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When Price Cuts Fail to Pay Off: Behavioral Mechanisms Mediating the Price Reduction-Purchase Behaviour Relationship in Multi-tier Fast-moving Consumer Goods Distribution

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ABSTRACT

Price cuts are widely used in FMCG distribution to stimulate purchasing, yet lower trade prices do not always translate into stronger buying decisions when retailers face inventory risk, cash-flow limits, and local market pressure. This study explains how price reduction influences purchase behaviour among retail outlet owners and wholesalers by examining the mediating roles of competitive perception, price policy, and stocking intention. A quantitative survey was conducted with 278 retail outlets and wholesalers in Manado, Palu, Kendari, and Makassar after data screening from the initial target sample. The proposed relationships were tested using partial least squares structural equation modelling (PLS-SEM) to assess the direct and mediating effects. The results show that price reduction significantly strengthens competitive perception, price policy evaluation, stocking intention, and purchase behaviour. Competitive perception and stocking intention significantly mediate the relationship between price reduction and purchase behaviour, while price policy shows a positive but insignificant mediating role. These findings suggest that FMCG suppliers should connect price reductions with margin logic, sell-out support, stock rotation planning, and local market positioning. This study extends behavioural pricing literature by showing that price cuts work through retailers' interpretation of competitive usefulness and inventory feasibility.

Keywords: Price Reduction, Purchase Behaviour, Competitive Perception, Price Policy, Stocking Intention, FMCG Retail
JEL Classifications: M31, L81

1. INTRODUCTION

Price reduction is one of the most widely used promotion instruments in retail and fast-moving consumer goods markets because firms expect lower prices to increase purchase quantity, stimulate demand, and accelerate product movement (Montazeri et al., 2021; Watt et al., 2023). In fast-moving consumer goods (FMCG) settings, promotion responses can appear through higher spending, larger basket size, shorter inter-purchase time, or stockpiling behaviour, which means that price cuts may affect not only whether buyers purchase, but also how much and when they purchase (Kwon et al., 2023). The basic logic of this practice is that a lower transaction price creates a more attractive value perception when buyers compare the promoted price with the normal or expected reference price However, recent pricing studies show that the effect of price promotion is not always simple, because buyer responses depend on discount framing, price visibility, reference-price effects, and the way buyers interpret the offer (Guo et al., 2023; Li et al., 2022). This means that price reduction may increase sales in some situations, but it may also create weaker purchase intention, stronger discount expectations, or unstable demand responses when buyers do not perceive the promotion as valuable enough (Burman et al., 2024; Glazer et al., 2023; Pratt et al., 2023). Therefore, price reduction in FMCG markets should not be understood only as a direct economic incentive, but also as a behavioural signal that buyers evaluate before converting it into purchase behaviour (Huertas et al., 2024; Pratt et al., 2023).

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This issue becomes more important in Indonesia because FMCG distribution still depends strongly on traditional retail channels, supplier relationships, and business-to-business interactions between suppliers and retail stalls (Gimeno-Arias and Santos-Jaén, 2023; Mujianto et al., 2023). In this channel structure, products and price policies do not move directly from manufacturers to final consumers, but pass through several actors, including principals, distributors, wholesalers, retail stalls, and sales teams (Asgharizadeh et al., 2023; Prashar, 2023). This layered structure makes price reduction more complex because each channel actor may face different inventory risk, working-capital limits, supplier dependence, and local market pressure (Nasiri et al., 2021). In FMCG distribution systems with many channels, pricing decisions relate to channel design, inventory control, and demand changes. Because of this, one price policy does not always get the same result in all areas (Li and Mizuno, 2022). Recent FMCG channel studies further show that distributor behaviour can be shaped by cooperation, opportunism, negotiation, commitment, and supplier-distributor governance, not only by price incentives (Gimeno-Arias, 2021; Gimeno-Arias and Santos-Jaén, 2023). Therefore, in Indonesia's multi-tier FMCG distribution context, the same price reduction may be interpreted as a stocking opportunity in one territory, but as a risky or insufficient incentive in another territory (Mujianto et al., 2023). This condition makes the Indonesian FMCG distribution context suitable for examining why price cuts may fail to pay off when distributor purchase behaviour is mediated by behavioural mechanisms rather than driven by price reduction alone.

Although price reduction has received strong attention in pricing and promotion research, many studies still examine pricing mainly through cost-based, value-based, and competition-based approaches, while the behavioural process between price reduction and purchase behaviour remains less explicit (Li et al., 2022; Mattos et al., 2021; Montazeri et al., 2021). This direct-effect view is useful, but it is not sufficient because recent studies show that promotion response can appear through different behavioural routes, such as spending change, basket-size change, inter-purchase timing, discount expectation, and reference-price comparison. More importantly, recent evidence also shows that price promotion can backfire when buyers expect a larger discount, compare the offer with external reference prices, or evaluate the pricing signal as less credible (Guo et al., 2023; Li et al., 2022). This means that the relationship between price reduction and purchase behaviour cannot be explained only by the size of the discount, because buyers also evaluate perceived value, trust, fairness, satisfaction, and market usefulness before making a purchase decision (Blut et al., 2024; Kopalle et al., 2023). However, most available evidence is still located in consumer, online retail, social commerce, or general pricing contexts, while B2B distributor purchase behaviour in multi-tier FMCG channels remains less clearly explained (Guo et al., 2023; Montazeri et al., 2021; Nasiri et al., 2020). This limitation matters because distributor purchase decisions are different from consumer purchase decisions, as distributors must consider inventory commitment, working-capital exposure, downstream selling risk. Therefore, the main research gap is not only whether price reduction affects purchase behaviour, but how the same price reduction creates different distributor responses across channels and territories. This gap is important because ineffective price reductions can reduce margins, create discount dependency, weaken pricing discipline, and fail to generate real purchase growth in FMCG distribution.

