THE INFLUENCE OF PRICING STRATEGY AND STORE CONVENIENCE ON CONSUMER BUYING DECISIONS OF SELECTED SUPERMARKET IN MANADO NORTH SULAWESI

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The purpose of this study is to find the significant influence of pricing strategy and store convenience on consumer buying decision and analyzing the result in terms of demographic characteristics which is gender, age, and occupation. This study used descriptive research methodology to explain the influence of pricing strategy and store convenience as independent variables on consumer buying decision as dependent variable. Population of this study is the retail shoppers in Manado that either had visiting or had shopping experience in the supermarket and sampling method used is non-probability sampling. A total of 320 completed self-administered questionnaires were used for analyzing. Simple linear regressions and multiple linear regressions method are used to describe the significant influence of pricing strategy and store convenience on consumer buying decision and there were also significant contribution in terms of demographics characteristics; gender, age, and occupation to the influence of pricing strategy and store convenience on consumer buying decision.

Keywords: pricing strategy, store convenience, consumer buying decision, and demographics characteristics

BACKGROUND

Highly competitive environment of retail business has forced store such as supermarket to enhance their strategy to increase the shopper and transaction. Retailer has to understand the shopper behavior to employ the accurate strategy to get the consumer into the store and buy. Many attributes of the store suggested by different author have given the overall understanding about the important element that the costumer need from the retail store. Doyle and Fenwick (1974) have 5 elements: product, price, assortment, styling and location while Bearden (1978) has 7 element or characteristics: price, quality of merchandise, assortment, atmosphere, location, parking facilities and friendly personnel.

Little sensory experience typically is connected with the price variable. Yet information about prices is often attended to and comprehended, and the resulting meanings may influence consumer behavior (Peter & Olson, 2010). Marketing strategies are often designed to influence consumer decision making and lead to profitable exchanges. Each element of marketing mix (product, price, promotion and place) could effects consumers in various ways (Peter & Donnelly, 2007).

Research by Fox (2004) found that relationship of price to grocery shopping behavior is less important in driving consumer spending than promotion and store assortment. But Sieder and Costley (1994) found price to be a major determinant of store choice in the grocery shopping context. In another study, price is an important driver in store choice among a battery of patronage motivations (Hassan, Muhammad, Abubakar, 2010). Consumers have different priority to each element in making decision to buy, especially their reaction over price offer by retail store. Wangsa (2010) in his research on price-cut and consumer behavior has found that the price has become the primary judgment or major consideration before consumer bought something.

What affects customers buying decision according to Levy and Weitz (2007) is to attract
customers to the store, enable them to easily locate merchandise of interest; keep them in the store for a long time; motivate them to make unplanned, impulse purchases; and provide them with satisfying shopping experiences. The store image or convenience also become an important to the demanding consumer. Their experience during their visit in the supermarket is the critical for store to stimulate them with the physical evidence and service to arouse their positive affective response. The interior design, equipment, signage, layout, air temperature is the elements of physical evidence categorized by Zeithaml, Bitner and Grembler (2006), and this can be generated into more detail elements like color, music, always clean, in order and merchandise display. The store convenience is the physical evidence that can be seen by the consumer and also can sense the services related to it. Physical evidence is very important to stimulate the affective process of consumer. Consumer can have preliminary attitudes over the product, quality, services and convenience of the particular store by reviewing the physical evidence of that store (Zeithaml, Bitner & Grembler, 2006).

The store image is what consumers think about a particular store. This includes perception and attitudes based on sensations of store stimuli received through the five senses. Operationally, store image is commonly assessed by asking consumers how good or how important various aspects of a retail store’s operation are. Commonly studied are dimensions of store image include merchandise, service, clientele, physical facilities, promotion, and convenience. Store atmosphere is also often included as part of store image (Peter & Olson, 2010).

