors which are attitude of other, unanticipated situational factor, and perceived risk. Kotler stated that consumer's decision to modify, postpone, or avoid a purchase decision is heavily influenced by one or more types of perceived risk (Kotler and Keller, 2012:193). So regarding to the statement the consumer purchase postponement will substantially influenced by the risk perceived by the consumer.

Perceived Risk

Perceived risk is the uncertainty faced by consumers when they can not predict the consequences of their purchase decisions (Schifman and Kanuk, 2004:197). In this research the risk dimension to be used to analyze the impact of of perceived risk on private label brand purchase postponement is functional risk, physical risk, and financial risk. Moreover, perceived risk is the level of risk a consumer believes exists regarding the purchase of a specific good or service from a given retailer (David, 2003:202). The degree of risk faced by consumer varies one to another based on their tolerance on risk itself and it influence their decision, The degree of risk perceived by consumer later will determine their decision whether postpone or even cancel the purchase decision.

Private Label Brand

Private label brand (also called a reseller, store, house, or distributor brand) is a brand that retailers and wholesalers develop (Kotler and Keller, 2012:481). Private label brands offered at lower prices less than national brand with minimum advertising costs support by the retail business owner. This strategy can caused minimum references and information regarding the private label product.

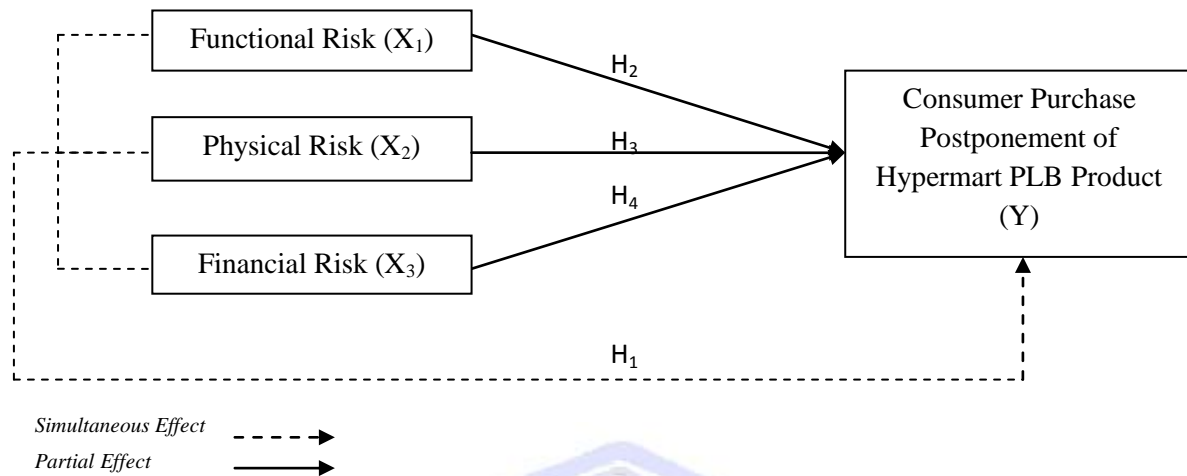


Figure 1. Conceptual Framework

Source: Theoretical Framework

Research Hypotheses

- H_1 : Functional, Physical, and Financial risk simultaneously influence consumer purchase postponement of PLB product at Hypermart.
 H_2 : Functional risk influence consumer purchase postponement of PLB product at Hypermart.
 H_3 : Physical risk influence consumer purchase postponement of PLB product at Hypermart.
 H_4 : Financial risk influence consumer purchase postponement of PLB product at Hypermart.

RESEARCH METHOD

Type of Research

Causal Research is applied in this research. Causal research is used to establish cause-and-effect relationships between variables. This research focusing on investigation of perceived risk influence on consumer postponement of private label brand product at Hypermart Manado.

Place and Time of Research

The research is conducted in Manado, North Sulawesi, Indonesia, more specifically the downtown area of city, business areas, schools and universities. Manado was chosen in regards to the residence of the researcher and location of the university. The research held during June to August 2014.

Population and Sample

Cooper and Schindler (2014:338) define population as the total collection of elements about which we wish to make some inferences. The overall population that is mainly observed in this current research is costumers of Hypermart store in Manado who know but not yet purchase the private label brand product. A sample examines a portion of the target population, and the portion must be carefully selected to represent that population (Cooper and Schindler, 2014:338). What refer to sample in this research are People residing in Manado city, who know but not yet purchase the private label brand product. The sampling design is purposive sampling, researchers choose participants arbitrarily for their unique characteristics or their experiences, attitudes, or perceptions; as conceptual or theoretical categories of participants develop during the interviewing process, researchers seek new participants to challenge emerging patterns (Cooper and Schindler, 2014:152).

