



## BUILDING COMPANY'S POWER AND IMAGE BY CREATING PRIVATE BRAND

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### **Abstract**

*Have you ever buy a product that has the same name with the store? Numerous retail stores provide their private brand with competitive price. This research explains consumer satisfaction on private brand. Lots of retail stores create their own private brand such as foods, beverages, toilettes, household, electronics even clothes. We conduct 100 retail store consumers in Bandung as respondents who are buying certain private brand. We describe their choice about certain private brand, product, item, reason why they choose the product and their satisfaction. This description research shows that consumers are satisfy with low price food private brand. Private brand itself is believed can build company's power and brand image.*

**Keywords:** *private brand, retail store, brand image, consumer satisfaction, product.*

### **INTRODUCTION**

The development of industries in Indonesia is significantly increasing nowadays. There are many products and services begin to fill the global market. The companies also begin to compete in global market and race to be the market leader in a competition. Generally many companies start to think new strategies to expand its business.

Retail business is one of the developed global industries in Indonesia. They are – such as Giant, Carrefour, and Lotte Mart – growing and recognized because of growing market demand in Indonesia. It is belief that fulfillment primary needs in Indonesia are transformed to become secondary and tertiary needs such as lifestyles. Retail industry companies notice this matter as opportunity to fulfill this new consumer need; as they think many strategies to compete and survive in this industry. Moreover, they have to reach consumer's top mind so that the consumer will remember and always choose their retail store. This situation can be called brand awareness, i.e. consumers are expected to have an awareness of a brand in the activity of their purchasing activities.

It is not easy to create brand awareness for the company is recognized for its brand. It can be said that brand can raise the company but also can ruin the company. Recognized retail companies are easier to create product with their own name for it has a strong and positive image in consumer's mind. The creation of this kind of product is called private brand.

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Private brand itself is expected to create stronger brand awareness in consumer's mind. Nevertheless, private brand performance should be managed well for it can be a negative factor if the private brand is not able to give a positive image in consumer's mind. It can be concluded that creating personal brand should increase emotional consumer's mind and makes them always using the product. As a consequence, this strategy is expected to establish a long-term customer loyalty as well as can reach market leader position.

This study describes the private brand product that is most purchased at particular retail companies in Bandung, also describes customer satisfaction to private brand product performance that determines the retail company image.

### **Brand and Private Brand**

Kotler and Armstrong (2004) state "brands as more than just names and symbols. Brand represent consumers' perceptions and feelings about a product and its performance-everything that the product or service means to consumers."

Perreault and McCarthy (2005) state "dealer brand, also called private brands, are brands created by middlemen." Kotler and Armstrong (2004) define "private brand (or store brand) is a brand created and owned by a reseller of a product or service." Meza and Sudhir (2010) state "like any new product, private label entry increases competition within a category leading to downward pressure on both wholesale and retail prices. But, given the higher margins for private labels and potential bargaining benefits for retailers, they have incentives to help private labels gain market share." Partal, Benito and Venturini (2013) state "standard store brands usually adopt a balanced position in terms of quality and price and follow an imitation strategy toward national brands, which enables them to offer similar quality at a lower price."

Steiner (2004) state "although no statistical service estimates the overall private label market share, there are sufficient data for specific categories to conclude that PL's share is substantial and has been growing. By far the best information is for food and non-food grocery store products sold in supermarkets, mass merchandisers and drug chains." Bontemps, Orozco and Réquillart (2008) also state "private labels provide additional market power to retailers. Through this strategy, retailers are less dependent on specific upstream suppliers, can reinforce their bargaining position, and can extract more profits. Private labels also modify the competition among retailers. Because a private label is a specific product of a given retailer, retailers use it as a differentiation tool, which thus potentially softens the price competition among them."

### **Object and Methodology Research**

We use Yogya, Hypermart, Giant, Carrefour and Lotte Mart as research objects. These retail shops sell various basic needs. The population used in this research is the Indonesian citizens who have buy private brand products from one or more of the retail industry (Yogya, Hypermart, Giant, Carrefour and Lotte Mart). The sample is Bandung residents who have buy a private product brand of one or more of the retail industry (Yogya, Hypermart, Giant, Carrefour and Lotte Mart).

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The number of samples used as many as 100 people, where the criterion is based on the theory of Sekaran (2003) states that “as a rule of thumb, sample sizes between 30 and 500 could be effective depending on the type of sampling design used and the research question investigated. The analytical method used in this research is descriptive statistics.”

## Result and Discussion

Based on data collected from 100 consumers obtained the following results.

### 1. Consumer characteristics by gender.

**Table I**

Number	Gender	Amount	%
1	Male	67	67
2	Female	33	33
Total		100	100

*Source: result of data processing in 2014*

The result illustrates that there are 67 percent of respondents are male and 33 percent of respondents are female.

### 2. Consumer characteristics by age.

**Table II**

Number	Age	Amount	%
1	≤19	62	62
2	20-40	38	38
3	>40	0	0
Total		100	100

*Source: result of data processing in 2014*

The result shows that there are 62 percent of respondents are categorized teenager and 38 percent of respondents are between 20-40 years old. It could be said that retail shops are interesting for teenagers. As a consequence, retail industry should pay more attention to them for they are potential customers and should be maintained.

