THE INFLUENCE OF RETAIL SALES MIX AND BRAND ASSOCIATION TO CONSUMER PURCHASING DECISIONS AS WELL AS ITS IMPACT ON CUSTOMER VALUE

Heni R.Iswati[a]; Sri DjatnikaS.A[b]; Rina Novianty[c]
[a]Universitas Budi Luhur, Jakarta, Indonesia
[bc] Universitas Padjadjaran, Bandung, Indonesia
Corresponding email: sri.djatnika@fe.unpad.ac.id

Abstract

The increasing development of factory outlets caused the increasingly sharp competition between clothing businesses and department stores. To be competitive, factory outlets sell complete products with ranges of well-known brands, both of export potential and import products.

The study was descriptive and verificative. The research was done using the empirical research and survey methods with random sample techniques. The research sample size was 700 consumers of 100 factory outlets in West Java, Indonesia. Data collection techniques included interviews such as questionnaires and observation and Data analysis using Structural Equations Model (SEM) with Lisrel program. The results showed that the retail sales mix had a correlation with the brand association. The retail sales mix and brand associations have reciprocal relations in influencing purchasing decisions of consumers. Direct influence of purchasing decisions of consumers were greater than the direct influence of the retail sales mix and brand association to the value of the customer. Thus, the determination of the retail sales mix and brand associations have significant influences, whether simultaneously or partially, to consumer purchasing decisions and customer value of the factory outlets in West Java.

Keywords: Retail sales mix, Brand associations, Consumer purchasing decisions, The value of the customer

1. Introduction

1.1 Background of the study

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Retail trade is in fact the estuary of the whole products that are manufactured within the country and abroad. According to Achmad Slamet (1999), the proper function of the retail trade as the estuary of the product distribution will put this position in the structure of macro economy as being highly strategic.
Hathaway and Hughes (2000,) stated that the emergence of the factory outlet is a phenomenon of retail trade and putting economic issues in the larger context, including the restructuring of the economy.
The results of the pre-survey done in 2003, factory outlet received a lot of employees to be employed as a sales clerk and staffs, make a positive impact from the economic side, it is able to open up new jobs and providing sorts of shopping opportunities. Another positive impact of the large number of factory outlet located in the suburbs s that it will encourage the development of the city.

Based on the data that retail shows fluctuating growth, during the years of 1998 and2002, retail growth increased in the years of 1998-2000, but declined after the year of 2000 including traditional retail merchant, department store and convenience store. On the other hand, after the crisis, some companies open up new businesses such as factory outlets, thus, intensing the competition.

Consumers are now increasingly able to manage their financial matters. It seems that the factory outlet will be a continuous phenomenon in an era of consumer awareness.

Having regard to the data, it appears that the presence of factory outlet in West Java increased since 2001-2003. Many businessmen engaged in the fashion business to diversify, either by integrating vertically or horizontally. The growth of factory outlets are increasing is not apart from the accompanying deficiencies as in retail trade. Many observers contend that the factory outlet is simply a momentary phenomenon. In the future, retail traders will return to its original shape, which is concentrated in shopping centers.

Based on the observations conducted by Budhi W. Soetjipto (2002,) there is some consumer complaints related to the factory outlet performance e.g.: the existence of some product that sale is not saleable due to the defects, lack of quality control of the products (substandard), discounts for some products were not in accordance with the notification (information in the advertising), so the price tag information (at display) do not comply with the data on the computer, due to a lack of coordination between the officers of the display with the officers who enter an update price to the computer.

Due to the above complaints, factory outlet also suffered a decline in sales. Assessment of the customers against the factory outlet depend on the variation of products offered, excellent service, facilities and personnel professionalism of the factory outlet itself.
Thus, the factory outlet is expected to improve its performance in accordance with consumer perceptions and expectation through the creation of customer value. Customer value creation can be done by offering the product as expected by giving consumers better service, through the existing personnel and do an excellent image formation in the minds of consumers.

1.2 Problem Formulation and Research Objectives

Can be explicitly formulated as several problems including:
1.) How the retail sales mix and brand association at factory outlets in West Java.
2). How retail sales mix and brand association influence consumer purchasing decisions at the factory outlet, both partially and simultaneously.

1.3 The Usefulness of Research Results
This research is expected to contribute to the theoretical aspects development and new approaches in marketing strategies concerning the retail salesmix, the brand association influences to consumer purchasing decisions, and customer value.

2. Literature Review

To attract the interest of consumers to the store, retailers need to consider a winning retail sales mix such as product variant, price, promotion, location, facilities, customer service, and personnel (Dunne). Barry j. Masson (1988) suggests that retail sales mix includes all variables that can be used as strategies to compete in selected markets.

