

The Effect of Perceived Quality and Perceived Risk on Buying Interest in Alfamidi Private Label Products

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ABSTRACT

A businessman or entrepreneur must be able to read the target market deeply and accurately to maximize sales volume because consumer perception is very influential on the continuity of the business or business and is very difficult to assess. Increased sales volume can greatly benefit from perception, especially if customer testimonials are included. Consumers will assess the quality and danger of private label goods before making a purchase choice. Customers will choose to buy it if they believe their impression of its quality is high. Conversely, people will decide not to buy an item if they feel that the item has more harm than good. This study was conducted with the aim of knowing how much influence perceived quality and perceived risk have on purchase intention in alfamidi private label products. The number of samples used was 50 respondents. The sampling technique used is non-probability sampling, with incidental sampling method. Data collection using a questionnaire. The data analysis technique in this study was to use Partial Least Square with WrapPls 7.0 software. The results of this study indicate that: (a) perceived quality (X1) has a positive and significant effect on Purchase Intention (Y). (b) perceived risk (X2) has a negative and significant effect on Purchase Intention (Y).

Keywords: perceived quality, perceived risk, buying interest, private label

INTRODUCTION

Business competition in Indonesia is getting tighter. This makes business people always have to upgrade everything so that their business continues to run. No exception with the retail business which is now growing rapidly. Changes in the lifestyle of the upper middle class, especially in urban areas that tend to prefer shopping in contemporary shopping centers, are another factor that encourages the development of the retail industry in Indonesia. Consumer expectations of the services and facilities offered by merchants today have changed due to the widespread availability of many retailers.

As products proliferate in the retail industry, people are becoming more picky about the high-quality products they buy at the best cost. Consumer behavior in the retail industry, which originally only prioritized daily necessities that were easy to obtain, changed due to increasing demands related to comfort, cleanliness, safety when shopping, and the completeness of goods offered in the decision-making process (Kadi & Amalia, 2021). Seeing this condition, the private label goods market is expected to increase. Therefore, retailers need to focus more on private label products in the face of increasingly fierce competition. Private label can be interpreted as branding from retailers on some products sold in stores. This product is only available at certain retail outlets, for example, private label retail with the Alfamidi label can only be found on products provided by Alfamidi.

Table of Number of Alfamidi Outlets in Indonesia

Year	Number of outlets
2018	1478
2019	1555
2020	1746

2021	1988
2022	2030

Source : Alfaria Trijaya Tbk

The number of Alfamidi outlets in Indonesia is increasing per year. This shows a positive retail business growth. The more retail outlets that are spread, the higher the required private label products. This will have implications for an increase in the number of private label products to be sold. However, this is contrary to the development of sales of private label products in Alfamidi stores which are still unsatisfactory and tend to stagnate.

One of the main factors that retailers need to pay attention to is product quality. Quality is another element that affects business success. One of the cornerstones of business success is quality, which can help outperform competitors in the market. Companies that can offer high-quality and superior goods have formed the base from which they can generate client interest and satisfaction. Consumers always look at the product, especially the quality. If the quality is good, you will tend to be interested in buying. Related to quality, perceived quality is also a factor that affects the company. Perceived quality is a factor that affects business and is related to actual quality. There are two methods for evaluating product quality: extrinsic and intrinsic. Intrinsic is related to the physical attributes of the product. Extrinsic factors include brand image and price. Consumer buying interest is positively influenced by perceived quality (Widjanarko & Harsono, 2019).

Consumers are still interested primarily in the relatively low and reasonable prices of store brands. This is in accordance with the theory (Ali, 2019) which states that the extrinsic factor of product quality greatly influences buying interest. These extrinsic factors include low prices, brands that are well embedded in the minds of consumers, and have a good store image in the eyes of consumers. Despite this, many studies show that the quality gap between store brands and national products continues to narrow as a result of significant quality improvements made by store brands (Mathur & Gangwani, 2021). In addition to extrinsic factors, consumers also rate alfamidi private label products with intricate factors which include good colors, sturdy product shapes, and attractive and neat packaging. Not only intrinsic and extrinsic, according to (Radder & Han, 2013) functional products also include consumer judgments that are not overlooked. It will be useless if the intricate and extrinsic factors are good but the product cannot work properly.