Data Collection Method

Primary data is data that obtained by the researcher in first-hand. Individual provide information when interviewed, administered questionnaires, or observed. Group depth interviews, or focus groups, are the other rich source of primary data (Sekaran and Bougie, 2009:181). Questionnaire is utilized in this research. Secondary data in this research is gathered from some related books, journals, internet, and literature from library. Secondary data use to support the research in order to develop the fundamental analysis and adding information regarding to the research.

Operational Definitions and Measurement of Research Variable.

Operational definitions of research variables are:

1. Functional risk involve consumer perceptions of risks that the functional attributes of the product can not satisfy their needs (Kotler and Keller, 2012:193).
2. Physical risk involve consumer perceptions of risks that the product purchased can injure their physical well-being or health of the user or others (Kotler and Keller, 2012:193).
3. Financial risk involve consumer perceptions of risks that the purchase of the product will cause financial losses and the product is not worth the price paid (Kotler and Keller, 2012:193).
4. Purchase Postponement Involved in cancelling or postpone the purchase of products.

To measure the data collection this research use Likert scale. The participant is asked to agree or disagree with each statement. Each response is given a numerical score to reflect its degree of attitudinal favorableness. The likert scale is designed to examine how strongly subjects agree or disagree with statements on a five-point scale (Sekaran and Bougie, 2009:152).

Data Analysis Method

Validity and Reliability Test

Validity is evidence that the instrument, technique, or process used to measure a concept does indeed measure the intended concept (Sekaran and Bougie, 2009:449) To analyze the validity of questionnaire, Pearson Product Moment is used. An instrument measure is valid if the instrument measure what should measured. Reliability is assessed by determining the proportion of systematic variation in a scale to ensure that all questions in the questionnaire is truly reliable, so the measurement of the internal consistency is made. This internal consistency can be seen at the Cronbach's Alpha Parameter or the coefficient alpha varies from 0 to 1, and a value of 0.6 or less indicates unsatisfactory internal consistency reliability. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran and Bougie, 2009:161)

Classical Assumption Test

Multicollinearity is a statistical phenomenon in which two or more independent variables in multiple regression model are highly correlated (Sekaran and Bougie, 2009:352). Heteroscedasticity refers to the condition that occurs when the error variance produced by a regression model are not constant (Black, 2007:554). There are several method to test the signs of heteroscedasticity, such as Park Test, Glesjer Test, Graphical Analysis, and Spearman's Correlation. Normality test is utilized to test whether the data population is normally distributed or not. To check this assumption, this research uses the P-P plot of the residuals, which has the requirements that the shape of the histogram should follow the shape of normal curve and follows the 45-degree line.

Multiple Linear Regression Analysis

Linear regression is used to model the value of a dependent scale variable based on its linear relationship to one or more predictors (SPSS help tutorial). The linear regression analysis provide relationship between the independent variables and the dependent variable. The formula of multiple regression models in this research is shown as:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

- Y = Purchase postponement
- α = The constant, when all the independent variable equal to 0
- $\beta_1, \beta_2, \beta_3$ = The regression coefficient of each variable
- X_1 = Functional risk
- X_2 = Physical risk
- X_3 = Financial risk
- e = Standard error

RESULT AND DISCUSSION

Result

Validity and Reliability Test

The validity test of Functional Risk (X_1) 0.850, Physical Risk (X_2) 0.878, and Financial Risk (X_3) 0.863 also Purchase Postponement (Y) 0.851 are above 0.3 which mean that all indicator are valid. The reliability test using Alpha Cronbach. The Cronbach's Alpha parameter, with ideal score more than 0.6. The variable are reliable because the value of Cronbach's Alpha is bigger than 0.6.

Test of classical assumption

Multicollinearity

Table 1. Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	X_1	.389	2.570
	X_2	.469	2.123
	X_3	.364	2.746

a Dependent Variable: Y (Customer Satisfaction)

Source: SPSS Data Analysis, 2014

Result on figure above shows that the Variance inflation factor (VIF) for each variable is below 10.00, which means there is no Multicollinearity. Thus, this regression model is free from multicollinearity.

Heteroscedasticity

Figure 2 shows that the patterns of the dots are spreading and the dots are spreading above and below the zero point of Y-axis. So, there is no heteroscedasticity in this regression.