Placement (positioning) is the brand identity guidelines for retail traders in positioning the brand. We can use the identity by building brand image stores. Brand associations have different shapes. One way to differentiate is through abstraction. On this dimension, the brand association can be classified in three main categories, namely attributes, benefits and attitudes. Attributes are differentiated based on the level of anything to do directly on performance of products/services. The strong relationship depends how marketing programs and other factors that affect consumer experience against the brand. A key component of a retail store is how do we determine the strategy of retail salesmix in order to get the response of consumers (consumer assessment) through an understanding of brand association, by doing the right kind of marketing communications (Levy, 2001).

To study the behavior of consumers and understand consumer purchasing decisions as well as the value of the customer, one of the most widely used theories is called the model theory of value expectations. Based on this theory, consumers would consider a variety of attributes. They will perform the evaluation of the performance and the importance of various attributes of the brands included in the consideration for purchase. To be able to increase the volume of their sales, retail traders are expected to analyze the measures of consumer purchase decisions, starting with the introduction of the issue, information retrieval, evaluation of alternatives, purchases making and behavior after purchase (Solomon, 2002), so that it can determine the retail mix strategy in accordance with the wishes and consumer behavior that consists of: product, price, promotion, location, facilities, services and personnel (Dunne, 1995).

To do the purchases, the consumer will account for deals that will give the highest value, they want maximum value with limited costs of search and knowledge, mobility and limited income. According to Kotler (2003), the ratio of customers' value is the benefits obtained compare with the cost paid by the customers. This means that the trader must determine the total value of retail customers and customer total cost offered by each competitor to know how to position their own bids. Retail traders who are in the position are less advantageous in terms of the value given can try to increase the total value of customers or reduce the total cost of the customers. The first option requires an increase in the benefits of the products, services, staff and image which has to offer. The second option requires a reduction in costs, sacrifice of the customers which retail traders can reduce cost, simplify the booking process and shipment or absorb a portion of the risk of the buyer and offer a warranty.

Brand associations become a foothold in consumers ' purchasing decisions and brand loyalty. In an association, there are several variations of an association component that can provide value. The benefits of a variation of the Association that can create value for the company and its customers such as: help drafting process/information, distinguish the brand, evoking the reasons for buying, creating an attitude of positive feelings, and provide a base for the company (Aaker, 1997).

According to Annika Ravald and Christian Gronroos, (1996), the perceived value of customers is the overall assessment of the consumer against the usefulness of the product based on the perception that has been accepted and has been given. Perceived value is subjective and individual.

The value of a relationship is the value of the commitment of the two parties that need to be taken into account in analyzing a given offer and will affect the perception of customers against those values. These relationships can have a major impact against the amount of the accepted value of the customer. When measuring the value of the received customers in a relationship, not just the core product and supporting services are taken into account, but the impact of the nurturing relationship must also be taken into account.

With Factory outlets being the subject of this research, they existed in Indonesia since the 1980s and have showed an increasing development after the economic crisis in 1997. Factory outlets became an interesting phenomenon, because of the increasing trend that has induced the development of fashion, while after the economic crisis of the overall retail trade showed a declining trend. Therefore, the factory outlet is one of the alternative forms due to declining purchasing power will import products and also export product, due to the factory outlets apply a relatively inexpensive price including offering branded products at a price below the market. In addition, the factory outlets also can meet the tastes of consumers who are fond of famous brands.