Behavioral pricing theory offers a strong lens for this study because buyers interpret price through value, trust, fairness, and market pressure, rather than as a purely monetary number (Bolton and Chen, 2024; Chen et al., 2021; Monroe, 1973). This logic is especially relevant in multi-tier FMCG distribution, where distributors buy products for resale and must evaluate whether a price change justifies inventory commitment, working-capital exposure, and downstream demand risk before increasing their purchase volume (Gupta, 2022; Tan et al., 2024; Wang et al., 2021). This condition means that a price reduction must first be judged as operationally useful before it can become purchase behaviour (Ahn et al., 2022; Gheibi and Fay, 2021; Padgett et al., 2020; Wei et al., 2023). When distributors believe that the lower price creates real selling opportunities and makes additional stock reasonable to hold, the price reduction can strengthen stocking intention (Guo et al., 2022; Houghtaling et al., 2021; Tang et al., 2023). However, this intention may weaken if the price policy is seen as unclear, inconsistent, or less beneficial for the channel relationship, which makes price policy a necessary part of the evaluation (Mo et al., 2021; Zhao et al., 2021). Distributors also evaluate whether the new price strengthens their position against competing products, channels, or territories. Therefore, competitive perception explains whether a price reduction is seen as a real competitive advantage that can encourage purchase behaviour (Bilgic et al., 2021; Byun et al., 2020; Chen et al., 2024; Gonda et al., 2020).

This study aims to explain how price reduction is translated into purchase behaviour in multi-tier FMCG distribution. This study does not assume that a lower price automatically creates a stronger purchase response. Instead, it argues that distributors first evaluate the price reduction through several behavioural mechanisms before they decide to increase their purchase. In this study, stocking intention, price policy, and competitive perception are positioned as the key mechanisms that may explain this process. These mechanisms are important because a distributor may accept a price cut, but still avoid higher purchasing if the stock risk is high, the policy is not satisfying, or the competitive benefit is weak. Therefore, the central research question is: RQ. How do stocking intention, price policy, and competitive perception mediate the relationship between price reduction and purchase behaviour in multi-tier FMCG distribution?

2. LITERATURE REVIEW

2.1. Behavioral Pricing Theory

Behavioral pricing theory is commonly associated with Monroe's behavioral pricing framework, while its psychological foundation comes from prospect theory and transaction utility theory, which explain reference-based judgment, gain-loss evaluation, and deal value (Kahneman and Tversky, 1979; Kalyanaram and Winer, 2022; Monroe, 1990). Monroe made this perspective influential in pricing research by converting psychological price response into market constructs such as reference price, perceived sacrifice,

price-quality inference, and perceived value (Kalyanaram and Winer, 2022; Mazumdar et al., 2005; Monroe and Lee, 1999). This logic also applies to B2B pricing because organizational buyers interpret price signals through risk perception, fairness judgment, and perceived supplier opportunism before they accept a pricing policy (Keränen et al., 2023; Pieringer and Totzek, 2022; Saab and Botelho, 2020). Indonesia's FMCG distribution structure makes this interpretation more visible because distributors compare trade price reductions with prior margins, resale expectations, and normal commercial terms across traditional and modern trade channels (Mujianto et al., 2023). Therefore, this study uses behavioral pricing theory to explain how trade price reduction shapes distributor response through stocking intention, price policy, and competitive perception before it becomes FMCG channel behavior in Indonesia.

2.2. The Effect of Price Reduction on Competitive Perception, Price Policy, Stocking Intention, and Purchase Behaviour

In multi-tier FMCG retail distribution, as product movement and market competition are shaped by distribution channel structure and policy, price reduction gives retailers a stronger commercial basis to evaluate a product because lower trade prices can improve resale margin, support faster shelf movement, and reduce the risk of slow moving inventory (Kodrat, 2009). Retailers usually compare the reduced price with rival brands, similar SKUs, expected demand, and available shelf space, so a price cut can strengthen competitive perception when it makes the product easier to sell against competing offers, especially because price strategy is closely related to competitive advantage in highly competitive FMCG product categories (Hoetama and Tambunan, 2025; Z. Huang and Bai, 2021; Li et al., 2021; Wang et al., 2023). Price reduction can also improve price policy because retailers need pricing terms that are clear, fair, and stable enough to protect resale margin and support repeated transactions with suppliers. Recent retail and commerce studies show that price fairness and price evaluation influence satisfaction, trust, perceived value, and purchase intention, which makes price policy relevant in repeated buying relationships (Do et al., 2023; Senali et al., 2024). In FMCG retailing, stocking intention becomes important because retailers must decide whether the lower buying price justifies higher stock volume, faster replenishment, and stronger shelf commitment. Studies on retail promotion, quantity discount, coupon strategy, and inventory decisions show that price incentives can affect order quantity, inventory policy, and retailer response when stock commitment becomes commercially feasible (Heydari and Momeni, 2021; Nouri-Harzvili and Hosseini-Motlagh, 2023; Zhang et al., 2024). Therefore, price reduction is expected to increase competitive perception, price policy, stocking intention, and purchase behaviour because retailers are more likely to buy when the lower price improves competitiveness, pricing acceptance, inventory feasibility, and purchase value in the FMCG channel. Therefore, the following hypotheses are proposed:

- H_1: Price reduction has a significant effect on competitive perception
- H_2: Price reduction has a significant effect on price policy
- H_3: Price reduction has a significant effect on stocking intention
- H_4: Price reduction has a significant effect on purchase behaviour.

