The Effect of Packaging and Prices on Intention to Buy with the Moderation of Income and Store Image

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Abstract: This study aims to analyze the influence of packaging and prices on the intention to buy private label products with moderating income and store image. This research was conducted in the Special Region of Yogyakarta. Respondents taken were consumers who shop at outlets that have private labels with diverse socioeconomic and demographic backgrounds. The sampling method uses the non-probability sampling technique, namely convenience sampling — data analysis using Structural Equation Modeling (SEM). The results of the study indicate that packaging and prices have a significant influence on purchase intention. Income moderates the effect of prices on buying intentions in a negative direction, and the image of a store moderate the effect of prices with purchase intention in a positive direction.

1 INTRODUCTION

The development of retail business causes changes in consumer behavior in conducting shopping activities that lead to entertainment (Nielsen, 2008). This change in consumer behavior has caused retailers to rearrange the layout of their stores and packaging goods with entertainment nuances. As a result, many retailers use private labels to sell their products. Levy (2007) and Collins (2008) state that building a private label can create a competitive advantage. Some debates about the benefits of private labels can be explained as follows: (1) Mbaye (2003) states that there is a cultural influence on consumer behavior related to private labels. (2) Carmen and Martos (2013) stated that success in private label products in Europe and the USA does not necessarily guarantee successful private label products in Asia. (3) Mandhacithara et al. (2007), in their research, proved the existence of unsuccessful private labels in Asia. (4) Nenycz (2011) states that research on the intention to buy private label is important because the private label can be an alternative positioning in marketing strategies.

This research was conducted to answer some of the debates on existing research results. First, the need for a study of the consumer's intention to buy by paying attention to consumer characteristics. This is also in line with the opinion of Goldsmith et al. (2010), which states that the need for further studies on private labels by including aspects of consumer characteristics. Beneke (2010), who conducted research on consumer perceptions of the private label, has not discussed the aspects of the store's image. Even though private labels can show closeness to the store's image. Second, the need to incorporate elements of store image in the research model. In general, previous studies have not found any research on the effect of simultaneous extrinsic attribute factors that influence the intention to buy private label products in certain stores. In addition, there is also no visible factor in consumer characteristics, store characteristics, and their influence on the connection of extrinsic attributes with the intention to buy. Third, some previous studies have not used a model that combines aspects of product attributes, profile aspects, and outlet aspects to analyze intention to buy. This study analyzes the aspects of product attributes as exogenous variables, aspects of store image, and consumer profile as moderating variables, which in the previous research were rarely studied in the intention to buy effect. Based on several debates from previous research results, this study aims to examine the effect of packaging and price on the intention to buy private label and to examine the effect of moderating income and store image on private label relationships and prices on the intention to buy.
2 LITERATURE REVIEW

Schiffman and Kanuk (2007) state that intention to buy is a conative aspect (behavioral). This interest can not be separated from the process of purchasing decisions in which there are external and internal influences of individuals. According to Kotler and Keller (2009), intention to buy is understood as the intention of making a purchase, and this intention is influenced by an understanding of the product. The packaging is a product attribute that has an important role in marketing strategies and business competition (Kotler and Keller, 2009). The tight competition in store layout is the reason for the importance of packaging management besides price, which also has a relationship with value. Consumers usually have a sensitivity to prices that are reflected in the form of demand elasticity and consideration of benefits and satisfaction received (Loudon and Bitta, 1993). The concept of value takes into account the amount that must be spent with the benefits received. According to Serenko and Turel (2006), income can be seen in terms of monthly monetary income. In his research on consumer satisfaction in America, income was chosen as one of the moderating variables. According to Park et al., (2011), the image of a store can bring consumers to certain perceptions about the product offered. A good image has a positive influence and benefits of the marketing of retail sellers.

2.1 Research Hypothesis

2.2.1 Packaging and Intention to Buy

Garber (1995) states that packaging can influence consumer choice of products. Product packaging that fits the needs of consumers. Halstead and Ward (1995) suggest that the management of a good private label can have an appeal to the intention to buy that is not inferior to the manufacturer's brand. According to Batra and Sinha (2000), the packaging aspects of both national brands and private labels contribute to purchasing decisions. Batra and Sinha (2000), Fandos and Flavian (2006) state that the packaging aspects of both the private label and manufacturer's brand contribute to consumer purchasing decisions. Fandos and Flavian (2006) examined the packaging aspects, and the results showed that there were positive effects of packaging attributes on the consumer's intention to buy. Deliya (2012) explained that good packaging perceptions would increase consumers' intention to buy products.

