

# THE EFFECT OF PRICE PERCEPTION AND PRODUCT QUALITY ON PURCHASE DECISION (RESEARCH ON BRAND NEW IPHONE)

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## *Abstract*

Price and Quality of Product are both huge factor to make customer decide and make a purchase decision, the purpose of this research is to find the effect of Price Perception and Product Quality on Purchase decision when purchasing an iPhone product. This research used Questionnaire as a method to get respondents on this Quantitative Research. This study found there is a relationship between price perception and product quality towards purchase decision, and also found that the dominant variable that effecting the purchase decision is Product Quality. This may be occurred because people tend to choose the mobile phone that having a good quality of product, and more aware with it rather than the price they offered.

Keywords: Price perception, product quality, purchase decision, iPhone.

## **Abstrak**

Harga dan Kualitas Produk keduanya merupakan faktor terbesar untuk membuat keputusan pelanggan dalam melakukan keputusan pembelian, tujuan dari penelitian ini adalah untuk mengetahui pengaruh Persepsi Harga dan Kualitas Produk terhadap keputusan Pembelian saat membeli produk iPhone. Penelitian ini menggunakan kuesioner sebagai metode untuk mendapatkan responden pada Penelitian Kuantitatif ini. Studi ini menemukan ada hubungan antara persepsi harga dan kualitas produk terhadap keputusan pembelian, dan juga menemukan bahwa variabel yang lebih dominan dalam mempengaruhi keputusan pembelian adalah Kualitas Produk. Hal ini dapat terjadi karena orang cenderung memilih ponsel yang memiliki kualitas produk yang baik, dan lebih sadar dengan itu daripada harga yang di tawarkan.

Kata kunci: Persepsi harga, kualitas produk, keputusan pembelian, iPhone.

## **INTRODUCTION**

The development of internet and technology has already changed human's behavior and lifestyle significantly. Electronical devices like smartphones, tablets, and e-book reader available everywhere we need them to be used in every activity and to do certain tasks. In particular, smartphones have already been known as a connection to a unique social media. Based on Gartner, Inc., the estimated selling number of smartphone device can reach up to 2.5 billion units in 2015, and it will continue afterward. (Gartner, 2015).

The appearance of sophisticated products for the last few years 'affects the behavior of consumer in the way they are doing a purchase as consumers projected in future will need technology like smartphones at this time. In the way of choosing product that the consumer will buy, lifestyle and behavior to search for information on the related product will give influence on which product they prefer to buy which is called as buying decision. This purchase is affected by individual interaction, product and situational characteristic. Learning consumer behavior towards process of decision

making is crucial as consumers are less likely able to consider results of information they get and evaluate on other alternative.

Meanwhile Price and Quality of Product are both huge factor to make customer decide and make a purchase decision. Purchase Decision is a willingness to purchase or it is defined as a buying decision toward purchasing product or service. price and product quality tend to be an influential factor in mobile phone purchase.

Malang city is one of the biggest city in East Java, it brings also a lot of new comers to Malang because this city is known for its good environment to study, these new comers come across all Indonesia especially a student from another city. For this year there are 149,799 people applied to study in universities in Malang (Radang Malang, 2017). This situation triggers those consumers to fill this city market. This chance can be seen of vendors as people love Apple brands because of its exclusivity, and its brand image on social lifestyle.

Price perception is an expectation/impression to a product. Price perception put into a marketed product used as a strategy in the market selling. An

impression of a product can be triggered to be a purchase decision for consumer, this price perception can control emotionally about their perception to a product if a company use a strategy to control their product's price perception.

While product quality is an aesthetic design/durability of product. Product quality is the main reason consumer keep buying the product more than once, or can be one of the reason, even the design is not looking great consumer will still buy of the durability of product is high. but are consumer still buying an iPhone if the quality is good but the price perception of iPhone is relatively high. Even though product quality is the first main reason of selling product according to Kotler, and Keller (2009). Both variables used in this study are basically the most influencing factor based on Kotler, and Keller (2009) on purchase decision of a product. While iPhone is a sophisticated product price perception and also product quality Apple been put it in their first icon of their product awareness this made researcher wants to evaluate the effect of both price perception and product quality.

This research took place in Malang, especially student of Economic and Business Faculty, Brawijaya University. The reason this research done in this society because of users of iPhone mostly come from Millennials aged 18-24 based on Nielsen (2017). Based on that situation, the writer is interested in conducting a research entitled "The Effect of Price Perception and Product Quality on Purchase Decision (A Research on Brand New iPhone)" By doing this research the writer wants to know the Effect of Price Perception and Product Quality towards consumers behavior of brand-new iPhone product. Thus, the result of this research may give an advantage for vendors or reseller to see the effect of price and quality on customer purchase decision when buying an iPhone. Last but not least, this research can be a solution and a good suggestion as well for them in order to maintain the loyal customers.