2.3. The Effect of Competitive Perception, Price Policy, and Stocking Intention on Purchase Behaviour

FMCG retailers decide their purchase behaviour by assessing whether a product can support sales rotation, protect resale margin, and sustain repeat selling in daily outlet operations (Goedhart et al., 2022; Hübner and Kuhn, 2024; Shabani et al., 2021). Competitive perception can increase purchase behaviour because retailers are more willing to buy products that look stronger against rival brands, similar SKUs, and local price competition, while recent retail studies show that promotion and brand strategy affect retailer competition, sales quantity, and market response (Huang and Bai, 2021; Wang et al., 2023). Price policy can also strengthen purchase behaviour because retailers need pricing terms that are fair, clear, and stable enough to protect resale margin and support repeated transactions with suppliers. Recent studies on price fairness show that positive price evaluation supports perceived value, trust, loyalty, and purchase intention, which makes price policy important in repeated retail exchange (Konuk, 2022; Senali et al., 2024). Stocking intention has a direct role in FMCG purchase behaviour because retailers must convert product evaluation into inventory commitment before they place larger or more frequent orders. Retail inventory studies show that pricing policy, replenishment planning, quantity discount, and inventory control shape order quantity and operating results, so retailers with stronger stocking intention are more likely to show stronger purchase behaviour (Adeinat et al., 2022; Rios and Vera, 2023). Therefore, the following hypotheses are proposed:

- H_5: Competitive perception has a significant effect on purchase behaviour
- H_6: Price policy has a significant effect on purchase behaviour
- H_7: Stocking intention has a significant effect on purchase behaviour.

2.4. The Mediating Effects of Competitive Perception, Price Policy, and Stocking Intention

Price reduction in multi-tier FMCG distribution can influence purchase behaviour through retailer evaluation, because retailers first assess whether the lower trade price improves resale competitiveness, fits the supplier's price policy, and justifies additional stock before they increase orders. Competitive perception becomes the first mediating path because retail studies show that price promotion affects product profit, sales response, and promotion decisions under competition, so retailers are more likely to buy when the reduced price makes the product stronger against rival brands and similar SKUs (Li et al., 2021; Wang et al., 2023). Price policy becomes the second mediating path because retailers need pricing terms that are fair, clear, and reliable for margin planning, while recent studies show that price fairness strengthens perceived value, trust, brand loyalty, and purchase intention (Konuk, 2022; Senali et al., 2024). Stocking intention becomes the third mediating path because FMCG purchase decisions involve inventory commitment, and studies on FMCG retailing and distribution show that pricing, promotion, inventory, and replenishment decisions are closely connected to buying response and order quantity (Montazeri et al., 2021;

Nasiri et al., 2021). Therefore, price reduction is more likely to become purchase behaviour when retailers perceive stronger competitiveness, accept the price policy, and intend to increase stock, while weak evaluation can make price cuts fail to produce buying response (Li et al., 2022). Therefore, the following hypotheses are proposed:

- H_8: Competitive perception significantly mediates the relationship between price reduction and purchase behaviour
- H_9: Price policy significantly mediates the relationship between price reduction and purchase behaviour
- H_{10}: Stocking intention significantly mediates the relationship between price reduction and purchase behaviour.

Figure 1 illustrates the proposed behavioural mechanism linking price reduction to purchase behaviour in the multi-tier FMCG distribution context. The model positions price reduction as the central pricing stimulus that shapes three intermediary responses, namely competitive perception, price policy, and stocking intention. These mechanisms capture how channel members interpret lower prices as competitive signals, evaluate them within pricing policy arrangements, and translate them into inventory commitment before forming purchase behaviour. The structure therefore reflects the argument that purchase behaviour is not merely a direct consequence of price reduction, but the result of a behavioural conversion process through evaluative and operational pathways.

3. METHODOLOGY

This study employed a quantitative explanatory design to examine how price reduction is translated into purchase behaviour through competitive perception, price policy, and stocking intention in multi-tier FMCG distribution. The research object was downstream FMCG channel members, namely retail outlets and wholesalers operating in Manado, Palu, Kendari, and Makassar. These cities were selected because they represent active FMCG distribution territories in Eastern Indonesia, where retail and wholesale purchase decisions are shaped by supplier price offers, local competitive pressure, working-capital constraints, stock rotation, and inventory risk. The unit of analysis was the retail outlet or wholesaler, while the respondent was the owner, manager, or person responsible for purchasing and stock-related decisions. This respondent definition was necessary because the study did not examine final consumer responses to price promotions, but business purchase behaviour among channel members who decide whether a price reduction should be converted into actual purchase volume.

The target population consisted of retail outlets and wholesalers that actively sold FMCG products in the selected cities. Respondents were selected using purposive sampling because the study required participants with direct knowledge of supplier price offers, purchasing decisions, stock replenishment, and local market competition. To ensure respondent relevance, several inclusion criteria were applied. First, the respondent had to be the owner, manager, purchasing staff, or person directly responsible for purchase and stock decisions in the outlet or wholesaler. Second, the business had to actively sell FMCG products, including food and beverages, household and personal care products, or mixed FMCG products. Third, the business had to operate in Manado, Palu, Kendari, or Makassar. Fourth, the respondent had to have experience dealing with supplier price offers, product ordering, stock replenishment, or pricing-related decisions. Fifth, the respondent had to represent a business actor in the distribution channel, not an end consumer. Respondents who did not meet these criteria, provided incomplete responses, or showed unsuitable response patterns were excluded from the final dataset.