Despite the benefits that private label products offer to consumers, some consumers believe that there are risks associated with buying private label products. Uncertainty and impact are two dimensions that make up risk. Risk is the possibility of accepting the desired reality, that is, the unfavorable outcome of an event. Consumers sometimes find it difficult and often impossible to assess some of the potential impacts of their choices with a high degree of confidence (Rachman et al, 2020).

Buying interest will arise when a customer believes that the goods used can satisfy him personally. If consumers are happy with their first purchase, they will likely continue to buy from the brand. Buying interest is related to consumer perceptions, attitudes, and behavior. As long as consumers think about and value a particular product, their buying behavior is an important factor (Jaafar, 2012.) . Several studies have taken into account all perceived risks to better understand PLB (private label brand) consumer behavior and evaluate the associated risks. The results of the study (Mathur & Gangwani, 2021) explain that PLB purchase intention is influenced by all dimensions of perceived risk, including functional, financial, and social hazards. This finding agrees with the findings (Umaroh, 2020). It goes on to explain that PLB's perception of quality influences PLB's purchase intention in a favorable way. Referring to the explanation above, researchers want to conduct an empirical study on perceived quality and perceived risk affecting the interest in buying Alfamidi private label products.

PROBLEM STATEMENT

1. Is there any influence between perceived quality and buying interest in Alfamidi private label products?
2. Is there any influence between perceived risk and buying interest in Alfamidi private label products?

RESEARCH OBJECTIVES

1. Analyzing the effect of perceived quality on buying interest in Alfamidi private label products
2. Analyze the effect of perceived risk on buying interest in Alfamidi private label products

RESEARCH HYPOTHESIS

H1: Perceived quality(X1) has a positive and significant effect on buying interest(Y)

H2: Perceived risk(X2) has a negative and significant effect on buying interest(Y)

METHOD

The type of research used in this study is a type of quantitative research. The population of this study is Sidoarjo people who have bought Alfamidi private label products. A sample of 50 respondents was taken. There are two data collection techniques in this study, namely primary data collection and secondary data collection. Primary data were collected using a closed questionnaire, so respondents could directly choose the answer choices that had been provided in the form of a five-category Likert scale. Secondary data were collected from statistical data of previous researchers, as well as references available on the internet.

The sampling technique used in this study is Non-Probability Sampling, and the method used is Accidental Sampling. Sampling is done by distributing questionnaires that have been made by researchers. The data analysis technique used is descriptive statistical data analysis. The questionnaire answer data was processed using the SEM-PLS model test with the WarpPLS 7.0 application. The use of questionnaires makes this study require validity tests and reliability tests which are also carried out with WarpPLS 7.0. There are three variables used in this study, namely two independent variables in the form of perceived quality (X1) and perceived risk (X2) and one dependent variable in the form of buying interest (Y). Each of these variables has 3 – 4 measurement indicators, with a total of 10 measurement indicators.

RESULTS AND DISCUSSION

1. SEM-PLS Model Evaluation
 - a. Evaluation of the Measurement Model (Outer Model)
 1. Convergent Validity

There are two methods carried out in convergent validity, namely the loading factor and the Average Variance Extracted (AVE) value. If the loading factor is greater than 0.70, then the indicator is considered to meet the convergent validity with the good category. The research data showed that the factor load of each indicator both X1, X2, and Y was > 0.70 , and the P-value of each indicator was < 0.001 . This means that it can be said that the loading factor value is valid and all indicators are maintained in the next analysis process.