## **REVIEW OF RELATED LITERATURE**

### **Product**

The concept of product based on Kotler and Keller in a book Marketing Management state that consumers love products that offer the best quality, performance or innovative features. Managers in this organization focus on creating superior products and constantly update them. But a new product will not be successful if it is not supported by the right price, distribution, advertising and sales. (Kotler, and Keller, 2009).

The level of projects classified by Kotler and Keller are below:

- At a basic level is core benefits that is the fundamental benefits customers actually buy.
- On the second level is marketers must turn core benefits into basic products.
- On the third level is marketers prepare the expected product
- On the fourth level is marketers prepare augmented product which exceed customer expectations.
- On the fifth level is potential product which includes all the additional possibilities and transformations that a future product or offer might encounter.

Marketers classify products based on durability, durability, and usability. (Kotler, and Keller, 2009). This classification explained further to focus on understanding on each aspect: Durability and Tangibility and Classification of Consumer Goods

The definition of quality according to the American Society for Quality Control quoted by (Kotler, and Keller, 2009), is the totality of features and characteristics of a product or service that depend on its ability to satisfy a stated or implied need. Thus, it can be said that the seller has delivered quality when the product or service fulfills or exceeds the customer's expectations. Companies that satisfy most of their customers' needs at all times are called qualified companies. Quality is clearly the key to create value and customer satisfaction.

### **Price**

The definition of price as proposed by Kotler, and Keller, (2009) is a marketing mix element that generates income. Price is the easiest element in a marketing program to customize. Prices also consume the intended value positioning of a company's product or brand to the market. Well designed and marketed products can be sold at high prices and generate substantial profits. Prices are set through negotiations between buyers and sellers.

Companies must consider many factors in determining the pricing policy. There are six steps of pricing policy procedure. They are described as follow:

- First step: Choose pricing goal.
- Second step: Determine the request
- Third step: Estimate the cost
- Fourth step: Analyze the Cost, Price and Offering Competitors
- Fifth step: Choose price method
- Sixth step: Choose the final step

Price discounts are price reductions for buyers who pay their bills on time. (Kotler, and Armstrong,

2012). Any strategy in pricing can be used to attract customers to be interested, this strategy implemented so that consumer consider in the company's product because of the attractiveness of the price.

### Consumer Behavior

Consumer behavior is the study of consumer decision processes that encourage them to buy and consume products. Consumer behavior is the study of how individuals, groups and organizations choose, buy, use, and how goods, services, ideas, or experiences to satisfy their needs and wants. (Kotler, and Keller, 2009)

The term consumer is often used to describe two kinds of unity of consumption that is individual consumers and consumer organizations. Individual consumers buy goods and services for their own use in each context. Products are purchased for end-use by individuals, called end-use or end-consumers. The second consumer group of organizational consumers includes companies looking for profit or nonprofits, government agencies and institutions that all have to buy various products, equipment and services to run their organizations.

### Purchase Decision

A model of consumer behavior explained through an image by Kotler and Keller, which it shows how consumer end up buy the product is affected by some aspect. At first there are marketing stimuli and other stimuli that marketing stimuli is part of a marketing strategy which included Product/services, price, distributions and communication. Also, consumer psychology like what motivate them and a perception can make consumer decide to buy the product. In another stimulus, there is consumer characteristic that influenced by culture, social and personal. After all of those background that may affecting their behavior consumer will see an evaluation of alternatives before they buy the product. When consumer already have a decision to buy they will see the choices of product like product choice, brand choices, purchase timing, purchase amount and how they will make a payment. (Kotler, and Keller, 2009)

## RESEARCH METHOD

### Types of Research

The type of research that was carried out is included into explanatory research. At the end of this research will be used and arranged to show a relationship on the cause and effect of the dependent variable on independent variable and will be ended up by a general conclusion. The research will be intended to know the influence of

product target market which are price and quality of product variables on iPhone purchase decision

### Research Location

The location of research was in Malang city, and it is specified to iPhone users of students in Faculty of Economics and Business at Brawijaya University. This location was chosen because the number of respondents found using iPhone as students was found in this faculty.

### Variable Operational Definition

Purchase decision variable as Independent Variable

- Price perception (X1)
- Product quality (X2)

Purchase decision Variable on iPhone User and Customers

- Recognizing the needs
- Searching for information
- Evaluating alternatives
- Buying decision
- Post-purchasing behavior

### Data Analysis Method

#### Classic Assumption Test

- Normality Test
- Multicollinearity Test
- Heteroscedasticity Test
- Multiple Linear Regression Analysis

#### Hypothesis Testing Technique

- t-test
- Dominant Test

## FINDINGS AND DISCUSSION

### Classical Regression Assumptions

#### Normality Test

Table 4.1 Normality test result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		130
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	2.07431614
Most Extreme Differences	Absolute	.112
	Positive	.062
	Negative	-.112
Kolmogorov-Smirnov Z		1.278
Asymp. Sig. (2-tailed)		.076

a. Test distribution is Normal.

b. Calculated from data.

