

## THE INFLUENCE OF VALUE PERCEPTIONS ON PURCHASE INTENTION TOWARDS LUXURY FASHION PRODUCTS IN JAKARTA

**Made Candra**

Swiss German University  
made\_cas@yahoo.com

**Fiter Abadi**

Swiss German University  
fiter.abadi@sgu.ac.id

### ABSTRACT

*In general, luxury market is growing in several countries, including Indonesia. Growth luxury market in a country related with the luxury trends on a particular country. The trends of luxury products consumption are very high causing there so many luxury counterfeit products spreading over the world including Indonesia. It is important to analyze the influence of purchase intention towards luxury fashion products. Since the number of counterfeit luxury fashion products is very high, fashion luxury product companies should identify and analyze what exactly factors influence purchase intention towards original luxury fashion products based on customers value perception. This research analysed concerning some variables such as: Functional Value Perceptions, Personal Value Perceptions, and Social Value Perceptions want to identify the most significantly influencing purchase intention towards luxury fashion products. This research use SPSS 21 through Multiple Regression Analysis for data analysis from quantitative research of 100 respondents. The results shows that all hypotheses are accepted and the most significantly influencing purchase intentions towards luxury fashion products is Functional Value Perceptions with usability, quality, and uniqueness as its indicators.*

**Keywords:** *Functional Value Perceptions, Personal Value Perceptions, Social Value Perceptions, Luxury Fashion Products, Purchase Intention.*

### 1. INTRODUCTION

Nowadays, Indonesian customers are not only concerned about the primary needs (physiological needs), but also the needs of luxury brands (Prihatin, 2016). In addition, the consumption of luxury products in 4th quarter

2016 increased significantly (Boston Consulting Group, 2016). Previously, the main luxury products markets are Europe and America; this is because the most of luxury products one produced in Europe and America. However, the luxury

product companies want to expand their market also in Asia, especially in Indonesia. In addition to it, Indonesia also known as the fastest country in term of economic growth (Petcu, 2012). The increase in middle-class income in Indonesia is one of the contributions which makes Indonesia known as the fastest country in term of economic growth (Petcu, 2012).

According to Reebonz, the Indonesian middle-class is becoming more fashion conscious and want to increase their social status (Bachdar, 2016). The number of middle-class in Indonesia in 2015 was 170 billion and is predicted to grow significantly (BPS, 2016). In addition, the number of consumer's tendency to purchase luxury products of particular brand in Indonesia is quite high among Asia, which is 44% also brings Indonesia as the fastest country in terms of economic growth (President of Maxuri, 2016).

### **Luxury Products in Indonesia**

Luxury means some products that have the highest price or quality on the market in terms of economic (Kapferer, 2001). It should be rare,

scarce, and cannot be consumed by everyone (Nueno and Quelch, 1998). Consumption of fashion luxury products in Indonesia and the customers of fashion luxury products is growing. According to Interbrand (2010), the luxury fashion brand which are produced luxury fashion products are: Gucci, Louis Vuitton, Coach, Burberry, Aigner, Versace, Chanel, Prada, Hugo Boss, and Hermès. The minimum price of two brands are for women's hand bags of Gucci is started from \$ 1.050 (Shopgucci.com, 2017) and the minimum price of Hermès men's belt is £630.00 (Hermès Official Website, 2017).

Customers of luxury products are usually price insensitive, so they are not really concerned about the price (Hwang, Ko, and Megehee, 2013). However, there are so many sales or discount events for luxury products in Indonesia. The events are annually held by some luxury malls in Jakarta (Plaza Indonesia, Grand Indonesia, Pacific Place). An example of those kind of events are Luxury Branded Sale in Plaza Indonesia (29 June – 1 July 2016) and International Branded Sale in Grand Indonesia (30 August

– 4 Sept 2016) (KatalogPromosi, 2016).