The above phenomena indicate the existence of a gap between the expectations and the reality. Overall, it can be concluded the paradigm of interconnectedness of retail sales mix and brand association with the purchasing decisions of consumers (consumer purchase decision) as well as the value of the customers at factory outlet as shown in Figure 2.1.
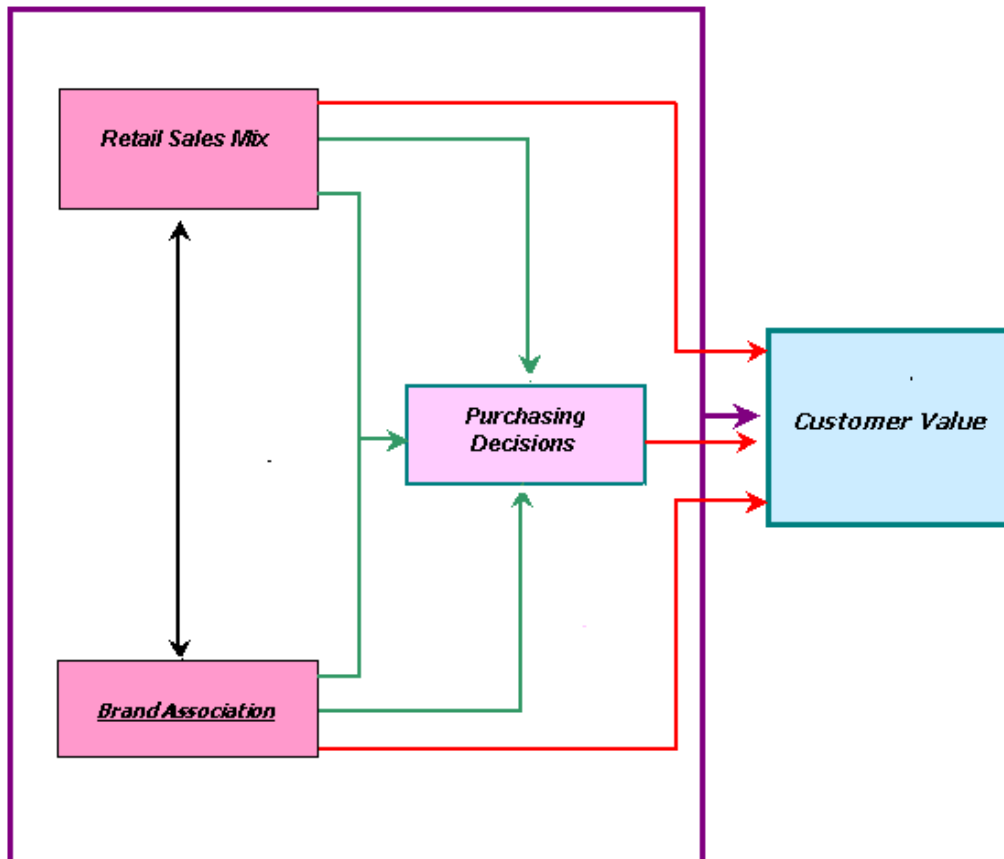
RESEARCH PARADIGM

Figure 2.1: The Influence of Retail Sales Mix and Brand Association To Consumer Purchasing Decisions as Well as its Impact On Customer Value

2.2 The Hypothesis

The hypothesis of this research is:
1. The retail sales mix has a relationship with the brand association.
2. The retail sales mix and the brand association effect on consumer purchasing decisions.
3. The retail sales mix and brand associations as well as consumer purchasing decisions have an effect on the value of the customer.

3. Research Method

This type of research uses descriptive analysis and verificative. While the data collection in the field is carried out by survey methods, description and survey of empirical research was also done.
Research was done in 100 factory outlets in West Java as the sampling unit and in consumer factory outlets as the observation unit.

Variables examined include:

1) The retail sales mix price of goods, the dimensions' completeness, location, promotion, facilities, services, and personnel.

2) The brand association, dimensions are: product attributes, intangible goods, benefits to customers, relative price, user/application, usage, famous people, lifestyle, product, competitor, and country/geographic region

3) Dimensions of consumer purchasing decisions include the introduction needs, information retrieval, evaluation of alternatives, and purchase behavior after buying process.

4) Customer value is the total benefit for consumers (the value of the product, the value of services, personnel and the image value) and total costs for consumers (money, time, energy spent.)

This study describes the co-relational and causality of each variable of cross-sectional data by using primary data sourcefrom the survey about the general characteristics of the factory outlets and consumers in West Java. Secondary data source from the Ministry of Industry and Trade. According to Al Rashid (1998), how to determine the minimum sample that used in the calculation, can be done using the iteration obtained, with the following formula:

$$n = \frac{\left(Z_{1-\alpha} + Z_{1-\beta}\right)^2}{(U^1 P)^2} + 3$$

$$U^1 p = 0{,}5 \ \ln\left(\frac{1+\rho}{1-\rho}\right)$$

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$$U^1 p = 0{,}5 \ \ln\left(\frac{1+\rho}{1-\rho}\right) + \frac{\rho}{2(n-1)}$$

With

n: a least sample size in the research

α-1: the extent of meaningfulness (level of significance) from table Z (normal distribution)

1-β: Power of the test from Z table (normal distribution).