Previous research by Rodhiah (2009), studied the response of customers to store image and the dominant dimension of Matahari Department store suggested that customers have positive responses on the layout, interior design, product display, easy parking, music and advertising. It gives strong relationship between the consumer behavior and store convenience, consumer purchase decision processing is effected by store environment. Another research on the effect of store atmosphere design to shopping behavior by Kusumowidagdo (2010), found that affective (emotion) had influenced the customer response in shopping behavior. The store atmosphere has arouse the positive emotion status of the customers which made the consumer feel convenience to shop, willing to spend more time to check on the product, get more product information, willing to spend more money and like to visit the store again in the future. However Halim (2010) in his research found different response from the customer of Hypermart supermarket in Jakarta, toward store atmosphere (good decoration, layout, merchandise’s display and in-store mobility). The store atmosphere as one of the attribute of store images (in-store service, accessibility, merchandising atmosphere, reputation, promotion, facilities and post-transaction service) not the factor that had influenced the customers to visit the Hypermart store. Mattila and Wirtz (2008) had suggested that it is better to stimulate and excite customers in a store environment to the extent to over-stimulation to influence their buying decision. Most of the supermarket used this approach to influence their customers buying decision. Eventually the effect of this stimulation became a common store experience to the consumer. Such as fast tempo and high volume music would increase he arousal level (Holbrook & Anand, 1990). And the stimuli that effect the sight of the consumers for example color such as orange, yellow and red are associated with elated arousal (Valdez & Mehrabian, 1994). Other stimuli also have effect the consumer scents such as grapefruit or other citrus fragrances increase stimulation levels (Matilla & Wirtz, 2001). There are three questions to answer in this study: (1) Does pricing strategy influence the consumer buying decision? (2) Does store convenience influence the consumer buying decision? (3) Do price and store convenience influence the consumer buying decisions?

**LITERATURE REVIEW**

This literature review is based on consumer behavior theory that was described in Hawkins and Mothersbaugh’s Consumer Behavior Model below. This model gives us the starting point how to understand the process of how consumer is influenced and how it was effect consumer decisions process. This model would not give us the capability to predict the behavior of the consumer but it would give us the wider concept on consumer behavior.
This model depicts the environment that influenced the consumer in making their decisions. Consumer as an individual has developed their unique self-concept and lifestyle. There are two categories of influence that affect the consumer to develop their self-concept and lifestyle. According to Hawkins (2010) those two categories are external influences and internal influence. In this model, Hawkins put the marketing activities are the one of the external influences that could have a part in developing consumer self-concept and lifestyle. Pricing strategy and store convenience is part of marketing strategy that the consumer experience through information outside or inside the retail store. Marketing strategy designed by the company does not just effect the society where the consumer interaction, but also influence the consumer as an individual.

Within self-concept and lifestyle, there are need and desires that has to be fulfilled. These needs and desires would have then brought the consumer into the decision process. Hawkins has suggested that this process has five stages, which is started from problem recognition, information search, alternatives evaluation and selection, outlet selection, and purchase and post-purchase. While the stages flow-down the situations are influencing every stage in this decision process by means of looking the information or selection the alternatives or even chose the outlet, consumer is always vulnerable to the stimulation from the situations in each process. Consumer that has experience and acquisitions would have different step of making their decisions. Consumer would directly make the purchase decisions when they have recognized problem. Consumer would have modified their decision process and perhaps match with their internal or external influences. Every decision process would send the feedback to the consumer’s internal or external influences that would have effect consumer’s self-concept and lifestyle. Consumer would process the pricing through the decision process, and the decisions process is occurred in consumer cognitive process. While the store convenience is processing in consumer affective process that represent the situations that happened throughout the decisions process.

The hypothesis for this study are as follows: $H_{01}$: Pricing Strategy does not significantly influence the consumer buying decisions; $H_{02}$: Store Convenience does not significantly influence the consumer buying decisions.
decisions; and H₀: Pricing Strategy and Store Convenience do not significantly influence the consumer buying decision.

**Conceptual Framework of Research**

Pricing strategy and store convenience is the stimuli that consumer found in the store and constantly interact with consumer’s sensory in certain level of density while they was in the store. This in-store experience would arouse consumer’s response that would build their perception toward the overall store existence (including price). In processing stimulation trigger by pricing and store convenience, consumer’s using their affective and cognitive process simultaneously. The conceptual framework could be seen as follows:

![Conceptual Framework Diagram](image)

The pricing strategy would be tested independently of its significant influence to consumer buying decision. Each sub variable of the pricing strategy which is discount pricing, psychological pricing, and bundling pricing would be tested to find if each of these variables has significant influence to consumer buying decision. Then all of the sub variable would be tested simultaneously as the pricing strategy variable to consumer buying decision to find if there is significant influence of overall pricing strategy to consumer buying decision. The researcher would use the simple linear regression method to find the influence of each variable of pricing strategy to consumer buying decision and multiple linear regression method for the overall pricing strategy variable to consumer buying decision pricing.