### **Sales of Fashion Luxury Products in Indonesia**

Based on Reebonz Indonesia, fashion luxury products sales in Indonesia have grown by 84% from 2014 to 2015. Indonesia is becoming Asia's largest online luxury goods sales growth compares to Malaysia, Singapore, Hong Kong, and Australia, according to the 2016 Asia Luxury Index. The fastest sales growth in term of type of product in Indonesia is shoes (Reebonz, 2016). In addition, Indonesia is in the 3rd position in terms of the consumption of luxury goods, followed by Singapore and Hong Kong (Capgemini Asia Pasific, 2015).

In term of stores, several luxury brands expanded their market in Indonesia, through 4 luxury malls in Jakarta. Those 4 luxury malls consist of Plaza Senayan, Plaza Indonesia, Grand Indonesia and Pacific Place. There so many luxury brands store in those 4 luxury malls, such as: Louis Vuitton, Cartier, Hermes, Gucci, Long Champ, Prada, Aigner

(Alexander, 2013). In 2012, also a lot of luxury brands opened their store in Jakarta.

### **Research Problems**

In general, luxury market is growing in several countries, including Indonesia. The sales performance growth of luxury fashion products in Indonesia increase significantly, which is 84% with GDP 4.9%. It is important to analyze the influence of purchase intention towards luxury fashion products.

### **Research Questions**

- Do functional value perception significantly influence purchase intentions?
- Do personal value perception significantly influence purchase intentions?
- Do social value perceptions significantly influence purchase intentions?

## **2. LITERATURE REVIEW**

### **Luxury Consumption**

According to Carroll (2015), consumption from an economics perspective defined as the use of goods and services by households. This consumption activity is meant to get a future benefit or a specific

objective. The consumption products are frequently divided into three basic classifications as luxury goods, inferior goods, and needs (Songer, 2014).

Essentially, the word “Luxury” is not the same with everyone and some people do not precisely understand this word like that in the dictionary. They feel that the definition appears to be hard to measure (Tovikkai and Jirawattananukool, 2010).

Based on previous research, personal perceptions and social perceptions also affect towards luxury consumption. The differences between social perceptions and personal perception luxury product consumers has developed in the literature (Wiedmann, Hennigs, & Siebels, 2007). The origins of these two orientations can be traced in an individual’s self-concept (Kastanakis, 2010).

### **Luxury Products**

Products can be characterized with a socio-economic separation instead of a general one that distinguishes them as luxury or non-luxury according to their appearance theoretical qualities. The socio-economic separation

considers the economic and expansion levels of countries.

According to Kemp (1998) from economics viewpoint, products might be considered as luxury or a need depending on their elasticity. The products are distinguished as luxury or a need depending on the price elasticity of their demand. As the prices of the products stated to be a need increase, the demand for these products declines relatively (Heine, 2012).

Luxury is defined as a concept of pleasure, classiness, and it is not necessary important but desirable for someone (Goody, 2006). Luxury products should have some criteria to define itself as one of the luxury products. One of the criteria’s is the product should be price insensitive (Safiera, 2016). So, it is make sense if the products are expensive and give positive impact towards the products itself (Interbrand, 2008).

### **Luxury Fashion Products**

Fashion is also reflected to be a specific life style and ethnic phenomenon appeared at an assured period of time. The fashion is usually first began by a small group of

people and then a trend is made with more and more followers and imitators until it becomes out-of-date (Cheng & Huang, 2010).

Luxury fashion products are defined as attire, accessories, handbags, shoes, timepieces, jewelry, and perfume of a branded product and carrier's high reputation to owners separately from the functional values (Gao et al., 2009). The definition of luxury brand itself is the images of high level of price, high-quality, and extraordinary in customer's perception (Heine, 2012).