Average Variance Extracted (AVE) is the average amount by which a latent variable or construct can account for the variation of the indicator. the minimum limit of AVE is 0.5, i.e. an AVE value of > 0.5 is acceptable. The research data showed that the perceived quality variable had an AVE value of > 0.5 which is 0.972, the perceived risk variable had an AVE value of > 0.5 which is 0.965, and the buying interest variable had an AVE value of > 0.5 which is 0.594. The higher the AVE, the better a latent variable or construct is at explaining the variance of its indicators.

2) Discriminant Validity

Discriminant Validity is done by looking at the crossloading value of the construct measurement and the square root value of AVE. In this crossloading method, the loading value of an indicator on its latent variable must be higher than the loading value of the indicator on other latent variables. If the correlation between the construct and the indicator is stronger than the correlation with indicators from other construct blocks, then a measurement model is said to be good discriminant validity. The research data shows that the loading value of each indicator ranging from X1.1 to Y.4 has a value $>$ the value of all cross loading. This means that all indicators in the variable are valid discriminants.

The Average Variance Extracted (AVE) approach method can be used to establish discriminant validity for each indicator that satisfies the AVE square root criterion $>$ correlation between latent constructs. Research data showed that the value of each root of the variables X1, X2, and Y had a value $>$ a correlation value with other variables, so that the instrument in this study fulfilled the validity of the discriminant.

3) Composite Reliability

The composite reliability value of each characteristic variable must have a criterion of more than 0.70, then a variable is said to meet composite reliability or reliable. The research data showed that the Composite Reliability value of the perceived quality variable > 0.7 with a value of 0.991, for the perceived risk variable had a $>$ value of 0.7 which was 0.988, and the buying interest variable also had a value greater than 0.7 which was 0.854. The results already have a Composite Reliability value of > 0.70 , which means that all three variables are reliable.

4) Cronbach's Alpha

The Composite Reliability test above can be strengthened by using Cronbach's Alpha value. Cronbach's Alpha value research data was obtained from the perceived quality variable > 0.7 with a value of 0.986, for the perceived risk variable has a value of $>$ from 0.7 which is 0.982, and the buying interest variable also has a value greater than 0.7 which is 0.772. This shows that each variable has a Composite Reliability value of > 0.70 , which means that all three variables are reliable.

b.) Structural Model Evaluation (Inner Model)

R-square (R^2)

The R-square (R^2) value of the buying interest variable (Y) of 0.670, shows that perceived quality and perceived risk have an influence of 67% on buying interest and the remaining 33% are influenced by other variables not tested in this study.

- Hypothesis Testing

Single-track hypothesis testing. There are two hypotheses tested through one path in this study, namely hypothesis 1 and hypothesis 2.

Table1. Test The Hypothesis

Hypothesis	Path Coefficient	Path Value	Information	Result
H1	0,282	<0,001	Positive and significant influence	H1 accepted H0 rejected
H2	-460	<0,001	Negative and significant influence	H2 accepted H0 rejected

Source: Output Warppls 7.0.

Testing the proposed hypothesis can be seen from the magnitude of the p-value. P Value less than 0.05 then the hypothesis is considered accepted (Solihin & Ratmono, 2013). There are 3 significant categories according to (Fernandes, 2017), namely if <0.10 means it has weak significance, if <0.05 means significant, and if <0.01 means it has high significance. Table 1.8 shows the results of route coefficient estimation, which is used to assess the degree of impact of each variable on the others and to explain how strong the relationship is.

The final result of this study can be seen in figure 1 which explains how much influence between perceived quality (X1) and perceived risk (X2) on buying interest (Y). The results show that perceived quality (X1) has a positive and significant effect on buying interest (Y) and perceived risk (X2) has a negative and significant effect on buying interest (Y).