Then the pricing strategy and store convenience would be tested to find their significant influence over consumer buying decision. The test would find which of these variable would have the most significant influence to the consumer to make buying decision. The researcher would use the multiple linear regression to find the significant influence of pricing strategy and store convenience to consumer buying decision. The relationship of each variable in this research would be statistically tested using the linear simple regression and linear multiple regression method. This method would be able to describe the influences of pricing strategy and store convenience to consumer buying decision.
The influences of the Pricing strategy to consumer buying decision would be tested using the Simple Linear Regression:

\[ Y = \beta_0 + \beta_1X + \varepsilon \]

where,

- \( Y \) = Consumer Buying Decisions
- \( X \) = Pricing Strategy or Store Convenience
- \( \beta_0 \) = Intercept (Value of \( Y \) when \( X = 0 \))
- \( \beta_1 \) = Coefficient regression of \( X \) (pricing strategy or store convenience)
- \( \varepsilon \) = random error

This formula also used to test the influence of store convenience to consumer buying decision. In finding the influences of pricing strategy and store convenience simultaneously to consumer buying decision, this research used the multiple linear regression:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \ldots + \beta_kX_k + \varepsilon \]

where,

- \( Y \) = Consumer Buying Decisions
- \( X_1 \) = Pricing Strategy
- \( X_2 \) = Store Convenience
- \( \beta_0 \) = Intercept (Value of \( Y \) when \( X = 0 \))
- \( \beta_1 \) = Coefficient of \( X_1 \) regression (pricing strategy)
- \( \beta_2 \) = Coefficient of \( X_2 \) regression (store convenience)
- \( \varepsilon \) = random error
- \( k \) = number of independent variables

The influences of all the variables in this research has to be tested using statistical test known as t-test. The statistical method has been used to find the influences of pricing strategy and store convenience to consumer buying decision is multiple regression method. This method is one of many statistical methods that would be able to describe the influences of multiple variables. Hypothesis in this research has to be tested whether the independent variables are partially or all together has influences to dependent variable. \( H_0: \beta_1 \) or \( \beta_k = 0 \), means independent variables (Pricing strategy or Store convenience) has no influences to the dependent variable (Consumer Buying Decision)

\[ H_1: \beta_1 \text{ or } \beta_k \neq 0, \text{ means independent variables (Pricing strategy or Store convenience) has significant influences to the dependent variable (Consumer Buying Decision).} \]

With the level of significant is 95% (\( P \text{ value} = 0.05 \)), the hypothesis would have come into conclusion as follows:

If the table of calculated \( t \) is greater than \( t \) or \( t \) table > \( t \), \( H_0 \) is rejected and \( H_1 \) is not rejected. If the table of calculated \( t \) is smaller than \( t \) or \( t \) table < \( t \), \( H_0 \) is not rejected and \( H_1 \) is rejected.

Refer to the hypothesis test had been explained above, it would be used to decide whether each independent variable has or has not significant difference to the dependent variable and whether the hypothesis would be accepted or rejected. \( X_1: H_0: \beta_1 = 0 \), suggested that there is no influences of pricing strategy to consumer buying decision and, \( H_1: \beta_1 \neq 0 \), suggested that there is influences of Pricing strategy to consumer buying decision.

\( X_2: H_0: \beta_2 = 0 \), suggested that there is no influences of Store Convenience to Consumer buying decision. and, \( H_1: \beta_2 \neq 0 \), suggested that there is influences of Store Convenience to Consumer buying decision.

\( X_1, X_2: H_0: \beta_1, \beta_2 = 0 \), suggested that there is no influences of Pricing strategy and Store convenience, simultaneously to Consumer buying decision. and, \( H_1: \beta_1, \beta_2 \neq 0 \), suggested that there is influences of Pricing strategy and Store convenience, simultaneously to Consumer buying decision.

RESULTS AND DISCUSSION

This section would present the analyzes of the influence of the pricing strategy and store convenience to consumer buying decision in selected supermarket in Manado which is Hypermart, Multi Mart and Fresh Mart. The test results of the influence of pricing strategy and store convenience is based on the questionnaire distributed to 320 respondents during the period of January to March 2012. The general information of the respondent as shown below:

General Information. Gender.
Table 1: Sample based on gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Sample</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>116</td>
<td>36.25</td>
</tr>
<tr>
<td>Female</td>
<td>204</td>
<td>63.75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>320</td>
<td>100</td>
</tr>
</tbody>
</table>

There are 204 female respondents or 63.75% of the sample population and the male respondent is 116 respondents or 36.25% of the population.

**Age.** Based on the respondent general information the Table has shown the distribution of age of the sample population in 5 categories.