### **Value Perceptions**

Value perceptions mostly focus on quality and price subjects and there is no agreement among researchers regarding a single conceptualization and operationalization of the customer value concept (Shukla, 2012). This definition matches well according to luxury goods where consumption is significantly focused on the social and personal results (Shukla, 2010). According to Ruiz, Castro, and Armario (2007), customer value perceptions basically focuses on quality and price subjects. Focusing on luxury goods, Vigneron

and Johnson (2004) categorize two main dimensions of luxury value perceptions, which are: personal perceptions (which consist of perceived hedonic value and perceived lengthened self), and non-personal perceptions (which are: perceived conspicuousness, perceived uniqueness and perceived quality). In addition to it, Wiedmann et al. (2007) lengthen the structure by using four dimensions: social value (i.e. conspicuous value, prestige value); functional value (i.e. usability value, quality value, uniqueness value), individual value (i.e. self-identity value, hedonic value and materialistic value) and financial value (price value).

### **Social Value Perceptions**

Social value perception is related to the customer perception that society is the source of value.

Social value related with luxury purchase intention is by purchasing luxury products a person can impress other people and to increase their influence in the society (Husic & Cicic, 2009) or to connect themselves to their preferred social groups (Kastanakis & Balabanis,

2012). So, according to this relationship, there are two main antecedent concepts of social dimensions:

- Status value

Status value is connected with customers' desire to get prestige from the purchase of status-laden products. According to Dubois & Czellar (2002), prestige is a subjective evaluative judgment about the high social status of individuals or non-living objects such as brands (Dubois & Czellar, 2002). The explanation of prestige may vary based on people's social or economic position, so people's perception of a product or brand reputation level varies (Vigneron & Johnson, 1999) and in wide-ranging, luxury and prestige definitions are frequently used interchangeably by sales persons.

- Conspicuous value

Bearden and Etzel (1982) determined that luxury products consumed in public were more likely to be conspicuous products compare to privately consumed luxury products and that conspicuous consumption still plays an important role in determining preferences for many

products that are bought or consumed in public situations (Vigneron & Johnson, 2004). Therefore, luxury brands might be essential to persons in search of social status and representation, which means in certain that the societal ranking related with a brand plays an important factor in conspicuous consumption (Wiedmann, Hennigs, & Siebels, 2009).

### **Personal Value Perceptions**

Personal values are indirectly related to choices. The personal value itself is the concept that defines the beliefs of a person or culture (Fiset, 2015). Personal value perception can be identified as the consumption value that are intensely connected with the values hold by the customer personally - durable beliefs that lead the way a person behave in daily life actions (Kahle, 1989).

Researchers also propose that purchasing luxury products as a personal pleasure can provide a positive emotional which mightstimulate better feelings (Tynan et al., 2010; Shukla and Purani, 2012). The dimension of

consumers' personal perception about luxury consumption and the kinds of personal value(s) they identify by consuming luxury (Teimourpour & Heidarzadeh Hanzaee, 2011) (Wiedmann, Hennigs, & Siebels, 2009) are:

- Self-identity value

According to the explanation in the theory of consumer's purchasing behavior, self-congruity is the probability of "comparing oneself to other entities or stimuli" (Liu, Li, Mizerski, & Soh, 2012) and there are three key components of brand self-congruity, which are:

1. Brand Personality Congruity
2. Brand User Imagery Congruity
3. Brand Usage Image Congruity

Brand user imagery and personality congruity are consumer's perception about their own personality match to the perceived brand personality by purchasing from the brand (Liu, Li, Mizerski, & Soh, 2012).

In contrast to the external (social) side of one's self, the self-identity value refers to one's internal (private) side based on self-perception. It is broadly recognized within consumer behavior concept that the self-image congruity

moderates the relationship between one's self-image with one's image of a product or service, and that a customer's self-concept influences buying behavior in a self-image or product-image congruity model (Wiedmann, Hennigs, & Siebels, 2009).

- Hedonism value

Based on definition, hedonism products are the ones whose consumption offer the customer a sensation of fun, fantasy, desire, enjoys and excitement (Zhong & Mitchell, 2010). So, hedonism shown the self-pleasure and internal satisfaction achieved by consuming a luxury product (Wiedmann, Hennigs, & Siebels, 2009). Thus luxury products might be viewed as hedonic products to which the customers are emotionally attracted and they can discover self-pleasure by using those products (Wiedmann, Hennigs, & Siebels, 2009).