Hypothesis 1: Packaging has an effect on the intention to buy.

Hoch and Banerji (1993) conducted a study on the possibility of private label success. The success of the private label is largely determined by several aspects, which include quality aspects, namely packaging. The packaging is one of the parameters of the attractiveness of consumer purchases. Consumers with high-income levels will be more interested in products with attractive packaging. Narasimhan (1998) explained that product quality becomes a parameter of consumer attraction. Products with private labels should pay attention to the packaging aspects to increase consumer purchase intention. Narasimhan (1998) also states that there is a category of consumers who have high-income levels that are more concerned with quality than low prices. Serenko et al. (2006), who examined customer satisfaction in America, found that income variables were one of the determining factors in buying behavior.

Hypothesis 1a: The better the level of income, the stronger the influence of packaging on the intention to buy the product.

Richardson et al. (1996) states that consumers pay attention to aspects of extrinsic cues in the form of packaging when deciding on a purchase. The packaging is one of the attractions to increase the intention to buy on private label products. According to Archma, Vahie, and Paswan (2006), product packaging, which is part of product quality, will be related to the image of the store. The results of his research show that private labels can be a reflection of the store's image. The store's image, according to Paul (2010), has a positive influence on the consumer's intention to buy. Mbaye (2012) also explained the relationship of store image to packaging and the intention to buy. Vachie and Paswan (2006) say that a good store image will create the impression of good quality and will affect the intention to buy private label products.

Hypothesis 1b: The better the image of the store, the stronger the influence of packaging on the intention to buy.

2.2.2 Price and Intention to Buy

Yu Lin and Marshall (2009) say that price and risk aspects influence consumer purchasing decisions. In this case, if the price paid is in accordance with the quality received, it will have a positive influence on the consumer's intention to buy, on the other hand, the risk has a negative relationship. Alfred (2013), who examines the perception of quality and price perception in relation to the intention to buy, explains that price perception is an important attribute in
determining the intention to buy consumers. Beneke (2010), states that prices can be an indicator of quality. Horvat and Sandra (2011) identified several factors that allegedly influenced attitudes towards private labels. The results of his research show that prices are one of the factors that influence the attitude towards the private label.

Hypothesis 2: Perception of prices affects the intention to buy.

Chen (2009) states that groups with lower middle income have a price sensitivity, so they tend to choose private label products that are considered to offer low prices. This is different from the upper-middle-income group that has a buying behavior pattern that tends to choose premium products. The same thing was stated by Beneke (2010). His research in South Africa explained that for consumers with upper middle income, they tend to be less interested in private label products that are considered to offer products at low prices. Morwitz and David (1992) explained that income has a great influence in moderating customer satisfaction with the intention to buy. The lower the level of income, this will become an obstacle in the intention to buy consumers. Glynn (2009), Mbaye (2012), in his research on the factors influencing the purchase intention of private label products, explained that the income factor became the control variable in the intention to buy private label products.

Hypothesis 2a: The higher the level of income, the stronger the influence of price perception on the intention to buy.

Richardson et al. (1996) state that consumers pay attention to aspects of extrinsic cues in the form of product prices. Private labels require the right pricing to be able to increase consumers’ intention to buy. Paul C.S (2011) conducted a study on the relationship between purchasing private labels with store images. The better the image of the store will encourage consumers to purchase private label products. Pacheco (2015) shows that a positive store image makes consumers have a positive perception of prices and promotions. Positive outlet image will also have a positive influence on the intention to buy (Mbaye, 2012)

Hypothesis 2b: The better the store image, the stronger the influence of price perception on the intention to buy.

3 RESEARCH METHOD

3.1 Research Design

This research is a survey research with the aim to analyze the influence of packaging and prices on the intention to buy private label products along with the factors that moderate them. The population and unit of analysis of this study are consumers who have bought private label products in the Special Region of Yogyakarta. The sampling technique is non-probability sampling with the criteria of adult consumers who can decide for themselves to buy products with private labels. Data collection using a questionnaire. The data analysis technique used is descriptive and explanatory statistics using Structural Equation Modeling (SEM). Model testing is done by observing the value of goodness of fit, including Chi-Square, Adjusted Goodness of Fit Index, Root Mean Square Error of Approximation, Normed Fit Index, Goodness of Fit Index, and Comparative Fit Index. There are several structural equations proposed in the study.

