

IMPACT OF PRICE FAIRNESS ON BRAND IMAGE AND PURCHASE INTENTION FOR LOW COST CAR IN INDONESIA

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Abstract

This research is aimed to analyze impact of price fairness towards brand image and purchase intention for low cost car in Indonesia, involving 320 consumer of Toyota Agya in Jakarta Province, Indonesia. Data analysis used structural equation modeling (SEM). Result indicated that purchase intentions are influenced by consumer knowledge about cars and communication with the seller after comparing the prices offered. Price fairness is positive affecting on purchase intention. The experience and pride consumers on a particular brand car will affect consumers'

purchasing intentions. Brand image positively influence on purchase intention. When consumers feel the prices offered is fair, they will always remember the brand in time to make a purchase. So the price fairness positive effect on brand image and brand image serves as mediation between price fairness and purchase intention.

Keywords: Price Fairness, Brand Image, Purchase Intention, Consumer behavior, Indonesia

INTRODUCTION

Automotive Industry in Indonesia has been growing rapidly which in year 2013 new segment has released called hatchback entry. Prices in the hatchback entry segment are the least expensive among car prices in Indonesia. Based on hatchback entry segment in 2014, car sales reached until 154,714 units, hosted by four companies: Daihatsu (Ayla), Toyota (Agya), Honda (Brio Satya), and Suzuki (Wagon R), while the price offered ranges from 77.8 million to 120.8 million. The contrast between price and market share can be seen from Table 1 below.

Table 1 Price v/s Market Share for Low Cost Car in Indonesia

No.	Brand	Market Share (%)	Price (Mill)	
			Lowest	Highest
1	Toyota (Agya)	44.2	99.9	120.8
2	Daihatsu (Ayla)	26.9	77.8	115.4
3	Honda (Brio Satya)	17.6	106.6	117.6
4	Suzuki (Wagon R)	11.3	83.2	103.5

Source: Gaikindo (2014)

From Table 1, the phenomenon shows that even the hatchback entry segment for low cost car, the highest market share Toyota-Agya (44.2%) not for the brand with the lowest price but for the brand with the highest price. The condition above are in contrast to the research Maxwell (1995) who explained that low price is one of the factors price fairness that influence the purchase intention. Condition (un)fairness will be perceived by consumers when the demand for cars is higher than the supply, the seller has the opportunity to raise prices and increase profits while consumers need a car as soon as possible and do not have the option to choose. From this fact, author interested to determine whether consumers feel (un)fair from the difference of price offered. Do the prices offered acceptable, considered fair and reasonable? Whether the price fairness influences brand image and purchase intentions?

The existence of several preferred brands of automotive makes the higher involvement of consumer in choosing products. Thus, the process of purchase a car becomes a complex

process. Price is an important element in consumers' purchases (Herrmann et al., 2007). In the relatively, expensive product will increase the perception of price (un)fairness and become important. Consumers will think whether the price offered (un)fair.

The research about price fairness and purchase intention in the automotive field for low cost car segment in Indonesia has not been extensive. By knowing the relations is expected to help the automotive company in determining pricing strategy in accordance with the expectations of the consumer.

LITERATURE REVIEW

Price Fairness

Price fairness is defined as “as a consumer’s assessment and associated emotions of whether the difference (or lack of difference) between a seller’s price and the price of a comparative other party is reasonable, acceptable, or justifiable” Xia et al (2004, 3). In many cases, customers consider a price is fair may be another way of saying it is lower (Darke and Dahl, 2003). It is what customers prefer because it meets their own personal expectations. That price is considered to be reasonable and personally fair (Maxwell, 2009). But a price is also considered unfair when it does not meet society’s expectations. Society expects a price to adhere to the social norms of equity, equality, and need. This is relevant to Bolton et al (2003, 477) “The principle of dual entitlement suggests that price differences can be justified by cost differences, and consumer research suggests that price differences frequently are interpreted in terms of quality differences” In determining price fairness, consumer will consider other aspects such as cost, quality, affordable to everyone, giving customer accurate information, a price based on market forces, value to costumer, same price to everyone, and giving buyer a choice.

Brand Image

Brand must find a way to create a connection with the consumer (Cho, E., & Fiore, A. M., 2015). One way that successful brands build and maintain a positive relationship with consumers is through establishing a favorable brand image (Keller, 1993). Brand image is defined here as perceptions about a brand as reflected by the brand associations held in consumer memory (Keller 1993, p. 3). “Brand image is subjective and perceptual, Rio A. B., Vazquez R., Iglesias V., (2001) Brand image is the customer's perceptions about the brand, as reflected by the cluster of associations that he or she connects with the brand name in his or her memory”. This is in line with the opinion of previous researchers, Dobni and Zinkhan (1990) brand image is largely a subjective and perceptual phenomenon that is formed through consumer interpretation, whether reasoned or emotional.