The minimum sample size was also determined by considering the number of indicators in the proposed model. As shown in Figure 1, the model contains 19 reflective indicators, consisting of

Figure 1: Research model

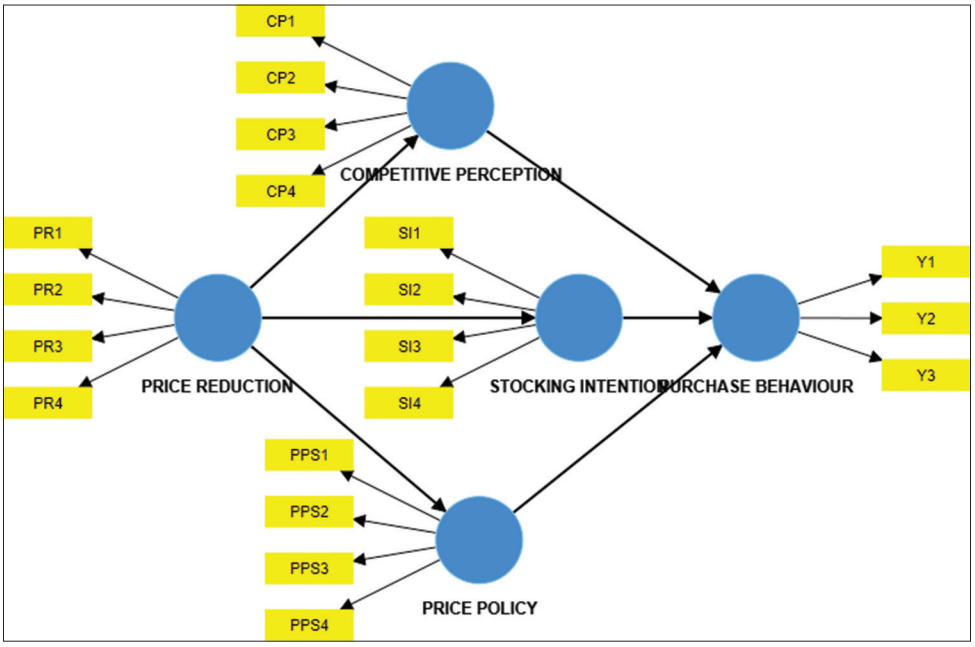


Table 1: Characteristics of respondents

Demographic characteristics	Categories	Number of respondents	Percentage
City	Manado	70	25.18
	Palu	67	24.10
	Kendari	68	24.46
	Makassar	73	26.26
Business type	Retail Outlet	191	68.71
	Wholesaler	87	31.29
Gender of owner/manager	Male	164	58.99
	Female	114	41.01
Age	25-35 years	61	21.94
	36-45 years	121	43.53
	>45 years	96	34.53
Length of business operation	1-3 years	43	15.47
	4-7 years	102	36.69
	>7 years	133	47.84
Outlet scale	Small outlet	129	46.40
	Medium outlet	104	37.41
	Large outlet/ wholesaler scale	45	16.19
Main FMCG product category	Food and beverages	124	44.60
	Household and personal care	82	29.50
	Mixed FMCG products	72	25.90

Table 2: Outer loading

Indicator	Competitive perception	Price policy	Price reduction	Purchase behaviour	Stocking intention
CP1	0.819	-	-	-	-
CP2	0.781	-	-	-	-
CP3	0.799	-	-	-	-
CP4	0.787	-	-	-	-
PPS1	-	0.801	-	-	-
PPS2	-	0.933	-	-	-
PPS3	-	0.893	-	-	-
PPS4	-	0.890	-	-	-
PR1	-	-	0.912	-	-
PR2	-	-	0.882	-	-
PR3	-	-	0.797	-	-
PR4	-	-	0.893	-	-
SI1	-	-	-	-	0.810
SI2	-	-	-	-	0.861
SI3	-	-	-	-	0.823
SI4	-	-	-	-	0.679
Y1	-	-	-	0.900	-
Y2	-	-	-	0.899	-
Y3	-	-	-	0.819	-

four indicators for price reduction, four indicators for competitive perception, four indicators for price policy, four indicators for stocking intention, and three indicators for purchase behaviour. Using a conservative indicator-based 10-times rule, the minimum required sample size was therefore 190 respondents. Although the ten-times rule is commonly used as a practical minimum in PLS-SEM, more recent methodological guidance notes that it should be treated as a rough guideline rather than a strict power-based criterion; therefore, the study used this value only as the minimum adequacy reference for data collection planning (Hair et al., 2019; Kock and Hadaya, 2018).

Data collection was conducted from January 2026 to March 2026 using a structured questionnaire distributed through Google Forms. The questionnaire link was shared through field enumerators, business networks, outlet-owner contacts, and direct communication with eligible respondents in each city. This field-assisted digital approach was used because retail outlet owners and wholesalers are not always reachable through open online distribution, while direct assistance helped ensure that respondents met the inclusion criteria before completing the questionnaire. The questionnaire also collected demographic and business-profile information, including city, business type, gender of owner or manager, age, length of business operation, outlet scale, and main FMCG product category. These variables were included to describe the respondent context and to ensure that the final dataset represented relevant FMCG channel actors, not as variables for hypothesis testing.

The questionnaire measured five reflective latent constructs: price reduction, competitive perception, price policy, stocking intention, and purchase behaviour. All items were measured using a seven-point Likert scale, ranging from strongly disagree to strongly agree. A seven-point scale was used because it provides sufficient response variation for behavioural and perception-based constructs while remaining understandable for business respondents. Price reduction captured respondents' perception of trade price incentives offered by suppliers. Competitive perception reflected the extent to which lower prices were perceived to strengthen the outlet's position against competing products, channels, or territories. Price policy measured respondents' evaluation of the fairness, clarity, consistency, and acceptability of the supplier's pricing arrangement. Stocking intention reflected the willingness to translate the price offer into inventory commitment. Purchase behaviour represented the behavioural response of retail outlets and wholesalers after evaluating the price offer.

