THE EFFECT OF PERCEIVED PRICE AND PERCEIVED QUALITY ON PURCHASE INTENTION AT SHMILY CUPCAKES STORE MANADO

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ABSTRACT

Cupcakes are an option that consumers are able to offer delights cupcakes, flavors that suit the tastes of consumers, and use quality ingredients. This is done so that all of the products offered will be a place both in the eyes of the public as consumers or potential consumers, because in choosing products is based on buying the interest that will affect the type, the taste of the product that is bought. Therefore, the pastries entrepreneur/ company are required to continue to make improvements, especially on the quality of its products. This research aim of the influence of perceived price and perceived quality on consumer purchase intention partially and simultaneously. This research used quantitative method. The analytical method used was multiple linear regression analysis. The data used in this research is primary data obtain through the questionnaire. The population of this reseacrh is the consumer of SHMILY Cupcakes in Manado. The samples taken are 100 respondents. This research concludes findings there is a significant effect of perceived price and perceived quality on consumer purchase intention simultaneously. But partially the effect of perceived quality on consumer purchase intention is more significant than the effect of perceived price on consumer purchase intention. The owner of SHMILY cupcakes store should more consider of quality than price since there is a significant effect of quality on purchase intention.

Keywords: perceive price, perceive quality, consumer purchase intention.

INTRODUCTION

Research Background

Along with a penchant for Indonesian people consume snacks, Cupcakes are an alternative to meet the needs of the community. A Cupcake that can be enjoyed for personal consumption or delivery on relationships and family for special moments such as Eid Mubarak, Christmas, and others. Cupcakes are available in a variety of display types and flavors that consumers can feel a different experience in consuming cupcakes. The problems are these current developments of competition in the business of making cupcakes very competitive. This development can be seen by many people send the parcel as a form of thanks or congratulations to a person or a family, in which the contents of the parcel are cupcakes. particularly the feast of Eid in which the public demand for cupcakes increased dramatically to an increase of 50% compared to normal days in the period of fasting and ahead of Ramadan, was quoted by a business owner cupcakes. The same thing also happen in Christmas day, sales of parcel and non parcel of cupcakes increase dramatically than normal days, especially in Manado and north Sulawesi as a Christian region. This encourages entrepreneurs to compete for the business entering a dessert gourmet by offering a wide range of quality and taste with various prices competing.

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The other problems are consumers will reveal their behavior after perception of what the decision will be taken in buying a product. It thus also experienced in considering a product purchase decisions that are influenced the Cupcakes psychological motivations / perceptions. Consumer perceptions may not necessarily produce the same assessment as not all consumers have complete knowledge about the condition of the product, which will have an impact on interest in the purchase of products Cupcakes.

In order to succeed in marketing a product or service, each company should set prices appropriately. Prices affect the level of sales, the rate of profit, and market share achieved by the company. Consumers use price in making a judgment about the quality of the product. Often people assume that the price is a little much more expensive, the quality obtained will be far more secure. SHMILY Cupcakes set middle to high price that reflects the quality of cupcakes products as well. Market segment of SHMILY Cupcakes is all classes, both young and old. The product of SHMILY Cupcakes is able to compete with products from other similar companies and price of the products Cupcake SHMILY's very competitive.

Cupcakes Company were quite successful in Indonesia, especially in the city of Manado, North Sulawesi, one of that is SHMILY Cupcakes. Established in the year 2010, SHMILY Cupcakes is a brand with international standard quality. Processed and hygienically processed using high quality raw materials to produce SHMILY Cupcakes without preservatives with a distinctive flavor. After 4 years running, SHMILY Cupcakes which was first established in Manado has expanded its business to the capital city of Indonesia, Jakarta. Cupcakes hygienically processed through the skilled hands, attractively packaged and supported with modern technology. SHMILY Cupcakes has products with high advantage, because it uses quality ingredients. In addition SHMILY Cupcakes also equip their products with a wide range of packaging options parcel is beautiful and elegant, very suitable for delivery on relationships and family for special moments.

SHMILY Cupcakes Store have a different look and innovations of some cupcake stores in Manado, SHMILY Cupcakes managed to be the number 1 choice. This business is very advantageous with small capital but with big market share. It attests to the fact that something interesting and suitable for in explore.