Source: primary data processed, 2017

The sig. Value obtained is 0.076 (can be seen in Table 4.1) or greater than 0.05; then the provision H0 is accepted the assumption of normality.

### Autocorrelation Test

From the Durbin-Watson table for n = 130 and k = 2 (is the number of independent variables) is known

that the du values of 1,736 and 4-du are 2,264. Autocorrelation test results can be seen in Table 4.2

**Table 4.2 Autocorrelation Test Result**

Model	Durbin-Watson
1	2,116

Source: primary data processed, 2017

Durbin Watson test value of 2,116 is located between 1736 and 2264. So, it can be concluded that the assumption of no autocorrelation has been fulfilled.

**Multicollinearity Test**

**Table 4.3 Test Result Multicollinearities**

Independent variable	Collinearity Statistics	
	Tolerance	VIF
X1	0.561	1.783
X2	0.561	1.783

Source: Primary data processed, 2017

Based on Table 4.3, the following is the test results from each independent variable:

- Tolerance for Price perception is 0.561
- Tolerance for Product Quality is 0.561

In the test results the overall tolerance value obtained is > 0.1 so it can be concluded that there is no multicollinearity between independent variables.

Multicollinearity test can also be done by comparing the value of VIF (Variance Inflation Factor) with number 10. If the value of VIF > 10 then there is multicollinearity. The following is the test results of each independent variable:

- VIF for the Price Perception is 1,783

**Multiple Linear Regression Analysis**

**Regression Equation**

**Table 4.4 Regression Result Recapitulation**

Dependent variable	Independent variable	(Standardized Coefficients) Beta	T count	Sig.	Adjusted R Square	Note
Purchase decision (Y)	Constanta		1.585	0.116		
	X1	0.354	4.671	0.000	0.585	Significant
	X2	0.488	6.442	0.000	0.585	Significant

Source: Primary data processed, 2017

Coefficient of determination is used to calculate the magnitude of influence or contribution of independent variables to the dependent variable. From the analysis in Table 4.12 the results adjusted R

**Hypothesis Testing**

**Hypothesis I (F test / Simultaneous)**

**Table 4.14 F Test/simultaneous**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	804.017	2	402.009	91.981	0.000
Residual	555.060	127	4.371		
Total	1359.077	129			

Source: primary data processed, 2017

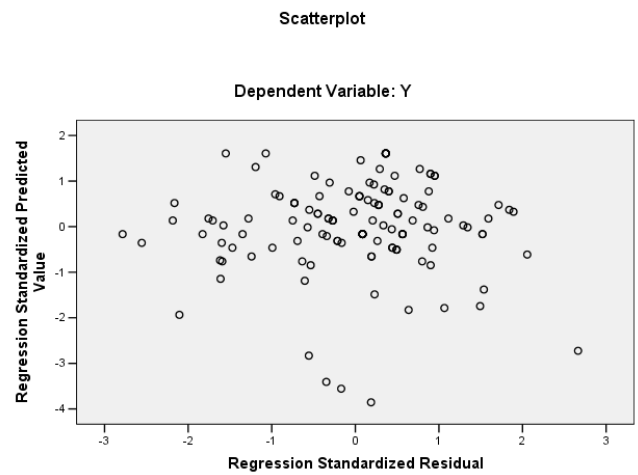
The value of F count is 91,981 while F table ( $\alpha = 0.05$ ; db regression = 2: residual db = 127) is 3.068.

- VIF for Product Quality is 1,783

From the test results, it can be concluded that there is no multicollinearity between independent variables. Thus, the assumption test of the absence of multicollinearity can be fulfilled.

**Heteroscedasticity testing**

**Figure 4.1 Heteroscedasticity testing**



Source: processed primary data, 2017

From the test results the scatterplot displays diagram spread and do not form a certain pattern hence there is no heteroscedasticity, so it can be concluded that the residual has a homogeneous variety (constant) or in other words there is no symptoms of heteroscedasticity.

(coefficient of determination) shows Purchase Decision variable will be influenced by independent variables, namely Price Perception and Product Quality.

Because F arithmetic > F table is 91,981 > 3,068 or sig F value (0,000) <  $\alpha = 0.05$  then regression analysis model

is significant. This means that H0 is rejected and H1 is accepted so it can be concluded that the dependent variable (Purchase Decision) can be influenced

significantly by the independent variable (Price Perception (X1), Product Quality (X2)).