Data were analysed using SmartPLS 4 with partial least squares structural equation modelling (PLS-SEM). PLS-SEM was selected because the study aimed to examine both the quality of the reflective measurement model and the explanatory relationships among latent constructs in a prediction-oriented behavioural model. The analysis was conducted in two stages. The first stage evaluated the measurement model by assessing indicator reliability, internal consistency reliability, convergent validity, and discriminant validity to ensure that each construct was measured consistently and represented its intended conceptual domain. The second stage evaluated the structural model by examining explanatory power, effect size, and the significance of the hypothesized relationships through the bootstrapping procedure. This analytical sequence allowed the study to assess whether price reduction, competitive perception, price policy, and stocking intention formed a statistically reliable and substantively meaningful mechanism for explaining purchase behaviour in multi-tier FMCG distribution.

4. RESULTS AND DISCUSSION

4.1. Results

As shown in Table 1, the respondents in this study consisted of 278 retail outlet owners and wholesalers from four Indonesian cities, namely Manado, Palu, Kendari, and Makassar. During

Table 3: Construct reliability and convergent validity

Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Competitive perception	0.808	0.810	0.874	0.634
Price policy	0.902	0.907	0.932	0.775
Price reduction	0.894	0.899	0.927	0.761
Purchase behaviour	0.844	0.850	0.906	0.763
Stocking intention	0.808	0.833	0.873	0.634

Table 4: Heterotrait-monotrait ratio (HTMT)

Variable	Competitive perception	Price policy	Price reduction	Purchase behaviour	Stocking intention
Competitive perception	-	-	-	-	-
Price policy	0.713	-	-	-	-
Price reduction	0.699	0.956	-	-	-
Purchase behaviour	0.824	0.554	0.569	-	-
Stocking intention	0.714	0.566	0.658	0.691	-

Table 5: Coefficient of determination of the structural model

Variable	R-square	R-square adjusted
Competitive perception	0.363	0.361
Price policy	0.743	0.742
Purchase behaviour	0.518	0.511
Stocking intention	0.319	0.316

the data collection process, 305 eligible retail outlet owners and wholesalers were approached and invited to complete the questionnaire; after eligibility checking, completeness screening, and response-quality assessment, 278 valid responses were retained for analysis, resulting in a usable response rate of 91.15%. The final sample remained relatively balanced across cities, with Makassar contributing the largest proportion of respondents, followed by Manado, Kendari, and Palu. Most respondents operated retail outlets rather than wholesale businesses, which is consistent with the study's focus on purchase behaviour at the downstream FMCG distribution level. The majority of respondents were aged between 36 and 45 years and had operated their businesses for more than 7 years, indicating that the sample was dominated by experienced business owners or managers who were familiar with pricing decisions, stock rotation, and supplier trade terms. In terms of outlet scale, small and medium outlets represented the largest share of the sample, reflecting the fragmented nature of Indonesian FMCG retail markets where purchase decisions are strongly influenced by cash flow, shelf capacity, and inventory risk. These characteristics support the relevance of examining how price reduction, competitive perception, price policy, and stocking intention shape retailer purchase behaviour in practical outlet and wholesaler settings.

4.1.1. Reflective measurement model assessment

The outer loading assessment presented in Table 2 indicates that the reflective measurement model meets the indicator reliability criterion. In PLS-SEM, outer loading is used to assess the reliability of individual indicators, whereas Cronbach's alpha and composite reliability are used to assess internal consistency reliability at the construct level. The accepted rule of thumb is that outer loading should ideally be 0.708 or higher, because this value indicates that the latent construct explains approximately 50% of the variance in its indicator; however, indicators between 0.40 and 0.708 may still be retained when they are theoretically meaningful and when their removal does not improve internal consistency reliability or convergent validity (Hair and Alamer, 2022; Hair et al., 2021). In this model, the dominant pattern of the indicators is above the recommended threshold, showing that competitive perception, price policy, price reduction, stocking intention, and purchase behaviour are represented by indicators with adequate individual reliability.

The construct reliability and validity results presented in Table 3 indicate that the reflective measurement model meets the required standards for internal consistency reliability and convergent validity. The accepted rule of thumb in PLS-SEM states that Cronbach's alpha and composite reliability should generally exceed 0.70, while values between 0.70 and 0.90 are considered satisfactory to good; values slightly above 0.90 may still be acceptable, although values approaching 0.95 can indicate item redundancy (Hair et al., 2019; 2021). For convergent validity, the average variance extracted should exceed 0.50, meaning that the latent construct explains more than half of the variance in its indicators. Based on these criteria, all constructs in this model satisfy the reliability requirement because their Cronbach's alpha, rho a, and rho c values are above the minimum threshold, and all constructs also satisfy convergent validity because their average variance extracted values are above 0.50. Statistically, this means that competitive perception, price policy, price reduction, purchase behaviour, and stocking intention are measured consistently by their indicators and have sufficient shared variance to represent their intended conceptual domains, so the measurement model is acceptable for further discriminant validity and structural model assessment.

The HTMT assessment presented in Table 4 shows that the model generally meets discriminant validity because almost all construct relationships are below the commonly accepted threshold. The standard rule of thumb for HTMT is that values should be below 0.85 for conceptually distinct constructs, or below 0.90 when the constructs are theoretically related; values above 0.90 indicate that two constructs may not be sufficiently distinct in empirical terms. HTMT is recommended because it is more sensitive than the Fornell Larcker criterion and cross loading inspection in detecting

Table 6: Effect size assessment using f-square

Variable	Competitive perception	Price policy	Price reduction	Purchase behaviour	Stocking intention
Competitive perception	-	-	-	0.249	-
Price policy	-	-	-	0.003	-
Price reduction	0.571	2.888	-	-	0.469
Purchase behaviour	-	-	-	-	-
Stocking intention	-	-	-	0.104	-