Research Objectives

The objectives of this research are to analyze the effect of:
1. Perceived price on consumer intention
2. Perceived quality on consumer intention
3. Perceived price and perceived quality on consumer intention

THEORETICAL FRAMEWORK

Theories
Marketing

Kotler and Armstrong (2008:4) define marketing is managing profitable customer relationship. Furthermore, marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. Kotler and Keller (2009:5). American Marketing Association marketing is an organizational function and set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. By looking at the definition above and the title of this research, researcher found correlation each other. Which is in the word "individuals and groups". Brand name is the output of individuals and groups considerations to make a decision. Marketing devices and techniques which are used to make goods and services more attractive by providing some additional benefit, whether in cash or in kind, or the expectation of such a benefit.

Marketing Mix

The marketing mix is a marketing strategy model, with a set of controllable elements available for an institution to shape the nature of its offer to customers. It is to put the educational service offering into a number of component parts and arrange them into manageable subject areas for making strategic decisions. This model suggests that a marketing strategy consists of tools and techniques (elements) that can be identified for ease of understanding under the headings of: product, price, place, and promotion. They are also known collectively as the "4Ps" sets some limitations for using the marketing mix tools in the service or education industry. These limitations stem from the nature of the educational service; it exceeds the four Ps to some other elements. Kotler (2005:23) have developed a version of a marketing mix which is designed specifically for educational institutions, and which seems to address the limitations set. Kotler (2005:26) model depicts this marketing mix in educational context to be consisting of seven marketing tools, "7Ps": 'programmed, price, place, promotion, processes, physical facilities, and people'.

Consumer Behavior

Consumer behavior is an important aspect that must be considered by companies that have embraced the concept of marketing, with the aim of giving satisfaction to the consumer. Daniel, et al. (2010), defines consumer behavior as an act of an individual or individuals involved in obtaining, consuming and spends the products and services, including the decision processes that precede and follow this action.

Perceived Value

This study focuses on post-purchase customer perceptions of value. This is because the value of a cupcakes may not be completely formed by the customer before starting a cupcakes especially since the cupcakes needs to experience the service and see the results of their cupcakes to fully appreciate the value of the service. Furthermore, the post consumption value stage (i.e., after the engagement of exercise) is most likely to influence quality of life perceptions. Several dimensions have been used to operational the multiple dimensions of customer perceived value in the services context. Most scholars include functional, emotional and social components. Analyzed the customer perceived value of a recreational course using an adapted version of the multidimensional PERVAL scale created by Sweeney and Soutar (2001). Like Sweeney and Soutar (2001), included two separate functional quality dimensions: performance/quality and price/value for money. Yang & Peterson (2004) also added a social interaction value dimension. Given that purchase a cupcakes can be considered a recreational activity this study adopts Yang & Peterson (2004) value dimensions. Furthermore, as many cupcakes go to the with friends to motivate each other to exercise the social interaction value dimension was also used in this study. In summary, the following five dimensions of customer perceived value are investigated in this study: functional value (performance quality), social value (enhancement of social self-concept), emotional value (generated positive feelings or affective states), social interaction value (derived from interacting with other customers) and monetary value (value for money).

Perceived Price

Price as an extrinsic cue can be further divided to objective price and psychological price. Objective price is the literal amount of money needed to purchase the product. Psychological price, in turn, is each consumer's internal perception of price. (Fernandez and Bonillo, 2007).

Perceived Quality

This fulfillment of requirements is based on five areas that are assessed by customers when evaluating the received benefits from a product or service. When experiencing a positive performance on these five areas; tangibles, reliability, responsiveness, assurance and empathy, customers are satisfied and therefore continue to use the product or service. (Rodoula Tsiotsou, 2006). Perception of quality (perceived quality) according to Daniel and Berinyuy (2010): "Service quality and customer satisfaction are very important concepts that companies must understand in order to remain competitive in business and hence grow. It is very important for companies to know how to measure these constructs from the consumers' perspective in order to better understand their needs and hence satisfy them. Service quality is considered very important because it leads to higher customer satisfaction, profitability, reduced cost, customer loyalty and retention".