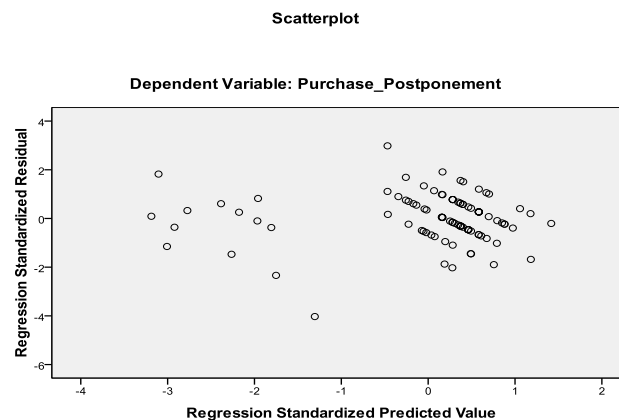


Figure 2. Heteroscedasticity Results

Source : Processed data 2014

Normality

Normality test can be identifying by using graph of P-P Plot. The data will distribute normally if the value of P-P Plot is near diagonal line of the graph.

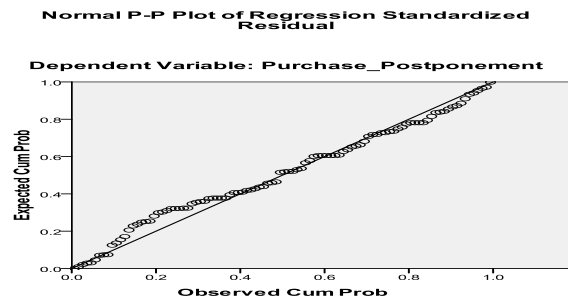


Figure 3. Normality Results

Source: Processed data 2014

Figure 3 shows the dots spread near the diagonal line and follow the direction of the diagonal line. Therefore, the data is distributed normally.

Multiple Linear Regression Analysis

Table 2. Coefficient Beta

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.311	.678		1.934	.056
	Functional Risk	.374	.087	.356	4.323	.000
	Physical Risk	.163	.076	.160	2.129	.036
	Financial Risk	.381	.075	.434	5.103	.000

Source: SPSS Data Analysis, 2014.

Based on the data analysis above, it is found that:

$$Y = 1.311 + 0.374 X_1 + 0.163 X_2 + 0.381 X_3 + e$$

The constant value or intercept is 1.311 means that if Functional risk, Physical risk, and Financial risk are 0 (zero) or it is used; Purchase postponement will decrease to as much 1.311. The coefficient value Functional risk (X_1) = 0.374, means that if X_1 value increase 0.374 point, while other independent variable constant Y will increase as much as 0.374. X_2 (Physical Risk) coefficient variable is 0.163 means if the other variable remain constant and the X_2 value increase by one percent, Y predicted to increase by 0.163. X_3 (Financial Risk) coefficient variable is 0.381 means if the other variable remain constant and the X_3 value increase by one percent, Y predicted to increase by 0.381.

Table 3. Coefficient Correlation (R) and (R Square)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864 ^a	.747	.739	1.06810

Source: SPSS Data Analysis, 2014

The Result above shows that the correlation (R) is 0.864. It means that the level of relationship between X_1 , X_2 , and X_3 with Y is considered strong and have positive impact because the coefficient value is nearer to 1.00. The Result above also shows that The coefficient of determination (R Square) is 0.747, which means the quality of variable X_1 , X_2 , and X_3 described to influence the variable Y is about 74.7%.

Hypothesis Testing

Table 4. F-Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	322.920	3	107.640	94.352	.000 ^a
	Residual	109.520	96	1.141		
	Total	432.440	99			

Source: SPSS Data Analysis, 2014

The result of regression using $F_{count} = 94.325 > F_{table} = 2.70$ with significant value = $0.000 < 0.05$, therefore it can be concluded that H_0 is rejected or H_1 is accepted which means that Functional risk (X_1), Physical risk (X_2), and Financial risk (X_3) influence the Purchase Postponement. In conclusion, hypothesis 4 is accepted since all independent variables influence dependent variable simultaneously.