- Materialism value

Materialism is stated as a structure with which it can be shown the relation between persons and their material belongings. Materialistic customers choose more to use luxury products to symbolize their own

social status to the other people or to calculate their own or other people's prestige by that. (Vigneron & Johnson, 2011).

Previous research has also found that materialistic-oriented customers depend on external indications heavily, preferring those possessions that are consumed in public place. This is be able to be related with the understanding of materialists that possessions serve as a sign or source of interactive and describing impressions of who they are and what their status or position is (Wiedmann, Hennigs, & Siebels, 2009).

### **Functional Value Perceptions**

Wiedmann et al. (2009) hypothesize the importance of functional value perceptions. They stated that costumer's perception would associate a luxury product to be useful, have good quality and have some uniqueness to satisfy customer's need to differentiate. In the area of luxury consumption, functional value perceptions may be affected by utilitarian approaches that focus on a product's possible usability.

Previous research have observed about functional value, especially price-quality perceptions, play an important role in value construction for ordinary products for the Indonesian consumers (Rao, 2005). In general, this dimension defines how much functional a thing is to the customer. It is included of three values as shown:

- Usability value

Which primarily focuses on the essential benefits of the product and the amount that it can cover the customers' desires. It can be assumed by examining how easy to use an item or a thing. According to primary procedure, customers believe an item to work properly in long period of time and in the meantime have a decent look. (Wiedmann, Hennigs, & Siebels, 2009).

Based on basic usage, customers assume the thing they purchase to work right, look decent, last a long time, and perform as expected and as promised. The expectations growth moreover in regard to luxury products (Wiedmann, Hennigs, & Siebels, 2009).

- Quality value



States the customers' intention to purchase a luxury products is that the brand itself which assures the superior quality of the items it produces; that means sometimes customers relate the great brand quality to luxury products which shows they take an extra value of a luxury product (Wiedmann, Hennigs, & Siebels, 2009).

Gentry et al. (2001) stated that one reason customers purchase luxury products is because of the superior quality reflected in the brand name. This is matching with the assumption in the reality of perceived quality that luxury brands offer superior product quality and performance than non-luxury brands (Vigneron & Johnson, 2004). Based on Aaker (1991), customers might connect luxury products with a superior brand quality, so they perceive more value from them (Wiedmann, Hennigs, & Siebels, 2009).

- Uniqueness value

The value of uniqueness in customer's perception, it can be specified that by purchasing an expensive luxury product, the customers perceive themselves as more dissimilar and unique in the

society. (Wiedmann, Hennigs, & Siebels, 2009). In addition, the functional value of uniqueness also strengthens a person's need for uniqueness and their requirement for difference and exclusivity, which can only be fulfilled when the consumption and use of a assured brand is given only to an exclusive customers (Vigneron & Johnson, 2004).

### **Purchase Intention**

Purchase intention referred to decision-making that concern about the cause to purchase a particular product by customer (Shah et al., 2012). Morinez et al. (2007) describe purchase intention as a condition where customer tends to purchase a sure product in certain situation. Purchase intention usually is connected to the behavior, opinions and attitudes of customers (Mirabi, Akbariyeh, and Tahmasebifard, 2015).

Based on Schiffman & Kanuk (2000), their studies describes purchase intention which it indicates and be able to measure the likelihood the customer purchase a product, and if the purchase intention is high then

the customer will buy the product is high too. On the other hand, Shah et al., (2012) describes purchase intention where it is already measure in the decision-making has a reason to purchase a specific brand or product. Similar meaning concludes by Al-Ekam et al., (2012) which describes that purchase intention is the eagerness and willingness to purchase a particular product or service (Kotler & Armstrong, 2010)

#### **Y Generation Characteristics**

According to Levy and Weitz, (2001), Y generations Born between 1977 and 1994 (22-40 years old). Aimed at the Baby Boomer generation, luxury was about upper classes and high price opinions. Generation Y customers, though, view luxury as a right more than a pleasure (Stein and Sanburn, 2013).