Structural equations without moderation: \( Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \)

Information:
- \( Y \): intention to buy
- \( X_1 \): packaging
- \( X_2 \): price
- \( \varepsilon \): error

Structural equations with moderating income: \[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M_1 + \beta_4 X_1 M_1 + \beta_5 X_2 M_1 + \varepsilon \]

Information:
- \( Y \): intention to buy
- \( X_1 \): packaging
- \( X_2 \): price
- \( M_1 \): moderating variable (income)
- \( \varepsilon \): error

Structural equation with moderating store image:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M_2 + \beta_4 X_1 M_2 + \beta_5 X_2 M_2 + \varepsilon \]

Information:
- \( Y \): intention to buy
- \( X_1 \): packaging
- \( X_2 \): price
- \( M_2 \): moderating variable (store image)
- \( \varepsilon \): error
4 RESULT

4.1 Respondent Characteristic

Data collection is done by distributing questionnaires to shops that provide private labels in DIY. In each shop, an average of 25 respondents can be obtained. There were 12 shops visited. Out of the 300 questionnaires distributed, there were 12 questionnaires issued from the analysis because they were indicated as outliers. Questionnaires that can be processed are 288 (96%). The results of data collection on respondents’ characteristics were obtained by 124 respondents (43.1%) men and 164 respondents (56.9%) women. The age of most respondents is in the range of 17-25 years, which is as many as 121 (42%). The majority of respondents’ work are students (98.1%). Based on income level, respondents who had an income of 1-3 million rupiahs were 147 (51%), 3-5 million were 73 (25.3%), below 1 million were 48 (16.6%), and above 5 million were 20 (7.1%).

4.2 Estimation toward Measurement Model

Validity analysis was measured using factor analysis, namely CFA (confirmatory factor analysis), with varimax rotation. For samples below 300, loading factor values above 0.5 indicate a valid indicator (Hair et al., 2000). The results of the measurement model test from each construct in table 1 show that the loading factor value is above 0.5. This shows that the items in this research variable have good convergent validity. The results of the analysis of validity with factor analysis can be seen in table 1.

<table>
<thead>
<tr>
<th>Path</th>
<th>Estimate</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pk1 &lt;-&gt; Packaging</td>
<td>0.691</td>
<td>Valid</td>
</tr>
<tr>
<td>Pk2 &lt;-&gt; Packaging</td>
<td>0.625</td>
<td>Valid</td>
</tr>
<tr>
<td>Pk3 &lt;-&gt; Packaging</td>
<td>0.642</td>
<td>Valid</td>
</tr>
<tr>
<td>Pk4 &lt;-&gt; Packaging</td>
<td>0.755</td>
<td>Valid</td>
</tr>
<tr>
<td>P1 &lt;-&gt; Price</td>
<td>0.780</td>
<td>Valid</td>
</tr>
<tr>
<td>P2 &lt;-&gt; Price</td>
<td>0.777</td>
<td>Valid</td>
</tr>
<tr>
<td>P3 &lt;-&gt; Price</td>
<td>0.751</td>
<td>Valid</td>
</tr>
<tr>
<td>P4 &lt;-&gt; Price</td>
<td>0.775</td>
<td>Valid</td>
</tr>
<tr>
<td>I1 &lt;-&gt; Income</td>
<td>0.780</td>
<td>Valid</td>
</tr>
<tr>
<td>I2 &lt;-&gt; Income</td>
<td>0.785</td>
<td>Valid</td>
</tr>
<tr>
<td>I3 &lt;-&gt; Income</td>
<td>0.854</td>
<td>Valid</td>
</tr>
<tr>
<td>Im 1 &lt;-&gt; Image</td>
<td>0.716</td>
<td>Valid</td>
</tr>
<tr>
<td>Im 2 &lt;-&gt; Image</td>
<td>0.732</td>
<td>Valid</td>
</tr>
<tr>
<td>Im 3 &lt;-&gt; Image</td>
<td>0.700</td>
<td>Valid</td>
</tr>
<tr>
<td>Im 4 &lt;-&gt; Image</td>
<td>0.798</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Reliability test is a measuring instrument that can give the same relative results if a measurement is made on the same object. The measurement results of construct reliability (> 0.7) and variance extracted (> 0.5) indicate that all items used in this study are reliable.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Construct reliability</th>
<th>Variance extracted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packaging</td>
<td>0.827</td>
<td>0.544</td>
</tr>
<tr>
<td>Price</td>
<td>0.800</td>
<td>0.501</td>
</tr>
<tr>
<td>Income</td>
<td>0.839</td>
<td>0.634</td>
</tr>
<tr>
<td>Image</td>
<td>0.799</td>
<td>0.499</td>
</tr>
<tr>
<td>Intention to buy</td>
<td>0.862</td>
<td>0.611</td>
</tr>
</tbody>
</table>