Table 2: Sample based on Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Sample</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;18</td>
<td>23</td>
<td>7.19</td>
</tr>
<tr>
<td>18 - 30</td>
<td>180</td>
<td>56.25</td>
</tr>
<tr>
<td>31 - 40</td>
<td>83</td>
<td>25.94</td>
</tr>
<tr>
<td>41 - 55</td>
<td>30</td>
<td>9.38</td>
</tr>
<tr>
<td>56&gt;</td>
<td>4</td>
<td>1.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>320</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The age category of 18 – 30 year of age is contributing the most respondent representation of the sample population which is 180 respondents or 56.25% and the least is the age category of 56> which is 4 respondents or 1.25% of the sample population.

**Occupation.** The sample population based on occupation is shown in the occupation table below.

Table 3: Sample based on Occupation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Sample</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pegawai Negeri Sipil/Militer</td>
<td>72</td>
<td>22.50</td>
</tr>
<tr>
<td>Pegawai Swasta</td>
<td>85</td>
<td>26.56</td>
</tr>
<tr>
<td>Ibu Rumah Tangga</td>
<td>61</td>
<td>19.06</td>
</tr>
<tr>
<td>Wiraswasta</td>
<td>29</td>
<td>9.06</td>
</tr>
<tr>
<td>Lain-lain</td>
<td>73</td>
<td>22.81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>320</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The distribution of the occupation in sample population is shown that pegawai swasta has the most representation in sample population which is 85 respondent or 26.56%, and follow by pegawai negeri sipil/militer which is 72 respondents or 22.50%. The third most representation is lain-lain or other occupation that represent other profession like doctor, nurse, police, lawyer and consultants.

**Does Pricing Strategy influence the Consumer Buying Decision?**

$H_0$ : Pricing Strategy does not significantly influence the consumer buying decision.

The result of simple linear regression test using SPSS 11.5 as shown in Table 4 has described the influence of pricing strategy of the supermarket to consumer buying decision.
Table 4. Coefficients (α) for the Influence of Pricing Strategy ($X_1$) to Consumer Buying Decision ($Y$)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.303</td>
<td>.235</td>
<td>5.555</td>
</tr>
<tr>
<td></td>
<td>Pricing Strategy</td>
<td>.687</td>
<td>.069</td>
<td>9.913</td>
</tr>
</tbody>
</table>

a Dependent Variable: Consumer Buying Decision

The result as shown in the Table 4, has to be tested by reviewing the $p$ value and $t$ value, where if the $p$ value is smaller than the value of significant $\alpha$ and the calculated $t$ is greater than the $t$ table then the $H_01$ is rejected, but if the $p$ value and calculated $t$ is greater than the value of significant $\alpha$ then the $H_0$ is could not rejected. The result shown in the table 4, that the $p$ value (0.000) is smaller than the value of significant $\alpha = 0.05$ and the calculated $t$ is greater than $t$ table as shown in the significant value is 0.000, then $H_01$ is rejected. This test result suggested that the pricing strategy has significant influence to consumer buying decision.

Does Store Convenience influence the Consumer Buying Decision?

$H_02$: Store convenience does not significantly influence the consumer buying decision.

The result of simple linear regression test using SPSS 11.5 as shown in Table 5 has described the influence of the store convenience to consumer buying decision.

Table 5. Coefficients (α) for the Influence of Store Convenience ($X_2$) to Consumer Buying Decision ($Y$)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.960</td>
<td>.269</td>
<td>3.569</td>
</tr>
<tr>
<td></td>
<td>Store Convenience</td>
<td>.665</td>
<td>.067</td>
<td>9.900</td>
</tr>
</tbody>
</table>

a Dependent Variable: Consumer Buying Decision

The result as shown in the Table 5, has to be tested by reviewing the $p$ value and $t$ value, where if the $p$ value is smaller than the value of significant $\alpha$ and the calculated $t$ is greater than the $t$ table then the $H_02$ is rejected, but if the $p$ value is greater than the value of significant $\alpha$ and $t$ table is greater than the calculated $t$ then $H_02$ is could not rejected. The result shown in the table 5, that the $p$ value (0.000) is smaller than the value of significant $\alpha = 0.05$ and the calculated $t$ is greater than $t$ table as shown in the significant value is 0.000, then $H_02$ is rejected. This test result suggested that the pricing strategy has significant influence to consumer buying decision.