Table 5. T-Test

Model	T	Sig.
Functional Risk	4.323	.000
Physical Risk	2.129	.036
Financial Risk	5.103	.000

Source: SPSS Data Analysis, 2014

The interpretation Table 5 is as follows:

1. Functional risk (X_1) has $t_{count} = 4.323 > t_{table} = 1.984$, so it can be concluded that H_1 is accepted and H_0 is rejected. Functional risk influences purchase postponement.
2. Physical risk (X_2) has $t_{count} = 2.129 > t_{table} = 1.984$, so it can be concluded that H_1 is accepted and H_0 is rejected. Physical risk influences the Purchase postponement.
3. Financial risk (X_3) has $t_{count} = 5.103 > t_{table} = 1.984$, so it can be described that H_1 is accepted and H_0 is rejected. Financial risk influences the purchase postponement.

Discussion

The research finding has revealed that perceived risk influence purchase postponement both partially and simultaneously. Based on the T-test result the three independent variables (functional risk, physical risk, and financial risk) partially influence on consumer purchase postponement of Hypermart private label brand product. The F-test result also strengthened the research finding that all independent variables simultaneously influence dependent variable. This result support the previous study from Pandit at al (2008) that examines the impact of perceived risk on consumer purchase postponement for high technology product. They found that perceived risk has significant impact on purchase postponement. The previous study from Arslan at al (2013) also found the significant correlation between perceived risk and consumer attitude on private label brand.

The first variable, functional risk has significant influence toward the consumer purchase postponement, this result can be explain psychologically because consumer cognition about the private label product is minimum, when the cognition process is minimum consumer posses only small portion of knowledge that can impact on consumer comprehension regarding the product and resulting on perception that consumer doubt feeling rises regarding the function or utility of Hypermart private label brand product.

Physical risk as second independent variable also influence the purchase postponement. The fact is private label brand product at Hypermart dominated by food and snack product that can directly impact on consumer health when people consume the product. The product usually not only for personal consumption but also consume by the member of family, this situation also trigger the consumer perception of physical risk since the impact will perceived by the member of family.

The financial risk variable based on the T-test result shows the most significant influence on purchase postponement. This significant result is derived from the field of researches which the consumer of Hypermart private label brand mostly are those with the high price concern, since the consumer still want to fulfill the needs of variety of the product with the minimum budget, the alternative solution is purchase the lower priced product. As explained before that Hypermart private label brand products have lower price rather than national brand. The financial risk influence purchase postoponement significantly because consumer may doubt that the product may not deliver the benefit desired and lead them to purchase another substitute product that can cost them more.

Hypermart private label brand product served as alternative option for those with the minimum budget but still want to fulfill the needs of variaty of daily consumption product, this target market is really benefit oriented, they tend to postpone the purchase if the risk perceived by them still high. Based on the demographic analysis the resercher found that consumer who know this product is consumer with medium to low monthly expenditure, from the total respondent female dominated with 57% and most of them are housewife. In fact that housewife should manage the budget to meet all the family product need. This situation force them to think twice before purchase the product and the decision making is heavily influence on consideration of the utility of the product, the nutrient and impact on family member health, and the most important is the price meet their budget and the product will deliver their desired benefit that make them do not have to purchase another substitute product.

The F-test result describe that functional risk, physical risk, and financial risk simultaneously influence purchase postponement of Hypermart private label brand. Therefore, Hypermart should focus to minimize those three risks to minimize the risk perceived by the consumer in order to stimulate the consumer to purchase the Hypermart private label brand product.

CONCLUSION AND RECOMMENDATION

Conclusion

The conclusions of this research can be seen as follows: Functional risk has significant influence on the purchase postponement of private label brand product at Hypermart (1). Physical risk has significant influence on the purchase postponement of private label brand product at Hypermart(2). Financial risk has significant influence on the purchase postponement of private label brand product at Hypermart (3). Simultaneously Functional risk, Physical risk, and Financial risk influence the purchase postponement of private label brand product at Hypermart.

Recommendation

Company proactive action is needed and the risk reduction strategies should be applied to minimize the perceived risk feeling in consumer mind, such as: It is recommended that the marketers better to reduce functional risk feeling by giving guarantee and design live demo in order to deliver the information that Value Plus products have good quality and give such a consumer experience on the products itself, thus it can be minimize the perceived functional risk in consumer mind. The marketers could not only hanging on the retail

store image, to ensure that the product is safe and health marketers can add label that give assurance of safety and healthy and adding review from the opinion leader to influence the consumer perception also can be effective option to minimize the perceived of physical risk. Marketers could apply the buy back guarantee in order to minimize the perceived financial risk, this is simple but the effect to reduce the perceived financial risk is massive, consumer may think that if the company brave to state the buy back guarantee than there is no reason they doubt to lose money.

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FAKULTAS EKONOMI
DAN BISNIS