Purchase Intention

Purchase intention might be altered by the influence of price, quality perception and value perception (Zeithaml, 1988).

Previous Researchers

Rodoula Tsiotsou (2006), The role of perceived product quality and overall satisfaction on purchase intentions. Yasen et, al (2011), The Impact of Brand Awareness, Perceived Quality and Customer Loyalty on Brand
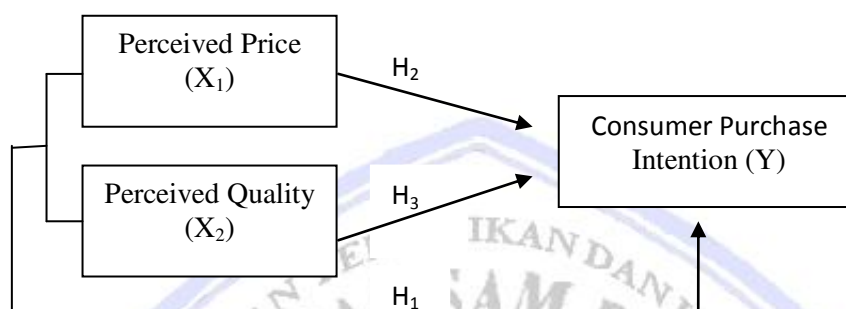Profitability and Purchase Intention: A Resellers' View.

Figure 1. Conceptual Framework
Source: Data Processed 2014

Hypothesis

The hypotheses of this research are:

H_1: Perceived price and perceived quality have a significant effect on consumer intention.
H_2: Perceived price have a significant effect on consumer intention.
H_3: Perceived quality have a significant effect on consumer intention.

RESEARCH METHOD

Type of Research

This research is a causal type of research where it will investigate the impact of social media base on market segmentation on marketing.

Place and Time of Research

This study will be conducted in Manado. The questionnaire will be distribute directly for SHMILY Cupcakes consumer where respondents from Cupcakes member. The research is conducted in June to August 2014.

Population and Sample

Population is the entire group or people, events, or things that the researcher desires to investigate (Sekaran and Bougie 2010:443). The population in this research is the consumer of SHMILY Cupcakes in Manado. The sample of this research is the Cupcakes member as much as 100 respondents. The sampling design is sample random sampling that is considered as the best way of getting some basic information quickly and efficient. Sample random sampling is using every element in the population has a known and equal chance of being selected as a subject. This sampling design has the least bias and offers the most generalizability (Sekaran and Bougie 2010:270).

Data Collection Method

They are two types of data: (1) Primary Data use a Questionnaires were distributed to customers of SHMILY Cupcakes member, respectively 100 sheets. While calculating weight rating customer questionnaires using Likert scale. Likert scale was associated with a statement about one's attitude towards something. And (2) secondary data is method of data collection by studying the relevant literature in order to obtain a theoretical overview from books, journals, and relevant literature from library and internet of the concept of effect of perceived price and quality on purchase intention.

Operational Definitions and Measurement of Research Variable.

Operational definitions of research variables are:
1. Perceived price (X_1) Price is the perception of the amount of money needed to get some combination of goods along with services. This variable measure by several indicators.
2. Perceived quality (X_2) is the characteristics of the products in the ability to meet the needs that have been determined and are latent.
3. Consumer intention (Y) Purchase intention is part of a component's behavior in eating behavior is possible if the buyer intends to buy.

Data Analysis Method

Validity and Reliability Test

The reliability of a measure is established by testing for both consistency and stability. Consistency indicate how well the items measuring a concept hang together as a set, Gronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran and Bougie, 162:2010). Since reliable scale are not necessarily valid researchers also need to be concerned about validity. It assesses whether scale measure what is supposed to be measured. Thus validity is a measure of accuracy in measurement.