Table 7: Total effects of the structural model

Hypothesized relationship	Original sample	Sample mean	Standard deviation	t-statistics	P-values	Decision
Competitive perception -> Purchase behaviour	0.483	0.493	0.079	6.134	0.000	Supported
Price policy -> Purchase behaviour	0.050	0.043	0.075	0.662	0.508	Not supported
Price reduction -> Competitive perception	0.603	0.605	0.062	9.741	0.000	Supported
Price reduction -> Price policy	0.862	0.860	0.037	23.495	0.000	Supported
Price reduction -> Purchase behaviour	0.493	0.495	0.044	11.102	0.000	Supported
Price reduction -> Stocking intention	0.565	0.569	0.043	13.290	0.000	Supported
Stocking intention -> Purchase behaviour	0.282	0.280	0.069	4.069	0.000	Supported

discriminant validity problems in variance-based SEM (Henseler et al., 2015). In this model, the dominant HTMT pattern is below 0.90, meaning that competitive perception, purchase behaviour, and stocking intention are empirically distinguishable from the other constructs.

However, the relationship between price policy and price reduction exceeds the 0.90 threshold, which indicates a potential discriminant validity concern between these two constructs. This result is theoretically understandable because both constructs belong to the same pricing domain; price reduction represents the tactical price incentive offered to channel members, whereas price policy reflects the broader evaluation of pricing rules, fairness, consistency, and acceptability within the distribution relationship. Statistically, this means respondents may have perceived price reduction and price policy as highly related price-based evaluations, but not necessarily as identical constructs. Therefore, the discriminant validity of the model is largely supported, provided that the distinction between price policy and price reduction is conceptually grounded and further verified through the bootstrapped HTMT confidence interval. Following the HTMT statistical test logic, discriminant validity can still be defended when the confidence interval does not include the value of one, because a value of one indicates that two constructs are empirically indistinguishable (Franke and Sarstedt, 2019). Thus, the model remains acceptable for further structural interpretation, with a specific methodological note that the price policy and price reduction relationship requires theoretical justification and confidence interval verification rather than automatic construct deletion.

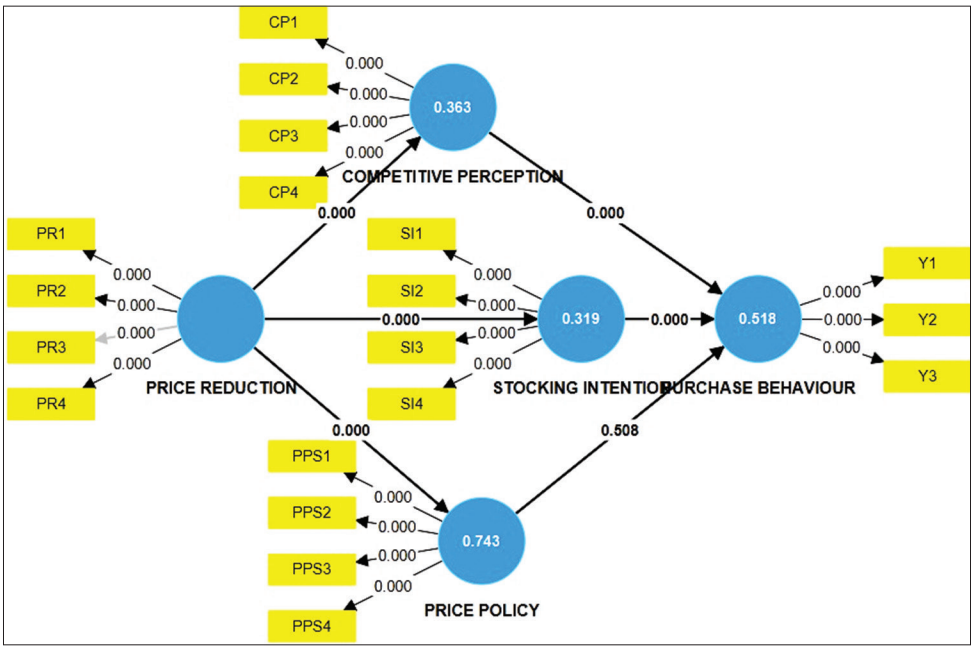
The R-square results presented in Table 5 indicate that the structural model has adequate to strong explanatory power for the endogenous constructs. In PLS-SEM, R-square represents the proportion of variance in an endogenous construct explained by its predictor constructs, with general rule-of-thumb values of 0.75, 0.50, and 0.25 commonly interpreted as substantial, moderate, and weak explanatory power, respectively, although the acceptable level should still be judged based on the research context and model complexity (Hair et al., 2019; 2021). Based on this criterion, price policy shows near-substantial explanatory power, meaning that the predictors explain a large proportion of variation in respondents' evaluation of pricing policy. Purchase behaviour reaches a moderate level, indicating that the model is able to explain a meaningful proportion of behavioural purchase variation in the multi-tier FMCG distribution context. Competitive perception and stocking intention fall within the weak to moderate range, which is still acceptable in behavioural and social science models because these constructs are often influenced by additional market, organizational, and outlet-level factors beyond the predictors included in the model. The adjusted R-square values are very close to the original R-square values, indicating that the explanatory power is not artificially inflated by the number of predictors.