Cho, E., & Fiore, A. M., (2015) explained that there are two of literature's brand image that is both academic and industry-based. The present researchers incorporated with industry-based literature proposed by Roberts (2005). He proposed that a brand must create associations for consumers that capture the dimensions of mystery, intimacy and sensuality. Cho, E., & Fiore, A. M., (2015) has provided a scale to capture the three dimensions of mystery, intimacy and sensuality.

Purchase Intention

The definition and measurement of purchase intention have been developed and used in previous research. One approach to the purchasing process is through a process or series of steps known as the "Hierarchy of Effect" (Lavidge, R. J., & Steiner, G. A., 1961), which connects the aspects of human psychological (cognition, affection and conation) against the hierarchy of effects. This is in line with the opinion of Kotler, P., & Armstrong, G. (2013) that there are six buyer readiness stages that must go through in normal condition at the time when make a purchase: awareness, knowledge, liking, preference, conviction, and purchase. Schiffman and Kanuk (2008) stated that purchase intention as the decision-making process of consumer in undergo purposes, purchase, evaluation, and the use of a product or service to meet their needs. Purchase intention is one type of judgment about how an individual intends to buy a specific brand (Tsui-Yii Shih, 2010; Teng, L., & Laroche, M., 2007).

The purchase of a car is a complex process, involving multiple stages including information retrieval, comparison the alternatives and the interaction with the seller in dealer. Purchase intention is the purchase process that occurs before the actual purchase; therefore important process occurs in the initial meeting between sellers and buyers. Purchase intention is not only influenced by consumer attitudes but also combined with the stimulus of external factors (Lin, L. Y., & Lu, C. Y., 2010).

Price Fairness on Purchase Intention

According to the research Lee, Cilia, A., & Lawson-Body, A. (2011) on price fairness has found that the perception of price fairness is identified as a strong predictor of purchase intention. Kahneman et al., (1986) states consumers' purchasing intentions are determined by the perception of price fairness. The reaction of buyers on price unfairness can lower purchase intention (Campbell, 1999; Martins, 1995). In line with the above study, Maxwell, (2002) pointed out that prices affect consumers' perceptions of fairness and intentions to purchase. Several previous studies have indicated that the perception of price fairness directly influences the purchase intention of consumer (Herrman et al., 2007; Liu dan Jang, 2009). Based on previous

findings, we expect the same positive relationship between price fairness and purchase intention in this study. Therefore, we hypothesize:

H₂: Price Fairness has a positive influence on Purchase Intention

Price Fairness on Brand Image

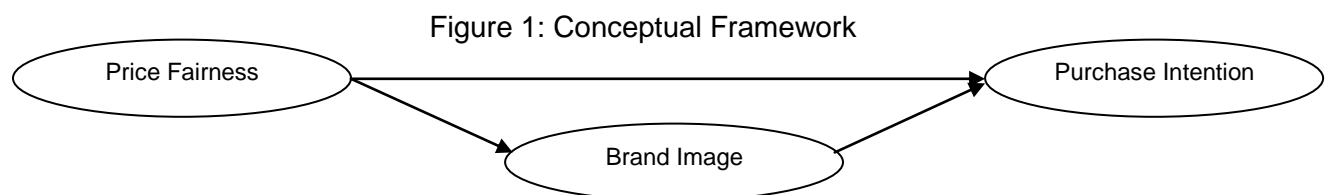
Research about the relation between price fairness and brand image which investigate the influence of the price fairness to the brand image have not yet been widely found. There are several study in the area that relating to this research. Tsui-Yii Shih for (2010) research about the relationship price strategy with the brand equity (brand loyalty, brand image, and perceived quality). The result of empirical studies found that a high/low price strategy strengthen the brand equity. This study are in line with Yoo et al (2000) which talked about the influences of marketing activities (such as price, slogans, symbols, packaging, company image, country origin, store image, advertising expenditures, and promoting) that has important affect to the brand equity. Based on previous findings, we expect the same positive relationship between price fairness and brand image in this study. Therefore, we hypothesize:

H₁: Price Fairness has a positive influence on Brand Image

Brand Image on Purchase Intention

Based on the research of Batra, R. and Homer, P. M., (2004), circumstantial impact from brand image shows the Brand Image that raised by high social consequences had more influences on brand intention to buy, this study shows that the confidence of brand image could make significant additional contribution that caused by advertisement in purchase intention. According to Esch, F. R., Langner, T., Schmitt, B. H., & Geus, P. (2006), brand image is a very important aspect in purchase intentions. Encourage consumers to consume value more on certain brand which has good image. The other researchers who studied the influences of Brand Images are Tsui-Yii Shih (2010), Wu et al (2011), dan Yu et al (2013). Based on previous findings, we expect the same positive relationship between price fairness and brand image in this study. Therefore, we hypothesize:

H₃: Brand Image has a positive influence on Purchase Intention



RESEARCH METHODOLOGY

This study uses a questionnaire as a data collection tool; so it is necessary to test the validity and reliability of the questionnaire. The next stage is analyzing and interpreting the data obtained in the field using inferential statistics (Structural Equation Modeling). The total sample of 320 customers is drawn by quota sampling from each Dealer Toyota in Jakarta province. In the questionnaire completed by customers, items to measure the construct dimensions were adapted from previous studies. Xia et al (2004) for price fairness (*choice of comparison party, consumer knowledge, and buyer-seller relationship*), Cho, E., & Fiore, A. M. (2015) for brand image (*mystery, sensuality, and intimacy*) and Teng Lefa and Laroche (2007) for purchase intention (*intend to buy, consider buying, expect to buy, and plan to buy*). The eventual total items of 22; All items were measured by responses on *likert scale* point 5, ranging from 1 = strongly disagree to 5 =strongly agree.

ANALYSIS AND RESULTS

Demographic data show that respondent by gender 52.8 percent male and 47.2 percent female. The majority of the respondents were in 21-30 (27%), 31-40 (53%), and 41-50 (12%) age groups. The highest education level of respondents was 51 % undergraduate.

The internal consistency of the research instrument was tasted by validity and reliability analysis. The descriptive statistics, validity and reliability are show in Table 2.

Table 2: Descriptive Statistics, Validity and Construct Reliability

Variable/Dimension	Indicator	λ	CR	VE
Price Fairness				
Choice of comparison party	Similarity Prices for everyone	0.72	0.82	0.61
	Similarity Prices with the other dealers	0.73		
	Reasonable Prices compared to the similar car	0.88		
Consumer Knowledge	Conformity Prices according to expectation	1.00	0.92	0.86
	Conformity Prices with the car's specification	0.85		
Buyer-seller	knowing the price offered	0.91	0.87	0.72
Relationship	Trust with the offered prices	0.85		
Brand Image				
Mystery	Impression based on experiences	0.85	0.94	0.74
	Impression from the high performances	0.92		
	Impression from family/siblings	0.81		
	Impression as a dream car	0.88		
	Impression of proud	0.85		
sensuality	Impression based on an attract design	0.85	0.90	0.79
	Impression based on the beautiful color	0.92		

Variable/Dimension	Indicator	λ	CR	VE
Intimacy	Impression in accordance with the desired	0.88	0.96	0.85
	Impression to commit to use	0.95		
	Good Impression to have	0.92		
	Good Impression to drive	0.93		
Purchase Intention	Intend to buy	0.68	0.89	0.68
	Consider buying	0.66		
	Expect to buy	0.94		
	Plan to buy	0.96		

Table 2...

All scales used in the study were statically reliable and valid. The result of the SEM analysis summarized in Table 3 show that price fairness significant to brand image and purchase intention also brand image to purchase intention (t-value > 1, 96) at 5 percent significance level.

Table 3: SEM Analysis

Path	Coefficients	T-Value	Result
H ₁ : Price Fairness → Brand Image	0.65	15.42	H ₁ Accept
H ₂ : Price Fairness → Purchase Intention	0.27	1.97	H ₂ Accept
H ₃ : Brand Image → Purchase Intention	0.37	1.97	H ₃ Accept

Here, all hypothetical relationships were found to be statistically significant.

CONCLUSION AND IMPLICATIONS

This study analyzed the impact of price fairness towards brand image and purchase intention for low cost car in Indonesia, involving 320 consumer of Toyota Agya in Jakarta Province, Indonesia. The result of this research provides empirical evidence on for the influence of price fairness toward brand image and purchase intention. Purchase intention is affected by consumer knowledge about cars and communication with the seller after comparing the prices offered. Price fairness has positive influence on purchase intention. Besides, the experience and pride consumers on a particular brand car will affect consumers' purchasing intentions. Brand image positive influence on purchase intention; at the time of consumers feel the prices offered is fair, consumers will always remember the brand in time to make a purchase. The price fairness positive effect on brand image and brand image serves as mediation between price fairness and purchase intention.

The relationships investigated in this study deserve further research. Because the data analysed were collected from one brand of the low cost car in one country, more studies are required in different product categories and brands before general conclusions could be drawn.

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