## Hypothesis II (t test / Partial)

Table 4.15 t-Test Result / Partial

Dependent variable	Independent variable	t count	t Table	Sig.	note
Purchase decision (Y)	X1	4.671	1.979	0.000	Significant
	X2	6.442	1.979	0.000	Significant

Source: processed primary data, 2017

The independent variable has a significant influence on the purchase decision simultaneously and partially. From here it can be seen that the two independent variables giving the most dominant effect on Purchase Decision is Product Quality because it has the largest value of coefficient beta and t count.

## Discussion

### The Effect of Price Perception and Product Quality on Purchase Decision

The results of this study indicate a significant influence of price perception variable (X1) on purchasing decisions (Y) on iPhone products. Price perception is a major factor in influencing purchasing decisions (Li, 2010). The results of this study, is in line with the research of Kurnia Akbar (2013) which states that there is a significant influence of price variables affecting purchasing decisions. This is also supported by research result by Irfan Nusrul (2014) explaining in more detail about the variable of product quality and price variable which is included in the factor influencing purchasing decisions. From the analysis, it can be seen that price can be seen as motivational force that influence customer to go for making purchase decision. According to the result of the test, it is shown that the effect which the price of the purchase decision is dominant as the other variable discussed in this study, product quality. Regardless the high price of the iPhone, the respondents as seen from the test result still keep the price as one of the variable they use for decision making.

The results of this study indicate that product quality affects significantly or positively to the purchase decision. In the study by Gloria et al. (2016) it was stated that the results of statistical analysis show the quality of the product positively influence the purchase decision, and this is in line with the results of a study conducted by Ridho Rian (2016) in his research which investigated iPhone 5s products in Malang city that showed that there is influence which is significant from product quality and brand perception toward purchase decision variables. Resilience to the product is one of the most important aspects after the price on the factors affecting consumer purchasing decisions. Gloria et al. (2016) explains that the product, product design, and product quality positively effect on purchasing decision the same with Yuwan et al. (2016) that came with the result of products, price perception, distribution, and

promotion of influence purchase decision either simultaneously or partially then based on comparative analysis on the result of research there is no significant difference between the product and price on the purchase decision. Normally product quality is tested in t test.

This may happen because the iPhone product prove that they have a good quality of product as explained on Time Magazine by Tim (2012) as besides having geniuses in design, software and retail, Apple inc also has the cash to invent components, manufacturing processes and things like that, which almost makes it impossible for the competition to make any real headway against Apple. The Apple Product Quality is not just their design, but also their components which could make them always excellent more than other mobile phone product besides their high price. Some consumer considers the price given by the iPhone fairly reasonable because the quality of the product is reliable, unlike the other smart phones that have a price same as the iPhone, some people consider that the price is too pricy for them.

### The Dominant Variable that effecting Purchase Decision

As explained on Table 4.12 the table shows that Product quality is the dominant variable which effecting purchase decision more than Price Perception. The Table 4.12 shows assumption another variable is considered constant. The product gives the sense that with the quality of the product have an impact on the increase in the purchasing decision. This result contrary with the Sipayung, and Sinaga (2017) that found the marketing mix more effecting than Product Quality on Purchasing Decision.

This may be occurred because people tend to choose the mobile phone having a good quality of product, and more aware with it rather than the price they faced. The effect of price perception is lower than product quality because most customers pay attention to the quality of product they are going to buy. As explain on chapter 4, the effect of product quality becoming a dominant factor. This findings in line with the previous study of Yulianda, and Handayani, (2015), which found that price perception and product quality was influence purchase decision. This finding rejected the result of Sulistya (2014), Hamdi (2014), Julianingtias, et al. (2016) which stated other factors like reference group,

price and promotion is the dominant factor that affecting purchase decision of customer. This may happen because the other factors that are not explained in this study have a strong effect towards Purchase Decision.

## CONCLUSSION AND SUGGESTION

### Kesimpulan

#### Conclusion

1. There is a relationship between price perception and product quality towards purchase decision. Those two-influence purchase decision when customer wants to buy an iPhone based on student Economic and Business Faculty, Brawijaya University.
2. This study found the dominant variable that effecting the purchase decision is Product Quality.

### Suggestion

1. It is expected that the company can maintain the durability of goods, existing facilities and aesthetic designs that make the iPhone look simple and exclusive and improve service to Product Quality, because variable Product Quality has a dominant influence in influencing Decision Purchase, Purchases will increase.
2. Given the independent variables in this study is very important in influencing the Purchase Decision is expected the results of this study can be used as a reference for further researchers to develop this study by considering other variables that are other variables outside the variables that have been included in this study and also for further study in other cities.

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