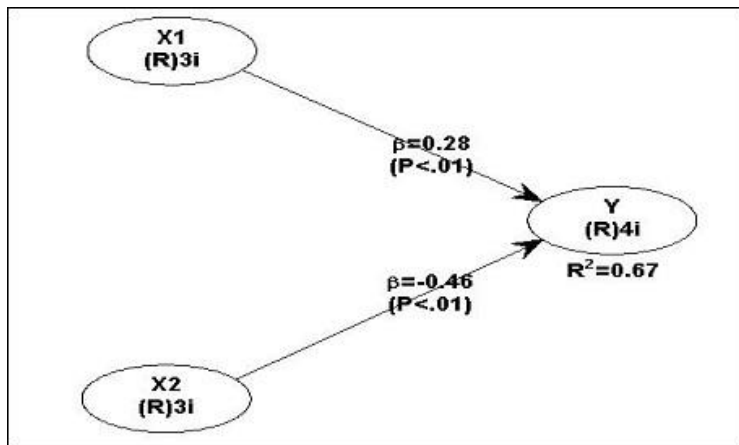


Image Output WarpPls 7.0

The Influence Of Perceived Quality On Buying Interest

Hypothesis test 1 is a test of how much influence the perceived quality variable has on buying interest. Path coefficient = 0.282 is positive which means there is a positive influence. The positive value here explains that if the result is positive, then when variable X rises, variable Y also rises (Hair et al., 2019). From these results, it can be explained that when the perception of quality is good, consumer buying interest will also increase.

P value = <0.001 which means < 0.05 then HA is accepted and HO is rejected. These results explain that the perception of quality has a significant effect on buying interest, seen in the p value. In other words, the

better the perception of the quality of an alfamidi private label product, the higher the buying interest with a confidence level of 95% (error 5%).

The results showed that buying interest was positively and significantly influenced by the perception of quality. The findings show that consumers' interest in buying is influenced by their perception of the quality of a product, so their interest in making purchases will increase along with an increase in views of the quality of a product. The findings show that consumers believe aspects such as low prices can get quality commensurate with nationally branded products so as to satisfy their desires and satisfy them because they consider private label goods to be of high quality.

The Influence Of Perceived Risk On Buying Interest

Hypothesis test 2 is a test of how much influence perceived risk variables have on buying interest. Path coefficient = -460 is negative which means there is a negative influence. Positive here explains if the result is negative when the value of variable X goes up, variable Y goes down. Vice versa when variable X goes down, variable Y goes up (not in the same direction / opposite) (Juliandi, 2018). From these results, it can be explained that when the perception of risk is low, consumer buying interest is high.

P value = = <0.001 which means < 0.05 then HA is accepted and HO is rejected. This means that the price has a positive effect on consumer satisfaction seen in the p value. There are 3 significant categories according to (Fernandes, 2017), namely if <0.10 means it has weak significance, if <0.05 means significant, and if <0.01 means it has high significance. This means that the more appropriate the price of a product, the higher the consumer satisfaction with a confidence level of 95% (error 5%).

Research findings suggest that buying interest is negatively and significantly influenced by perceived risk. These findings suggest that the higher a consumer's buying interest, the lower the buyer's perceived risk. Alfamidi's private label consumers were used as research subjects. Consumers will usually choose products with the lowest risk. Customers also try to reduce the amount of risk associated with the products they buy. Respondents in this study knew that Alfamidi's private label products have prices that match their purchasing power. However, they expect most of their product specifications to have the same specifications as competitors who have prices above Alfamidi's private label products. This is what makes perceived risk have a negative and significant effect on buying interest.

CONCLUSION

Research that has been carried out produces several conclusions, including the following:

1. Perceived quality affects consumer buying interest in Alfamidi private label products positively and significantly. Consumers who have a good perception of product quality on Alfamidi's private label products tend to be more interested in buying these products. Meanwhile, consumers who have a perception of poor product quality on Alfamidi's private label products tend to be less interested in buying these products.
2. Perceived risk affects consumer buying interest in Alfamidi private label products negatively and significantly. This is because consumers who feel the risk of purchasing Alfamidi's private label products are higher tend to be less interested in buying these products. Conversely, if consumers have a lower risk of purchasing private label products , Alfamidi tends to be more interested in buying these products.

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