The f-square assessment presented in Table 6 indicates that the structural model has substantive explanatory strength, although the magnitude of influence differs across paths. The accepted rule of thumb states that f-square values of 0.02, 0.15, and 0.35 represent small, medium, and large effect sizes, respectively; values below 0.02 indicate that removing the predictor would have almost no meaningful impact on the explained variance of the endogenous construct (Cohen, 1988; Hair et al., 2019). Based on this criterion, price reduction has a dominant role in the model because it produces large effects on competitive perception, price policy, and stocking intention, meaning that the price reduction stimulus materially shapes how channel members perceive competitiveness, evaluate price policy, and form inventory-related intentions. Competitive perception also contributes a medium effect to purchase behaviour, suggesting that purchase behaviour is meaningfully influenced when price reduction is interpreted as improving the distributor's or retailer's competitive position. Stocking intention contributes a small but still meaningful effect to purchase behaviour, indicating that inventory commitment functions as a behavioural bridge, although it does not dominate the final purchase decision. In contrast, price policy has no meaningful direct effect on purchase behaviour, which implies that policy evaluation alone is insufficient to drive actual purchasing unless it is translated into competitive perception or stocking intention. This interpretation is consistent with current PLS-SEM reporting guidance, which emphasizes that effect size should be reported to show the substantive contribution of each predictor, not only the statistical significance of the path coefficient (Guenther et al., 2023; Hair et al., 2019).

Table 8: Indirect effects

Hypothesized relationship	Original sample	Sample mean	Standard deviation	t-statistics	P-values	Decision
Price reduction -> Competitive perception -> Purchase behaviour	0.291	0.298	0.056	5.203	0.000	Supported
Price reduction -> Price policy -> Purchase behaviour	0.043	0.038	0.065	0.663	0.508	Not supported
Price reduction -> Stocking intention -> Purchase behaviour	0.159	0.159	0.041	3.893	0.000	Supported

Figure 2: Bootstrapping results of the structural model



The total effects assessment was conducted through the bootstrapping procedure, as illustrated in Table 7 and Figure 2, to evaluate whether each hypothesized relationship has a statistically significant overall influence within the structural model. In PLS-SEM, bootstrapping is used because the method does not rely on distributional assumptions, and path significance is commonly assessed using the t-statistics and P-values; at the 5% significance level, a relationship is considered significant when the t-statistics exceed 1.96 and the P-values are below 0.05 (Hair et al., 2019; 2021). Based on this criterion, almost all total effects are statistically significant, indicating that the model provides strong empirical support for the proposed behavioural mechanism. Price reduction shows the most dominant total influence in the model, especially on price policy, stocking intention, competitive perception, and purchase behaviour, which means that price reduction functions as the central stimulus that shapes both evaluative and behavioural responses in the multi-tier FMCG distribution context. Competitive perception and stocking intention also have significant total effects on purchase behaviour, confirming that purchasing responses are not merely driven by the existence of a price cut, but by whether the price cut is interpreted as competitively useful and operationally translated into inventory commitment. In contrast, price policy does not show a significant total effect on purchase behaviour because its t-statistics are below 1.96 and its P-values are above 0.05, suggesting that favourable evaluation of pricing policy alone is insufficient to directly trigger purchase behaviour.

The indirect effects assessment presented in Table 8 shows that competitive perception and stocking intention significantly mediate the relationship between price reduction and purchase behaviour, whereas price policy does not provide a significant mediating mechanism. In PLS-SEM, mediation is commonly assessed through bootstrapping because the indirect effect is a product term and is not assumed to follow a normal distribution; therefore, the significance of mediation is evaluated using the t-statistics and P-values of the specific indirect effect. At the 5% significance level, an indirect effect is considered significant when the t-statistics exceed 1.96 and the P-values are below 0.05 (Hair et al., 2021; Sarstedt and Moisescu, 2024). The significant indirect effect through competitive perception indicates that price reduction increases purchase behaviour when channel members interpret the lower price as strengthening their competitive position. This finding supports the behavioural pricing argument that a price cut does not operate merely as a monetary incentive, but must first be perceived as commercially useful in local competition before it can shape purchase response. The significant indirect effect through stocking intention further shows that price reduction becomes behaviourally meaningful when it is translated into inventory commitment, meaning that retailers and wholesalers are more likely to increase purchasing when the reduced price makes additional stock appear operationally reasonable and commercially safe. In contrast, the indirect effect through price policy is not significant, indicating that favourable evaluation of pricing rules or policy arrangements alone is insufficient to convert price reduction into purchase behaviour.

4.2. Discussion

The significant result of H_1 shows that price reduction strengthens competitive perception among Indonesian FMCG retailers because a lower trade price gives them a clearer basis to compare the product with rival brands, substitute SKUs, and local price pressure (Farshbaf-Geranmayeh and Zaccour, 2021; Guo et al., 2023). Retailers read price cuts as a competitive signal when the offer helps them defend selling price, attract demand, and keep the product visible in a crowded outlet category. The significant result of H_2 also confirms that price reduction improves price policy because retailers see the lower price as a more acceptable trading rule when it supports margin planning and makes the supplier's offer easier to justify (Phan Tan and Le, 2023).This result is relevant for Indonesia, where many FMCG retailers still judge supplier pricing through practical margin logic, not through formal pricing documents alone.

The significant result of H_3 indicates that price reduction increases stocking intention because Indonesian FMCG retailers become more willing to hold additional stock when the lower buying price reduces inventory risk and improves the chance of faster product turnover (Marzolf et al., 2024; Priyamvada and Kumar, 2022). Retail inventory research supports this result because pricing and replenishment decisions shape retailer profit, demand response, and order planning across dispersed retail networks. The significant result of H_4 further shows that price reduction directly increases purchase behaviour, which means retailers do not only evaluate the price cut but also translate it into stronger buying action (Duan et al., 2022; Jee, 2021). This finding makes sense in Indonesia's FMCG retail market because retailers often work with limited cash flow, narrow shelf space, and fast selling targets, so they respond when the lower price improves expected margin and stock movement.