Generation Y customers are very much brand conscious (Fernandez, 2009) and are willing to “trade up to higher levels of quality and taste” by investing in luxury products (Grotts and Johnson, 2012). Generation Y customers also show high levels of materialism, brand-signaling reputation (Lorez and Helgerson, 2013) and status consumption (Eastman and Liu, 2012). Generation Y customers have a tendency to have a high level of self-esteem. However, at the same time, Generation Y customers are persons with high public self-consciousness who tend to make purchasing decisions based on the influence and opinions of their peers (Fernandez, 2009).

#### **Research Model**

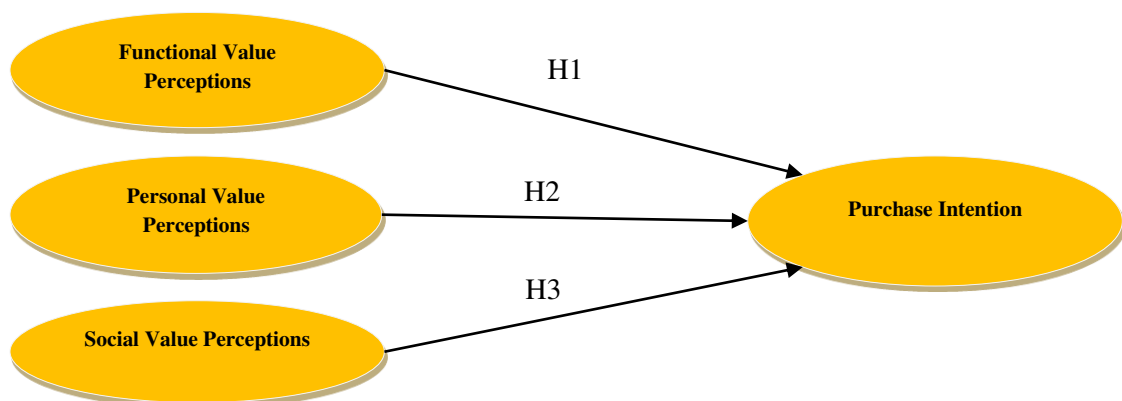


Figure 1, Research Model

Source: Chattalas, M. and Shukla, P. (2015)

### 3. RESEARCH METHODOLOGY

#### Types of Study

In this research, the researcher will use quantitative research, specifically quantitative descriptive. Quantitative research methods involve descriptive and causal methodology.

#### Data Collection

Questioners will be spread in several mall in Jakarta where there are a lots of store of luxury fashion products, some interview will also been done to some customers when the researcher spread the questionnaires. The questionnaire will consist of part I and part II, which are part I consist of screening questions and

respondents profile questions. Then, part II will consist of questions that asking about the value perceptions of the respondents on purchase intentions towards luxury fashion products.

#### Unit Analysis

This research will be in person, and the researcher will distribute the questionnaire to the Y generations. Based on NAS (2006) Y generations is who born between 1977 and 1994 (NAS, 2006).

#### Sampling

The formula to determine sample size is:

$$n = \frac{\pi(1-\pi)Z^2}{D^2}$$

N : Sample size

Z : Value associated with the confidence level

$\pi$  : Population proportion

D : Level of precision or the allowable error the research will tolerant.

Using PHstat the researcher can determine the sample size based on the calculation of 0.5 true proportion, 10% sampling error, and 95%

confidence level, then the sampling size will be 97, but this research collect 100 respondents for data analysis.

### Variable Operationalization

The researcher compose questionnaire by using Likert scale. According to Wiedmann et al., (2009), Likert type scale starting from 1 to 5, 1= strongly agree, 2= agree, 3= neutral, 4= disagree and 5= strongly disagree on their answers. The questionnaire consist of

screening questions, respondents profile, and statement that connected to the variable that are being analysed in this study, which are personal value perceptions, social value perceptions, and functional value perceptions.

