

# CHAPTER I

## INTRODUCTION

### 1.1 Background

The rapid development of the business world in modern times makes it a challenge for companies to compete with each other in innovating to create their business. Especially in the retail business in Indonesia, from year to year more and more competitors are interested in opening a retail business. In using consumer goods and services, not only to meet daily needs but also to fulfill the desire to shop. According to Listiyani (2011) in Wibisino (2014), Indonesian people who were originally consumers of traditional markets, now prefer modern markets as a place to shop. The change in consumer preferences in choosing where to shop is also one of the factors that affect the increasing number of retail stores in Indonesia.

Based on Supriyanto (2013) in relation to consumer assessments, every company engaged in product marketing always strives to set prices and quality products to be marketed to consumers in order to anticipate consumer tastes that are immeasurable and easy to change. In addition, products marketed to consumers cannot always be accepted or purchased directly because the consumer buying process requires the right decisions so that the purchased products can be used to meet their needs. The buying behavior of consumers is very important to be studied and paid attention to by retailers today.

Some retailers in Indonesia try to package the products they sell with their own packaging and brand called private label. Private label is one of the activities of retailers in giving names or brands to some of the product items they sell. Levy and Weitz (2012), state that private label brands, also called store brands, or own brands, are products developed by retailers. According to Kotler and Keller (2012) defines private label, namely: "A private brand (also called a retailer, warehouse, or distributor brand) is a brand that retailers and wholesalers develop". Retailers launch private label products to differentiate their merchandise from other retailers.

The proliferation of private label products adds to the variety of products offered to consumers. However, the development of private label products is hampered by similar products produced by national brands. Private label products that do not use high promotion tools cause the price of the private label product to be below the price of similar products issued by national brands (Purba, 2012).

Wu (2005) in Wibisono, B. (2014) said that consumers have the same perception of the quality of private label products as products from national brands. As for price perception, private label products have relatively rigid prices compared to pricing for national brand products. This is due to changes in the amount of consumption for national brand products. The main reason consumers buy private label products is the reason for the price, but by increasing the quality of private label products, consumers will still choose private label products over national brands (Krishna, 2011). Private label products are rarely promoted and private label products are positioned as cheaper alternative products compared to national brand products (Wibisono, B., 2014).

Bengkalis is one of the sub-districts with an area of 514 km<sup>2</sup> located in Bengkalis District, Riau Province, Indonesia. One of the modern retailers in Bengkalis Sub-District at Bengkalis Regency that provides private label products is Indomaret. Indomaret is a one stop shop that is widely known by the people in Indonesia and has long been a minimarket-based retail store player. Indomaret retail store itself has private label products that are available in various product variants such as food products, including rice, cooking oil, syrup, sugar, coffee, mineral water, snacks, instant noodles, wafer sticks, meises, and others. And also non-food products including baby diapers, floor cleaners, detergents, soap, beauty cotton, earplugs, sanitary napkins, lighters, dish soap, tissue, bath soap, toothbrush, towels, stationery, hand soap, softener clothes, light bulbs, candles and more (Indomaret, 2014).

Based on a survey conducted by Euromonitor in 2011 in Yudistira (2019), more and more Indonesian consumers are accepting private label products. This is due to two factors. The first factor is the increasing demand from low to middle income consumers for private label products that are more affordable. The second

factor is the increasing number of modern retail stores in many cities in Indonesia as well as the number of aggressive promotions from retail business owners to encourage the private label route. This aggressive promotion encourages greater recognition and acceptance of private label products by the public.

The reason the researcher chose this title is to find out what factors can influence consumers in choosing Indomaret private label products in Indomaret Bengkalis Sub-District. With the intention of knowing what factors are the most dominant and less dominant that are consumer choices, Indomaret must carry out a marketing strategy so that consumers are satisfied buying Indomaret private label products, so it is important for Indomaret to know what consumers need. For this reason, Indomaret can adjust consumer desires in choosing private label products based on the most dominant consumer preference factors so that Indomaret can increase sales and new customers by retaining old customers.