Multiple Regressions on Analysis Method

Multiple regressions use to express the effect of independent variables and the dependent variable. The formula of linear regression (multiple linear regressions) in general as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:
Y   = Consumer intention
X_1 = Perceived price
X_2 = Perceived quality
α   = Constant
b_1, b_2 = The regression coefficient of each variable
e   = Standard error

RESULTS AND DISCUSSION

Result

Validity and Reliability

Validity test is used to know whether the instrument is valid or not. The instrument is valid if the score of indicator is positive and more than 0.3 (r > 0.3). The result show perceived price (X_1) 0.623, perceived quality (X_2) 0.759. This means that all the indicators are valid. The reliability test in this research using Alpha Cronbanch, which will show the instrument, is reliable if the coefficient is more than 0.6. The value of Cronbanch Alpha is 0.772 which are more than 0.6. Therefore, the measurement instruments used for this research are reliable and the instrument can get the consistent result if used in different times

Test of Classical Assumption

Multicolinearity

Table 1. Collinearity Statistics

	Model	Collinearity Statistics	
		Tolerance	**VIF**
1	X_1	1	1
	X_2	1	1

a Dependent Variable: Y
Source: SPSS Data Analysis, 2014

The calculation multicolinearity through VIF and tolerance. VIF value of perceived price (X_1) is 1 and perceived quality (X_2) is 1 are <10, this means that there is no connection between the independent variables.

Heteroscedasticity

Heteroscedasticity occurs if there are dots which form a certain pattern regularly as waves. Homoscedasticity occurs if there are no certain patterns which are clear, and the dots spread above and below the 0 the Y-axis
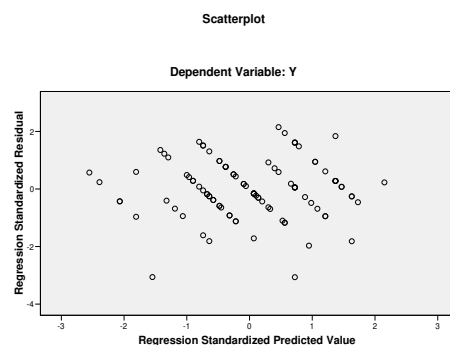

Figure 2. **Heteroscedasticity Results**
Source: SPSS Data Analysis, 2014

Figure 2 shows that the patterns of the dots are spreading and the dots are spreading above and below the zero point of Y-axis. So, there is no heteroscedasticity in this regression.

Normality

Normality test can be identifying by using graph of P-P Plot. The data will distribute normally if the value of P-P Plot is near diagonal line of the graph.
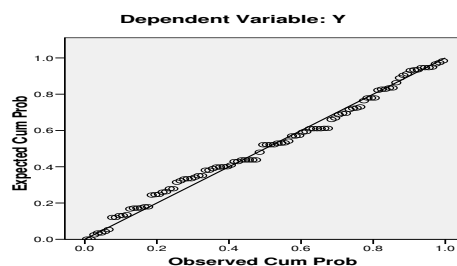

Figure 3. **Normality Results**
Source : SPSS Data Analysis 2014

Figure 3 shows the dots spread near the diagonal line and follow the direction of the diagonal line. Therefore, the data is distributed normally.

Multiple Regression Analysis
Table 2. Multiple Regression Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.490	.482		1.017	.312
	X_1	.120	.078	.090	1.547	.125
	X_2	1.115	.080	.815	14.009	.000

Source: Processed Data, 2014

From the analysis, obtained by linear regression equation as follows

$$Y = 0.490 + 0.120\ X_1 + 1.115\ X_2$$

From the multiple linear regression equation above, it can inform the interpretation as follows:

1. Constant value of 0.490 means that if the variables in this research of Variable X_1 (perceived price) and X_2 (perceived quality) simultaneously increased by one scale or one unit will increase the Y (consumer intention) at 0.490 point.
2. Coefficient value of 0.120 means that if the variables in this research of X_1 (perceived price) increased by one scale or one unit, it will improve and increase Y (consumer intention) at 0.120.
3. Coefficient value of 1.115 means that if the variables in this research of X_2 (perceived quality) increased by one scale or one unit, it will improve and increase Y (consumer intention) at 1.115.

Coefficient Determination (r^2)

Table 3. Table R and R^2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.820(a)	.672	.665	.27970

a Predictors: (Constant), X_1, X_2
b Dependent Variable: Y
   Source: SPSS Data Analysis, 2014

To determine the contribution perceived price (X_1) and perceived quality (X_2) on consumer intention (Y) at SHMILY Cupcakes can be seen that the determinant of the coefficient (r2) in the table above. r^2 value of 0.672 in this study may imply that the contribution of The effect of perceived price (X_1) and perceived quality (X_2) on purchase intention (Y) of 67.2% while the remaining 32.8% is affected by other variables not examined in this study.