The development of H_5 and H_7 is grounded in the argument that, in multi-tier FMCG distribution, distributor purchase behaviour is not a mechanical response to price reduction but the outcome of how price signals are interpreted as competitive opportunity and operationally converted into inventory commitment. H_5 proposes that competitive perception has a significant effect on purchase behaviour, since distributors are more likely to increase purchasing when the reduced price is perceived to strengthen their resale position, bargaining confidence, and ability to compete in price-sensitive downstream markets, rather than merely offering a temporary procurement advantage (Cassia et al., 2021; Keränen et al., 2023). This argument is theoretically important because competitive perception captures the distributor's market-facing evaluation of whether a price cut can generate real commercial leverage under channel rivalry, margin pressure, and supplier-retailer interdependence. H_7 proposes that stocking intention has a significant effect on purchase behaviour, because distributors usually transform price incentives into actual orders only when they judge that additional inventory can be absorbed, financed, and resold under uncertain demand conditions (Demirag et al., 2021; Huang et al., 2021). In this sense, stocking intention represents the operational readiness that precedes purchase behaviour, linking price-based attractiveness with order quantity, warehouse capacity, and expected stock turnover. Therefore, these hypotheses are theoretically justified because competitive perception explains why distributors may view a price cut as strategically valuable, while stocking intention explains whether that perceived value is sufficiently actionable to produce actual purchase behaviour.

The significant mediation result of H_8 shows that competitive perception carries the effect of price reduction into purchase behaviour because Indonesian FMCG retailers respond to lower trade prices when the offer makes the product look stronger in local selling competition. Retailers do not treat price cuts as automatic buying reasons; they first assess whether the reduced price helps the product compete against nearby alternatives, store format pressure, and price sensitive demand, which is consistent with recent retail literature on store format competition and pricing conduct (Bonfrer et al., 2022; Jena and Meena, 2022). The significant mediation result of H_{10} shows that stocking intention also carries the effect of price reduction into purchase behaviour because retailers increase buying only when the lower price makes additional inventory feel commercially safe. This result fits the outlet and wholesaler context in Indonesia, where purchase decisions depend on stock rotation, storage limits, working capital, and the risk of unsold FMCG goods. Recent inventory and replenishment studies show that discount timing, replenishment policy, shelf life, and warehouse capacity shape retailer order decisions, which supports stocking intention as a stronger bridge from price reduction to actual purchase behaviour (Khan et al., 2021; Nouri-Harzvili and Hosseini-Motlagh, 2023; Shi et al., 2023).

However, the same pattern does not appear in the price policy path, which deserves separate attention because the positive coefficient shows directional relevance, while the insignificant result shows that this relevance is not strong enough to explain actual buying behaviour. In the Indonesian FMCG retail setting, H_6 and H_9 show a positive but statistically insignificant result, which means price policy has a positive direction toward purchase behaviour but does not provide sufficient statistical support as a direct driver or mediating mechanism. This result is understandable because the respondents were outlet owners and wholesalers across several Indonesian retail markets, whose buying decisions are usually tied to daily cash flow, product movement, shelf capacity, and the certainty that stock can be sold again. Retailers may recognize a supplier's price policy as clear or acceptable, and this evaluation can move purchase behaviour in a positive direction, but they do not necessarily raise their orders when the policy stays at the level of trade terms and does not improve product rotation, local competitiveness, or stock feasibility at the outlet level. This finding fits retail pricing literature, which shows that price fairness can strengthen perceived value and loyalty, but it often works through trust based evaluation rather than direct buying action (Konuk, 2022).

In this study, price policy therefore functions more as a supportive trading condition than a strong buying trigger, especially because Indonesian FMCG retailers and wholesalers face tight working capital, limited storage space, fragmented local demand, and strong pressure to prioritize products that sell fast. Retail promotion

studies also show that purchase response depends on sales lift, product profit, and promotion demand forecasting, so retailers act when pricing support changes expected turnover and inventory results, not when pricing terms remain administrative (Hanh et al., 2022; Li et al., 2021; Wolters and Huchzermeier, 2021). These results suggest that price reduction can enter purchase behaviour more strongly through competitive perception and stocking intention, while price policy may create positive acceptance but does not yet carry enough statistical strength to move Indonesian retailers from price approval to actual buying.

5. CONCLUSION, IMPLICATIONS, AND FURTHER RESEARCH

Price reduction becomes effective only when retailers interpret it as a real commercial advantage, not merely as a lower number on the supplier's price list. This study concludes that lower trade prices can strengthen purchase behaviour because they improve competitive perception, support margin expectations, reduce inventory risk, and make additional stock more feasible to hold. Competitive perception and stocking intention therefore serve as the main behavioural mechanisms that explain how price reduction is converted into actual buying decisions. In contrast, price policy has a positive but insignificant role, indicating that acceptable trading terms alone are not enough to move retailers toward higher purchases. This condition reflects the Indonesian FMCG retail context, where outlet owners and wholesalers make buying decisions based on cash flow, shelf capacity, local competition, stock rotation, and the risk of unsold goods. Overall, price cuts pay off only when they create both market-facing advantage and operational readiness, rather than simply reducing the buying price.

The implication of this conclusion is that price reduction should be positioned as a mechanism for shaping retailer judgment, rather than as a simple discounting tactic. Supplier strategy therefore needs to ensure that lower trade prices are accompanied by clear resale logic, margin protection, stock movement support, and demand-based replenishment guidance. The insignificant role of price policy further suggests that acceptable trading terms may create positive evaluation, but they do not necessarily generate purchase commitment when retailers still face selling uncertainty at the outlet level. Practically, FMCG suppliers need to link price reductions with sell-out support, local market positioning, and inventory rotation plans so that retailers can see the commercial and operational safety of increasing orders. Theoretically, this study refines behavioural pricing logic by showing that purchase behaviour depends not only on the existence of a lower price, but also on how retailers interpret its competitive usefulness and stock feasibility. Further research should examine this mechanism across different FMCG categories, retailer sizes, regional markets, and supplier relationship conditions to explain more precisely when price cuts become profitable and when they fail to pay-off.

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