4.3 Structural Model Test

4.3.1 Basic Model without Moderation

The basic model of the influence of packaging and prices on the intention to buy is illustrated in Figure 1.

![Diagram](https://example.com/diagram.png)
Full test of SEM models using Chi-square, GFI, AGFI, CFI, TLI, NFI, CMIN/df and RMSEA are in the range of expected values and are explained in table 3.

<table>
<thead>
<tr>
<th>Index of the goodness of fit model</th>
<th>Cut-off Value</th>
<th>Result</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square Probability</td>
<td>≥ 0.05</td>
<td>0.068</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤ 0.08</td>
<td>0.033</td>
<td>Good</td>
</tr>
<tr>
<td>Chi-square / DF</td>
<td>≤ 1.20</td>
<td>1.309</td>
<td>Good</td>
</tr>
</tbody>
</table>

The results of the data analysis show that the fit model analyzed is all good, so the model used is fit, and the hypothesized parameter testing can be interpreted. Analysis of the results of data processing at the full stage of the SEM model is carried out by conducting suitability tests and statistical tests. The results of data processing for full analysis of SEM models are shown in table 4.

<table>
<thead>
<tr>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to buy ← Packaging</td>
<td>0.423</td>
<td>0.091</td>
<td>4.638</td>
<td>**</td>
</tr>
<tr>
<td>Intention to buy ← Price</td>
<td>0.383</td>
<td>0.107</td>
<td>3.584</td>
<td>**</td>
</tr>
</tbody>
</table>

It is testing the effect of packaging on the intention to buy shows that packaging has a positive effect on the intention to buy. Price also has a positive effect on the intention to buy products. This is indicated by the value of p <0.05.

### 4.3.2 The Model with Moderating Income

This model is the development of the basic model of the influence of packaging and prices on the intention to buy by adding income variables as moderating.
The results of data processing for path coefficient analysis in SEM models are shown in Table 5.

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to buy ← packaging</td>
<td>0.443</td>
<td>0.094</td>
<td>4.73</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Intention to buy ← Price</td>
<td>0.417</td>
<td>0.131</td>
<td>3.189</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>Intention to buy ← Income</td>
<td>-0.084</td>
<td>0.097</td>
<td>-0.86</td>
<td>0.39</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Intention to buy ← Packaging x Income</td>
<td>0.03</td>
<td>0.052</td>
<td>0.57</td>
<td>0.568</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Intention to buy ← Price x Income</td>
<td>-0.111</td>
<td>0.054</td>
<td>-2.077</td>
<td>0.038</td>
<td>Supported</td>
</tr>
</tbody>
</table>

The results of testing the influence of packaging on the intention to buy, which are moderated by income, indicate that income has a non-significant positive influence on packaging relationships and intention to buy. This is indicated by regression weight with a value of 0.03 and a significance value (0.568) or $p > 0.05$. Testing the effect of prices on the intention to buy, which is moderated by income, shows that income has a negative and significant influence on the effect of prices on the intention to buy. This is indicated by the regression weight with a value of -0.111 and a significance value (0.038) or $p < 0.05$.

### 4.3.3 The Model with Moderating Store Image

This model is the development of the basic model of the influence of packaging and prices on the intention to buy by adding store image variables as moderating variables.
The results of the full SEM model analysis moderated by store image are shown in Table 6.