Hypothesis Testing

Table 2. F-Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.526	2	7.763	99.229	.000(a)
	Residual	7.589	97	.078		
	Total	23.115	99			

a. Predictors: (Constant), X_2, X_1
b. Dependent Variable: Y
   Source: SPSS Data Analysis, 2014

Value of 99.229 of F_{Count} significant 0.010. Because the sig <0.05 means the confidence of this prediction is above 95% and the probability of this prediction error is below 5% which is 0.010. Therefore H_0 is rejected and accepting H_a. Thus, the formulation of the hypothesis that The influence of perceived price (X_1) and perceived quality (X_2) on purchase intention (Y) Simultaneously, accepted.

Table 3. t-Test

Model	T	Sig.
Perceived price	1.547	.125
Perceived quality	14.009	.000

a Dependent Variable: Y
  Source: SPSS Data Analysis, 2014

The calculations in the Table 3, the interpretation as follows:

1. T_{count} for perceived price (X_1) 1.547 smaller than the value of 1.984 T_{table} means perceived price (X_1) has no significant effect partially on purchase intention (Y). The sig. value at 0.125 means that prediction of perceived price (X_1) effect of purchase intention (Y) doing errors is more than 5% which is 12.5%, thus the confidence of this prediction is below 95%. Therefore, H_a rejected.

2. T_{count} for perceived quality (X_2) 14.009 greater than the value of 1.984 T_{table} means perceived quality (X_2) has significant effect partially on purchase intention (Y). The sig. value at 0.000 means that prediction of perceived quality (X_2) effect on purchase intention (Y) doing errors is 0.0%, thus the confidence of this prediction is above 95%. Therefore, H_a received.

Discussion

The data analysis above shows the effect of perceived price and perceived quality on purchase intention. Perceived price doesn't have a significant influence on purchase intention of SHMILY Cupcakes. This insignificant caused by an ignorance of consumer in Manado toward a cupcakes product. Price aren't the main consider of cupcakes consumer in Manado but the quality include a design, taste and variety of product itself. Consumer in Manado perceive a cupcakes as a luxury product where a quality has important role and price is not consider especially when the consumers are still a potential consumer.

The research also has same findings with this research is conducted by Yaseen et al. They arguing about price doesn't have a significant influence on consumer purchase intention since the product are consider as a luxury product. Mean while quality has played an important role on it (Yaseen et al, 2011).

Consumer in Manado perceived a quality of cupcakes as the main consideration because cupcakes only serve to the very special occasion or as a give. Cupcakes are an option that consumers are able to offer delights cupcakes, flavors that suit the tastes of consumers, and use quality ingredients. This is done so that all of the products offered will be a place both in the eyes of the public as consumers or potential consumers, because in choosing products based buying interest that will affect the type, the taste of the product bought. Therefore, the entrepreneur / company pastries are required to continue to make improvements, especially on the quality of its products. Customer perception of quality that does not reflects the feelings and the overall look of a brand. However, usually based on the perceived quality dimensions included in the characteristics of those products where the brand is associated with things such as reliability and performance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

There are three constructive findings that can be concluded from the overall result in this research, which are listed as follow:
1. Perceived price has significant effect on consumer intention, partially
2. Perceived quality has significant effect on consumer intention, partially.
3. Perceived price and perceived quality has significant effect on consumer intention, simultaneously.

Recommendations

There are two practical recommendations that can be concluded from the overall result in this research, which are listed as follow:

1. SHMILY Cupcakes should more consider of quality than price since there is a significant influence of quality on purchase intention. Increasing in quality may resulting an increasing in profit and gain market share.
2. SHMILY Cupcakes always have to offer delights cupcakes, flavors that suit the tastes of consumers by using quality ingredients. So that all of the products offered will be a place both in the eyes of the public as consumers or potential consumers. Because in choosing products based buying interest that will affect the type, the taste of the product bought.
3. To improve this research, the next researcher should add more variable or intervening to make a better result for the influence on purchase intention

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