## 4. RESULTS AND ANALYSIS

### Research Coefficient

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.637	.813		6.934	.000
Functional Value	.300	.023	.794	12.912	.000
Personal Value	.151	.024	.542	6.393	.000
Social Value	.163	.034	.439	4.839	.000

a. Dependent Variable: Purchase Intentions

### Coefficient of Determination Functional Value

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.794 <sup>a</sup>	.630	.626	1.457

a. Predictors: (Constant), X1

Source: SPSS Output

Table above, can be defined that Functional value perceptions has 63% significant relationship towards purchase intention and strength association “high positive”. The results supports findings Chattalas and Shukla (2015) , Shukla

and Purani (2012), who stated functional value perceptions play main roles in customers’ purchase intentions across both highly-developed, lead luxury markets. Therefore, H1 #1 is accepted.

### Coefficient of Determination Personal Value

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.542 <sup>a</sup>	.294	.287	2.011

a. Predictors: (Constant), Social Value

Source: SPSS Output

Table above indicates that Personal value perceptions has 29.4% significant relationship with the luxury purchase intention and strength association “moderate positive”.

According to Wieddman (2013), Rarascynanthia, Wang, Kennon (2015) purchase intention influenced

by personal value perceptions. However, based on Shukla and Purani (2012), individualistic country (UK) consider low personal value perceptions on the purchase intentions. Therefore, H1#2 is accepted.

### Coefficient of Determination Social Value Perceptions

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.439 <sup>a</sup>	.193	.185	2.151

a. Predictors: (Constant), Social Value

Source: SPSS Output

According to above, it demonstrates Social value perceptions has 19.3% relationship with purchase intention and strength association “Moderate positive”.

Based on Bian and Forsythe (2012) consider that there is high social

value perceptions for luxury purchase (US), but according to Shukla and Purani (2012), consider low social value dimension on the luxury purchase intention (UK). Therefore, H1#3 is accepted.

