

# CHAPTER I

## INTRODUCTION

### 1.1 Background

The modern retail business in Indonesia is currently experiencing very rapid development. This development always occurs every year both in terms of income and the number of modern retailers themselves. A number of modern retailers such as hypermarkets and minimarkets are competing to launch products with their own brand (private label). The presence of private labels is felt to be a must for retailers along with increasingly fierce competition, as stated by Adrianto (Head of External Communication and CSR Carrefour Indonesia) that the low prices offered by private labels are considered to attract consumers to shop so that by offering private products labels can provide benefits for retailers and consumers because consumers can get cheaper prices than non-private label products (Manopol and Wiraspati, 2014).

Based on data from the Indonesian Retail Entrepreneurs Association (APRINDO), every year there is an average increase in income of 10%-15%. In 2014 itself there was an increase in modern retail turnover by 10% from the previous year. For the sales value of modern retail in 2014 is estimated to reach the range of Rp. 162.8 trillion. Meanwhile, the number of modern retail itself has increased by an average of 17.57% every year. This can happen due to the increasing consumer interest in modern retail.

According to Kotler and Keller (2012), private label which has another name, private brand or store brand, is a brand created and owned by a seller retail sale of goods and services. Based on several definitions of private label above, it can be concluded that private label is the name or personal brand of a store or retailer for a product. The products sold by retail companies are national products that are already known by consumers. The growth of the modern retail business in Indonesia has made the competition in the modern retail world increasingly fierce. This condition causes retailers to have to find the right strategy in order to compete

with other modern retailers. and retain customers (Syamsiah (2014). One of the strategies applied by every modern retailer is to compete in product prices. The cheaper the products sold will attract customers to shop. Seeing this phenomenon, several retailers in Indonesia have tried to package the products they sell with their own packaging and brand called private label. Retailers launch private label products to differentiate Alfamart merchandise from other retailers.

The price of private label products is relatively cheaper when compared to national brand products, due to various costs such as production costs, packaging costs, and lower promotional costs (Mulyono, 2013). Private label products owned by modern retail, of course, will not be separated from consumer judgments based on the perceptions of each consumer. The better the consumer's perception of a product, the higher the level of consumer loyalty to the product and it is possible that it will also have a positive effect on income and the development of modern retail. *Vice versa*, the worse the consumer's perception of a product, the consumer's loyalty to the product and modern retail will be low.

The consumer perception of private label is still a debate, whether the quality of the private label product is as good or worse than the national brand. Based on research publications conducted by AC Nielsen Company (2008) which says that more than 40% of Indonesian consumers think that it is better to buy a national brand, despite the fact that more than 50% of Indonesian consumers have the perception that the quality and packaging of private label products is as good as national brand. Consumer assessment of private label products about product quality, is always associated with value for money or the money spent by consumers to buy a product.

According to Tannur (2013), Indonesian people still think that national brands have greater good value for money than private label products. In other words, good quality must be followed by a high price, as there is an expression that "there is a price for the goods". The price of private label products is always cheaper than national brand products. Therefore the lower price, the majority of consumers also think that the quality is worse. Consumer preferences are determined by several attributes that influence consumers to buy the

product, including size, packaging design, clarity of information on the product, ease of obtaining the product, price, and quality of service.

Alfamart has created HBPL or House Brand Private Label products that are specially packaged which have the identity of the seller and these products can only be obtained at the point of sale or in this case Alfamart outlets, this is made of course with the aim of providing the best quality product choices but with very affordable prices by the people of Indonesia. This Alfamart flagship product is characterized by the label "A" as a symbol of the Alfa Group, not only that, Alfamart has even launched products with the Paroti and Scorlines labels. Alfamart's various flagship products are produced in large factories and of course reliable in quality, besides that Alfamart also cooperates with small SME-scale producers in marketing their flagship products. However, small entrepreneurs are indeed the main driving force in the national economy and this is also one of Alfamart's own visions. For products produced in collaboration with various large manufacturers, including A Tissue, A Mineral Water, A Cotton, Paroti, A Towel, and many others, and ect.