### 3. Most frequent visited retail shop.

**Table III**

Number	Retail	Amount	%
1	Yogya	70	70
2	Hypermart	5	5
3	Giant	9	9
4	Carrefour	6	6
5	Lotte Mart	10	10
Total		100	100

*Source: result of data processing in 2014*

The result confirms that 70 percent of respondents choose Yogya, 5 percent of respondents choose Hypermart, 9 percent of respondents choose Giant, 6 percent of respondents choose Carrefour, and 10 percent of respondents choose Lotte



Mart. It concludes that the consumer prefers more Yogya as the most visited retail shopping. It is because this research takes place in Bandung, which is the main base for Yogya Group. Yogya sells variety food products, beverages and other necessities of life especially for citizens of West Java.

- Private brand products most frequently purchased by consumers

**Table IV**

Number	Private Brand	Amount	%
1	Yoa & Pasti Hemat (Yogya)	55	55
2	Value Plus (Hypermart)	5	5
3	Giant	22	22
4	Carrefour Discount (Carrefour)	9	9
5	Lotte Mart & Save (Lotte Mart)	9	9
Total		100	100

*Source: result of data processing in 2014*

The table shows that 55 percent of respondents choose the *Yoa & Pasti Hemat* product as the most frequently purchased private brand products. There also five percent of respondents choose Value Plus products, 22 percent of respondents choose Giant products, nine percent of respondents choose Carrefour Discount product, and nine percent of respondents choose Lotte Mart & Save products. These results indicate that the majority of consumers prefer *Yoa&Pasti Hemat* products as a private brand product from Yogya. This is consistent with the previous result that Yogya is the most visited retail shop.

- Types of private brand products most frequently purchased by consumers.

**Table V**

Number	Type of Product	Amount	%
1	Equipment and household appliances	45	45
2	Electronics equipment	1	1
3	Food and Beverages	53	53
4	Clothes	0	0
5	Others	1	1
Total		100	100

*Source: result of data processing in 2014*

The above table illustrates that 45 percent of respondents choose equipment and household appliances private products such as tissue, hand soap, broom, cooking equipment. Only one percent of respondents choose electronics equipment, 53 percent choose food and beverages, and only one percent chooses another. It is indicated that the basic needs such as food and beverages remain a major concern for consumers.

- Factors affecting consumers in selecting private brand products.

**Table VI**

Number	Factor	Amount	%
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1	Quality	24	24
2	Packaging	0	0
3	Price	47	47
4	Ease to obtain or find a product	18	18
5	Promotion	11	11
<b>Total</b>		<b>100</b>	<b>100</b>

*Source: result of data processing in 2014*

This table shows that 24 percent of respondents choose particular private product because of its quality, 47 percent of respondents affected by price, 18 percent of respondent choose particular private product because it is easy to find, and 11 percent are tempted by retail shop promotion. It can be conclude that price is still the major factor for consumers to choose their private brand products. Private brand products usually have a lower price than other brand products. Myers (1967) states that “Private brands are usually lowerpriced than national brands. It is asimple step to the market segmentation notion that consumers who respond differently to private brands are those more readily influenced by price appeal than by a promotion appeal.”

#### 7. Consumer’s satisfaction of particular private brand products

**Table VII**

Number	Satisfaction	Amount	%
1	Satisfied	100	100
2	Dissatisfied	0	0
<b>Total</b>		<b>100</b>	<b>100</b>

*Source: result of data processing in 2014*

The last table shows that all respondents are satisfied with private brand product performance. It also indicates that although the private brand products have the same brand with the retail shop, it has no affect the consumer’s enthusiasm in purchasing and using private brand products.

### **Conclusions and Suggestions**

This research tells us that consumers can accept private brand product. It can be conclude that until now consumers still receive private brand products. Although sometimes there is a basic thought that private brand products have lower quality products than other branded products that issued by famous brand. This result is comparable with Myres (1967) that there are different responses among consumers about price and quality of private brand products. There are consumers who assume if private brand’s price is low, then the quality is also low. But there are consumers who assume reversed.

This research also describes that teenager takes big portion as retail customers. It is because they have a limited income and prefer to buy particular low price, although perhaps it has a slightly low quality. These findings illustrate that the price still plays an important role for consumers to choose private brand product even though there is a risk that must be taken by the consumer. There should be another study about quality of private brand products have higher quality than branded products. Retail



companies are also taking the high risk by staking their goodwill when they decide to release products with the same brand with the company. But it will be good if customer accept private product brands.

The results also show that all the consumers satisfied with the performance of private brand products. This satisfaction is very important for retail shops in building their strength of private brand products. The stronger the private brand can compete in the market, the better positive image that can be reach by retail shop.

This research suggests that retail shop should limit the type of their private brand product. Based on this research, consumer only interested on food and beverage along with equipment and household appliances. It should be done for keep the balance between private brand and other branded products. Levy and Weitz (2012) states “Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. Often people think of retailing only as the sale of products in stores, but retailing also involves the sale of services such as overnight lodging in a motel, a doctor’s exam, a haircut, a DVD rental, or a home-delivered pizza.” It can be said that retail is a business activity that sells various types, products and brands. If there are too much private brand products in retail shop, it would be decrease its good identity.

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