ρ: smallest correlation expected value that retrieved

A more representative sample size can be enlarged into 700. Next, to determine the abundance of sampling units in each tow, a proportional allocation was used, as shown in Table 3.1. As for the number of respondents for each factory outlets that serve, the respondent were as much as 6-10 people to make it more representative

Framework based on the model can be transformed into a structural equation models (SEM), then do a partial test (Tobing. L, 2004)

4. Results of the Research and the Discussion

4.1 results of the Variable Parameter Estimation Research

The results of the estimation with the Lisrel program retrieved relationships and the influence of exogenous and endogenous variables in complete figure, as in the picture below.
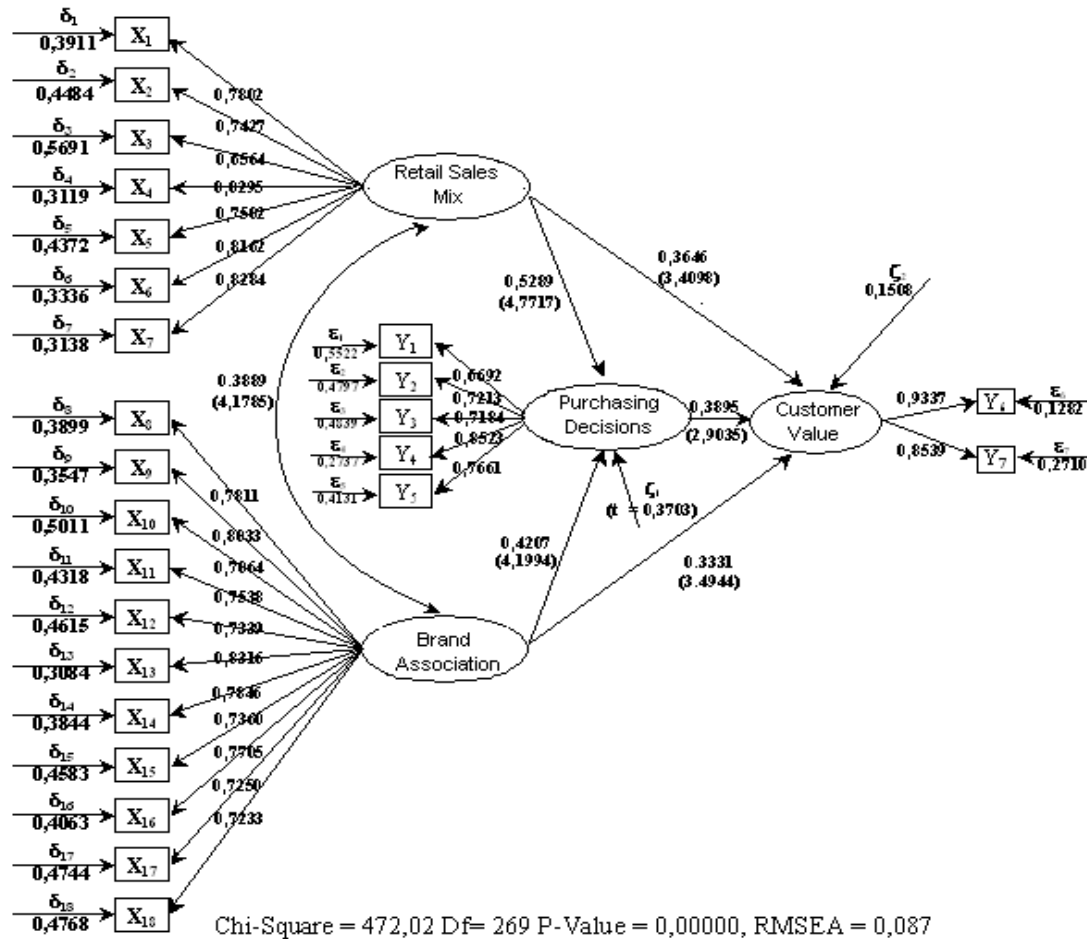
Figure

figure4.1: The influence of the sales mix, brand Association and consumer purchasing decisions against the value of customers

4.1.1 The Relationship of Retail Sales Mix and Brand Association

The calculation results in Figure 4.1 for the first hypothesis gained an overview that the magnitude of the relationship between the retail sales mix and the brand association was of significant 0.3889, which means if there is a necessary change occur in a retail sales mix, will be followed by a change of brand association in factory outlet, and vice versa. These results relevant with Upshaw theory (1995), which describes a connection between the brands (positioning) with

a retail sales mix, and (Levy, 2001), which states to design and implement the positioning of retail sales mix can create the image of the retail traders into the minds of consumers.

4.1.2 The Influence of Retail Sales Mix towards the Brand Association

Consumer purchasing decisions

The results of the calculation are shown in Figure 4.1 shows, the magnitude of the direct influence of the variable retail salesmix of consumer purchases amounting to (0,5289) 2 x 100% or 27,97%. While the magnitude of the direct influence of brand association variable against the purchasing decisions of consumers was (0,4207) 2 x 100% or 17.70%.