Based on the background above, the author is interested in knowing more closely and clearly with the sample object of the community in Bengkalis Sub-District. Therefore, the author compiled this thesis proposal with the title "**Consumer Preferences on the Selection of Private Label Products (Case Study In Indomaret at Bengkalis Sub-District – Bengkalis Regency)**".

## **1.2 Research Problem Formulation**

In this research problem, the factors that influence consumer preferences in the selection of Indomaret private label products in Bengkalis Sub-District are developed. From the research problem, the following research questions can be formulated are as follow :

1. What are the factors that influence consumer preferences in the selection of Indomaret private label products ?
2. Which is the highest dominant factor that influence consumer preferences in the selection of Indomaret private label products ?
3. Which is the lowest factor that influence consumer preferences in the selection of Indomaret private label products?

### **1.3 Research Purposes Formulation**

From the formulation problem above, the following research objective can be determined :

1. To find out a number of factors that influence consumer preferences in the selection of Indomaret private label products.
2. To find out the highest dominant factors that influence consumer preferences in the selection of Indomaret private label products.
3. To find out the lowest factors that influence consumer preferences in the selection of Indomaret private label products.

### **1.4 Significance of the Study**

This research is expected to function and have benefits for several parties, including other :

1. For Writers  
By conducting this research, it is hoped that researchers will be able to know and understand more about consumer preferences for the selection of private label Indomaret products and as a condition for completing the Diploma IV International Business Administration Final Project.
2. For Entrepreneurs  
This research is expected to contribute ideas and reveal problems that arise as well as provide suggestions in solving problems, so that in the end it can provide benefits for the development of its business.
3. For Other Parties  
This research can be used as a reference for further related research as a source of information to enable further research on related topics, either continuing or complementary.

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

So that research does not become broader and clearer in scope, the following are limitations to the research problem:

1. This study only focuses on analyzing the level of consumer preferences in the selection of Indomaret private label products.

2. The research object which is researched by the researcher is consumer preferences in the selection of Indomaret private label products.
3. The population in this study were the Bengkalis Sub-District people who have experience in shopping Indomaret Private Label Products.
4. The sample used as the object of research is the consumer society Sub-District of Bengkalis Regency as many as 100 respondent, both women and men.
5. The research location is in Bengkalis Sub-District at Bengkalis Regency.
6. The research sampling technique is purposive sampling technique.

## **1.6 Writing System**

Systematics of writing research conducted for research Consumer Preferences in the Selection of Indomaret Private Label Products (Case Study in Indomaret Bengkalis Sub-District at Bengkalis Regency) are as follows:

### **CHAPTER I : INTRODUCTION**

In this chapter an introductory chapter, researcher explained about research background, research problem formulation, research limitation. Furthermore researcher explained about research purpose formulation, significance of the study, and research systematics.

### **CHAPTER II : LITERATURE REVIEW**

In this part researcher present about literatur review, both related theory or theoretical basic about variable which is researched. In theoretical basic part researcher try to explore some theories such as; consumer preference, consumer behavior, private label, and indomaret private label.

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

In this chapter 3, researcher explains the methods used in conducting the reasearch which consist research location and object, data type and source, population and sample. Researcher also explained about sampling techniques, data collection techniques, scale measurement. Furthermore is about data processing techniques, data analysis methods, types of the study,

definitions concept and operational variables, schedule and budget of result. And finally in this section researcher also explains the concept definition and operational variable, schedule and budget of the study.

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

In this part researcher present about result and discussion. Thesis research result contain data that includes to find out a number of factors that influence consumer preferences in the selection of Indomaret private label products, to find out the dominant factors that influence consumer preferences in the selection of Indomaret private label products. Then contain data that includes to find out the less factors that influence consumer preferences in the selection of Indomaret private label products.

#### **CHAPTER V : CONCLUSIONS AND SUGGESTIONS**

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