Table 6. Coefficients($\alpha$) for the influence of pricing strategy ($X_1$) and store convenience ($X_2$) to consumer buying decision ($Y$)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pricing Strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Store Convenience</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The result as shown in the Table 6, has to be tested by reviewing the \( p \) value and \( t \) value if the \( p \) value is smaller than the value of significant \( \alpha \) and the calculated \( t \) is greater than the \( t \) table then the \( H_0 \) is rejected, but if the \( p \) value and calculated \( t \) is greater than the value of significant \( \alpha \) then the \( H_0 \) is could not rejected. Level of influence of each independent variable to dependent variable can be measured by reviewing the \( \beta \) value of each independent variable. The result shown in the table 6, that the \( p \) value (0.000) for both of \( X_1 \) and \( X_2 \) are smaller than the value of significant \( \alpha = 0.05 \) and the calculated \( t \) is greater than \( t \) table as show in the table 6. The calculated \( t \) is greater than \( t \) table for both \( (X_1) \) and \( (X_2) \) as shown in level of significant value = 0.000, then \( H_0 \) is rejected. This test result suggested that the pricing strategy and store convenience simultaneously has significant influence to consumer buying decision. The pricing strategy and store convenience has the same level of influence to consumer buying decision. It shown by the \( \beta \) value of \( X_1 = 0.347 \) and \( X_2 = 0.346 \).

**CONCLUSION AND RECOMMENDATION**

The conclusion of this research are: a). Pricing strategy of the selected supermarket in Manado is significantly influence the consumer buying decision. Discount pricing, psychological pricing and bundling pricing of the supermarket has significant influence to consumer buying decision. This result is consistent with the theory on pricing strategy suggested by Peter & Connelly (2007) that pricing strategy has a critical relationship to the consumer’s buying decision. It’s become most considered factors by the consumer to buy product or service in retail store. Consumer become more influenced by price than any other marketing’s influences. The price of product and services often influences whether consumers will purchase the product or service at all. However, the pricing strategy has effect on consumer buying decision in purpose to get the good price for the good product, also

<table>
<thead>
<tr>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.83</td>
</tr>
<tr>
<td>Pricing Strategy</td>
<td>0.491</td>
<td>0.071</td>
</tr>
<tr>
<td>Store Convenience</td>
<td>0.474</td>
<td>0.068</td>
</tr>
</tbody>
</table>

a Dependent Variable: Consumer Buying Decision

effected consumer behavior toward pricing offered by the store, (Kukar-Kennedy, Ridgway, & Monroe, 2012). b) Store convenience of the selected supermarket in Manado is significantly influence the consumer buying decision. The store convenience which is store atmosphere, in-store stimuli and in-store service has significant influence to consumer buying decision. This result is consistent with the theory suggested by Zeithaml, Bétrier & Grembler (2006) that the store image or convenience becoming an important element to the demanding consumer and consumer’s experience during their visit in the supermarket is the critical for store to stimulate them with the physical evidence and service to arouse their positive affective response as their preliminary attitudes over product, quality, services and convenience before make decision to buy. The current generation customers prefer to purchase in supermarket due to convenience, (Barbole & Borade, 2012). c) Pricing strategy and store convenience of selected supermarket in Manado, simultaneously has significant influence to consumer buying decision with the same strength of influence level. This result is consistent with the theory that in making decision to buy or not to buy, consumers decide: what price and where to buy as the part of decision process. In this process the individual characteristics and purchase characteristic combined as consumer evaluate the criteria available which is include the price and store atmosphere, before consumer make their decision to buy, (Blackwell, D’Souza, Taghian, Miniard and Engel, 2007). Today’s customer prefers the places which satisfy them with every aspects, and the most reasons why a lot choose supermarket to buy things because price are much cheaper and the store is convenience, (Yakup, Mucahit, & Reyhan, 2011).

This research has several limitations; first, the variable used in this research was two of four variables of marketing mix and second, the time span for collecting data is limited. Further research or study is really necessary to accommodate other variables or consideration regarding the consumer buying decision, and the recommendation of this research are; a) The
variable need to be expanding to involved all marketing strategy that might influence consumer buying decision such as product and promotion in those selected supermarket. With the coefficient determination ($R^2$) value is 0.336 for both pricing strategy and store convenience, means that 33.6% of the consumer buying decision can be explained by pricing strategy and store convenience. b) The sub variable of pricing strategy and store convenience has different level of influence to consumer buying decision, further research would describe, which of those sub variables that has stronger influence to consumer buying decision. c) Pricing strategy and store convenience has to be implemented as a package of strategy to get significant impact on consumer buying decision rather than just implement those strategy as sole or single retail strategy. Implementation of pricing strategy or store convenience without support from the product and promotion will less effective in influencing consumer buying decision.

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