As for the influence of indirect variable of retail sales mix and brand association variables against consumer purchasing decisions is the same, each of (0.5289 x 0.3889 x 0.4207) x 100% or 8.65%. Influence of overall retail sales mix towards purchasing decision of (27.97% + 8.65%) or 36.62% and brand Association against consumer purchasing decisions of (17.70% + 8.65%) or 26,35%. So the retail salesmix and the brand association simultaneously influence on purchasing decisions of consumers on factory outlet (26,35 36.62% +%) or 62.97% and the rest of (100%-37.13% 62,97%) affected by other variables.

The influences of retail sales mix, the brand association to the consumer purchasing decisions
The results of the calculation are shown in Figure 4.1 and it shows that the magnitude of the direct influence of the variable mix of retail sales of customer registration (0.3646) 2 x 100% or 13.29% and the magnitude of the direct influence of the brand association of customer (0.3331 x 0.3331) x 100% or 11.10% as well as the magnitude of the direct influence of consumer purchase decisions against the variable the value of the customer (0.3895) 2 x 15, 17% or 100%.

As for the magnitude of the influence of indirect variable of retail sales mix and brand association together due to the relationship co-relational customer value of 2 x (0.3646 x 0.3889 x 0.3331) x 100% or 9.44%. The indirect influence of retail sales mix and consumer purchasing decisions are jointly due to the co-relational of relationship customers of 2 x (0.3646 x 0.6924 x 0.3895) x 100% or 19,67%. The influence of indirect brand association variable and consumer purchasing decisions of customers together due to the relationship co-relational customer value of 2 x (0.3895 x 0.6263 x 0.3331) x 100% or 16.25%. Thus, the retail salesmix, the brand association of and the consumer's purchasing decision simultaneously had an impact on customer value at the factory outlet (13.29% + 11.10% + 15.17% + 9.44% + 19.67% + 16.25%) or 84.92%, the rest of (100%-84,92%) 15.08% influenced by other factors.

The accuracy of the selection of marketing strategy is more related to the acquisition process in comparison to the consumption or the comfort of its own products and services. We are not able to evaluate the impact of options by directly using the size of consumer satisfaction, because customer satisfaction is not obtained directly at the moment of purchase. As such, it is necessary to assess the size of consumer evaluation to the overall relationship with the marketing mix strategy, which is about retail sales, positioning the company conducted, consumer purchasing decisions, and the value of the customer. The size of these so-called consumer happiness includes the whole experience of consumption (Desmeules, 2002; Hawkin, 2001).

The value of a customer and consumer purchase decisions are influenced by the perception of a physical object through the display, product, price, promotion, location, facilities, services and personnel or benefits compared to costs incurred to obtain a product or service that is received (Kotler, 2003; Hawkins, 2001; Engel, 2001).

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

Based on the consumer survey at 100 factory outlets, some conclusions can be drawn as follows:

1. The implementation of this retail sales mix has a relationship with the brand association. Thus, if there is a change in the retail sales mix, it will be followed by a change in brand association and vice versa.

2. The retail sales mix and the brand association effect on consumer purchasing decisions than to the role of the brand association.

3. Consumer purchase decisions affect the value of the customer. Consumers require purchasing decisions and information in search, cost and time, thus affecting the benefits derived by consumers. This retail sales mix could affect the value of customers through the quality and price of the product, location, promotion, facilities, services and personnel, while the brand association can communicate how large the benefits and value of products for consumers and in the other side, can also build brand image factory outlet. Similarly, consumer purchase decisions affect the value of customers, because in deciding and selecting specific factory outlets to shop. Consumers consider the value or benefits that accrue either from the products and factory outlets.

5.2 Suggestions

1. The need for improvements in the implementation of the retail sales mix for factory outlets, particularly regarding the location of the factory outlet. Assessment of consumers considers that the location of the factory outlet must be easy to reach. We recommend that you consider the location must be convenience for consumers to reach store location. Also, having regard to the size and characteristics of the population (population density, age distribution, the average level of education, type of work and the trend, as well as the availability of public transportation).

2. From the results of this research, retail sales mix promotion effectiveness should be improved so that it can be decisive for consumers in the purchase decision process. As for personnel, training and evaluation needs to be done regularly so that it can become consumers' service professionals.

3. To be able to create superior value for customers it needs accuracy and precision in the preparation and execution on retail sales mix and the Association of the brand, so in turn it can affect consumer buying decision process as well as the value of the customer.

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