<table>
<thead>
<tr>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to buy ( \leftarrow ) Packaging</td>
<td>0.389</td>
<td>0.101</td>
<td>3.862</td>
<td>*** Supported</td>
</tr>
<tr>
<td>Intention to buy ( \leftarrow ) Price</td>
<td>0.357</td>
<td>0.119</td>
<td>3.014</td>
<td>0.003 Supported</td>
</tr>
<tr>
<td>Intention to buy ( \leftarrow ) Store image</td>
<td>0.056</td>
<td>0.12</td>
<td>0.47</td>
<td>0.638 Not Supported</td>
</tr>
<tr>
<td>Intention to buy ( \leftarrow ) Packaging x Store image</td>
<td>-0.079</td>
<td>0.042</td>
<td>-1.867</td>
<td>0.062 Not Supported</td>
</tr>
<tr>
<td>Intention to buy ( \leftarrow ) Price x Store image</td>
<td>0.082</td>
<td>0.041</td>
<td>2.016</td>
<td>0.044 Supported</td>
</tr>
</tbody>
</table>

Testing the effect of prices on the intention to buy private label products that are moderated by store images shows that store image variables have a significant influence in moderating the relationship of prices with the intention to buy. This is indicated by the regression weight of 0.082 and the significance value of 0.044 or \( p < 0.05 \).

5 DISCUSSION

The results of testing the first hypothesis of this study which states that packaging has a positive effect on the intention to buy support. The results of this study support the opinion of Garber (1995), which states that packaging affects the intention to buy. The results of the research by Fandos and Flavian (2006), Venter (2011), Rompay (2012) state that packaging attributes have a positive effect on the intention to buy are also supported. The effect of packaging on the intention to buy, which is moderated by income, shows that income has a non-significant effect on packaging relationships with the intention to buy. According to Hoch and Banerji (1993), consumers tend to choose factory products that are better known than private labels. The reason for choosing a manufacturer's product is because the manufacturer's products are considered to have better quality and packaging. The reason this has an impact on income is no longer influential in assessing private labels. The
The influence of packaging on the intention to buy, which is moderated by store image, shows that the image of the store does not have a significant influence on packaging relationships with the intention to buy.

The results of testing the second hypothesis in this study state that prices have a positive effect on the intention to buy support. The results of this study support William (1991), Faryabi, et al., (2012), Mbaye (2012), which states that respondents' choice of products is influenced by price factors. Saktiawan (2012), in his research, also stated that perceptions of prices affect the intention to buy. The effect of prices on the intention to buy, which is moderated by income, shows that income has a negative influence on the relationship of prices and intention to buy. The results of this study support Lee (2007), which states that the higher a person's income will be the tendency for someone to be less sensitive to product offerings at low prices. Ailawadi (2007) also said that the higher income a person will tend to base decision-making no longer on products at low prices. The effect of prices on the intention to buy, which is moderated by store image, shows that store image has a significant influence in moderating the relationship of prices with the intention to buy. The results of this study support Solomon (2007), which states that the behavior of the middle class has a tendency to experience a shift along with the level of income. Respondents who experience growth in income will tend to pay attention to aspects that have something to do with product signals such as an outlet, price, and packaging aspects. The results of this study also support Richardson (1996), which states that consumers pay attention to the image and price in their purchasing decisions. The better the image et al., with the appropriate price, this will affect consumers to make purchases at these outlets. The results also support the opinion of Mbaye (2012), which states that a positive store image and good price will have a positive effect on the intention to buy.

6 CONTRIBUTION AND LIMITATION

6.1 Contribution

The results of this study indicate that packaging and prices influence the intention to buy. This reinforces the opinion of Garber (1995), Fandos and Flavian (2006), Faryabi, et al. (2012), Saktiawan (2012), who say that packaging and prices managed correctly can affect the intention to buy. The results of this study indicate that income and store image can be moderating the relationship between prices and the intention to buy. This indicates that the income factor and store image are factors that influence the way consumers perceive private label product attributes (in this case price). This result is in accordance with the opinion of Lee (2007), which states that income has an influence on the way consumers perceive the product. Pacheco (2015) and Mbaye (2012) revealed that store image would influence consumer perceptions of the product. The results of this study support previous research by revealing the economic factors of consumers (income) and store image factors that influence the way consumers perceive the attributes inherent in private label products. This study also shows that simultaneously, the extrinsic attributes of the product (price and packaging) affect the intention to buy and how these influences are moderated by the revenue and image of the store. The results of the study also indicate that if these private label products are managed well with packaging and prices that are able to compete with the manufacturer's products, this is a threat to the manufacturer's products.

6.2 Limitation

This research has not discussed the appropriate formulation related to the combination of private label product offerings with national products. No discussion has been conducted regarding the combination of variations in private label products with the right national products that produce optimization of sales. Future research can study the combination of products with private labels and national products at convenience store outlets. The study can be directed at how optimal management is related to the provision of private label products in each store.

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