Based on the above background, there is interested in understanding and knowing what factors can influence consumers in selection Alfamart private label products Bengkalis Regency. With the aim of knowing what the most dominant and less dominant factors are consumer choices regarding private label consumer preferences in carrying out creative, efficient and effective integrated marketing strategies in an effort to increase customer base and retain customers. For this reason, researchers want to conduct research with the title "*Consumer Preferences in the Selection of Alfamart Private Label Product (Case Study in Alfamart at Bengkalis Sub-District – Bengkalis Regency )*".

## **1.2 Research Problem Formulation**

Based on the background described above, the research problems can be formulated as follows:

1. What are the factors that can influence consumer preferences in the selection of Alfamart private label products ?

2. Which factors are the most dominant influence the consumer preferences in the selection of Alfamart's private label products ?
3. Which factors are less dominant influence the consumers preferences in the selection of Alfamart's private label products ?

### **1.3 Research Purpose Formulation**

From the formulation of the problems that have been put forward, it can be found that the research objectives are as follows:

1. To find out a number of factors that influence consumer preferences in the selection of Alfamart private label products.
2. To find out the most dominant factors that influence the consumer preferences in the selection of Alfamart private label products.
3. To find out the less dominant factors that influence the consumer preferences in the selection of Alfamart's private label products.

### **1.4 Scope and Limitation of the Problem**

Based on the background that had been described earlier, the author made a limit to the problem so that the scope of this research was clearly limited. The limitations of the problem made are:

1. This study focuses on analyzing the dominant level of consumer preferences in the selection of Alfamrt private label products.
2. This study was conducted on the people of Bengkalis sub-district at Bengkalis regency who have experience in shopping Alfamart private label products.

### **1.5 Significance of the Study**

The benefit that can be obtained from the research proposal for writers,communities and companies are as follow :

1. For Writers  
This research is expected to add references and discourses to develop knowledge about marketing management,especially those related to the

influence of price, product quality and purchasing decisions. theories acquired during the lectures.

2. For the Community

This research is expected to make people aware of private label products and also how the quality, price and services provided and marketed by Alfamart.

3. For Companies

This research is expected to provide useful information for the influence of price, product quality and service quality and become input for Alfamart and other retailers regarding the attractiveness of establishing working relationships with MSMEs in the provision of private labels so as to increase the attractiveness of consumer purchases and provide input to retail players in determine the steps to be taken in the sale of private label products.

## 1.6 Writing System

Systematics of writing research conducted for research Consumer preference for the selection of private label alfamart (Case Study in Alfamart, Bengkalis Sub-district flow are as follows:

### CHAPTER I : INTRODUCTION

In this chapter research explain about research background, research problem formulation, research objective formulation. Furtmore research explain about research limitation, significance of study and writing system

### CHAPTER II : LITERATURE REVIEW

In this part research present about literature review, both related theory or theoretical basic about research variable which researched. In theoretical basic part researcher try to explore some theoretical basic about understanding consumer preferences, consumer behavior,, factors influencing consumer behavior. Further types of consumer behavior, private label

products, private labels work. And finally advantages and disadvantages of private label,alfamart private label,and alfamart private label product.

### **CHAPTER III : RESEARCH METHODS**

In this chapter will describes specifically related to the procedures for writing which include the location and object of the study, types and sources of the data, population and sample. Further is about sampling technique,data collection technique,data processing technique. And finally measurement scale,data analysis method,types of the study, concept definition and operational variable and operational variable.

### **CHAPTER IV: RESEARCH RESULTS AND DISCUSSION**

In this chapter contains result and discussion. Thesis research results contain data that includes,to find out the most dominant preference factors of consumers in choosing Alfamart private label products,to find out the less dominant preference factors of consumers in choosing Alfamart's private label products.

### **CHAPTER V : CONCLUDING**

In this chapter is the last chapter, where conclusions will be presented from the results of research conducted, then the author will provide suggestion that might be useful.