## Discussion

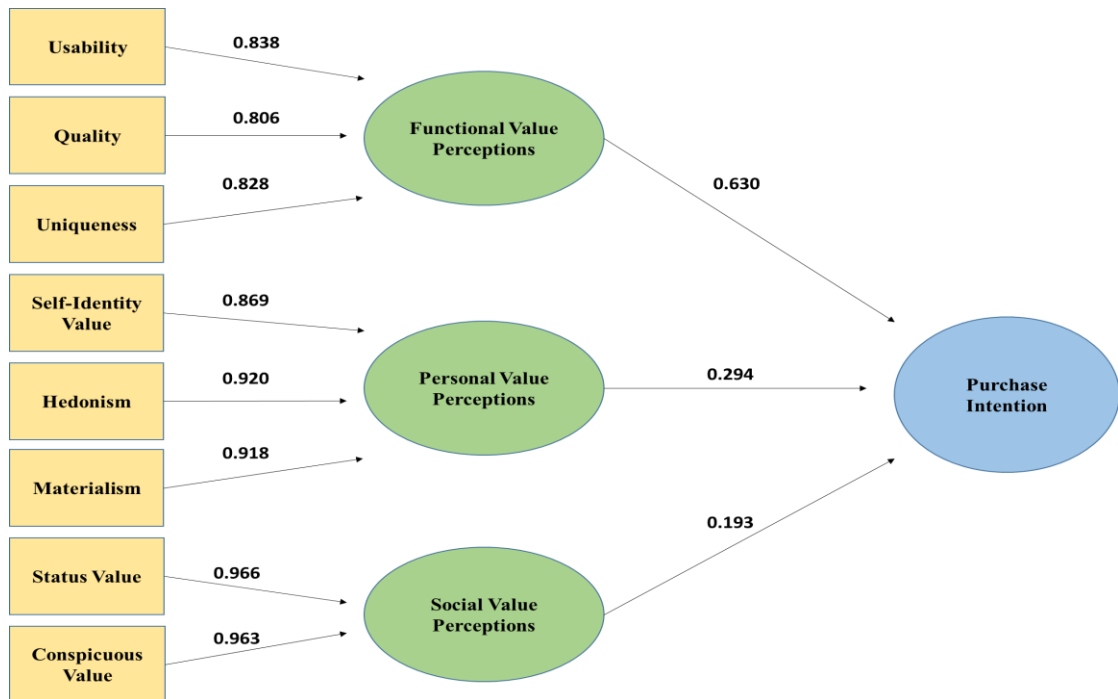


Figure 2: Diagram Result

Source: SPSS Output

### Functional Value Perceptions

There are three indicators for Functional value perceptions which are usability, quality, and uniqueness. Here's the details of each indicator's discussion:

First, usability in Standardized Regression Coefficient 0.838 and Squared Correlation R<sup>2</sup> of 70.2%. It can be seen that the Usability has more influence towards Functional Value Perceptions by 70.2% as it is in the level of a strong correlation.

According to the questionnaire, Y generations nowadays tend to purchase luxury fashion products influence by the usefulness of the products. It means the reason of purchasing luxury fashion products are a luxury fashion product provide more benefits, it can more last a long time (durability), and can performed as expected and as promised

Second, Quality in Standardized Regression Coefficient 0.806 and Squared Correlation R<sup>2</sup> of 65%. Based on the results of the

questionnaire, the reason Y generations purchase a luxury fashion product is a luxury fashion product have good or superior quality.

Lastly, Uniqueness in Standardized Regression Coefficient 0.828 and Squared Correlation R<sup>2</sup> of 68.6%. It can be seen that compare to the Quality, the Uniqueness has more influence towards Functional Value Perceptions by 68.6% as it is in the level of a strong correlation, even though the percentage slightly different with Quality.

It can be said that the reason Y generations purchase a luxury fashion product is because a luxury product have some uniqueness and rarity to fulfil customer's need to differentiate.

### **Personal Value Perceptions**

The reason of purchasing luxury fashion products is Y generations trust the level of people's assets indications the grade of success in life, but it is not necessarily significant.

The outcome of personal value perceptions is, the most significant indicator that influences personal

perceptions toward Personal Value Perceptions is hedonism. However, Personal Value Perceptions is not really significantly influence towards Purchase Intention like Functional Value Perceptions. It means, Y generations nowadays are enjoy to spending their money on luxury fashion products, but the frequency of purchasing luxury fashion products is very rarely.

This outcome support the previous research which is stated that an increasing number of customers are using luxury fashion products to derive self-directed hedonic experience and symbolic benefits to the self (Chattalas and Shukla, 2015).

### **Social Value Perceptions**

In this research, Social Value Perceptions not really significantly influencing purchase intention towards luxury fashion products. In terms of Status Value's indicator, nowadays Indonesian customers especially middle-class started to use luxury fashion products because their income increased. This is supported by the majority of monthly income in this research which is Rp 4.000.001- Rp 7.000.000, which can categorize

as middle-class income. The percentage of the social value perceptions towards purchase intention according to the monthly income in this research are Rp 4.000.001- Rp 7.000.000 with 27.2% (43 respondents), less than Rp 4.000.000 with 25.9% (28 respondents), Rp 7.000.001 – Rp 10.000.000 with 32.2% (17 respondents), and more than Rp 10.000.001 with 0.1% (12 respondents). Therefore, Y generations may think by using or purchase luxury fashion products not really increase their Status Value in the society because middle-class nowadays able to purchase luxury fashion products.

### **Purchase Intentions**

Overall, there is a sifting trend from several previous study. According to Shukla (2015), Indonesian costumers show significant impact of experiential or personal value on their luxury value perceptions. However, based on this result people nowadays tend to purchase luxury fashion products based on their functional value perceptions with 3

indicators, which are: Usability, Quality, and Uniqueness.

## **5. CONCLUSIONS AND SUGGESTION**

### **Managerial Implications**

As the result of this research, functional value perceptions is the most significantly influencing variable towards purchase intention. The firms who wants to expand and maintain their business in Indonesia and specifically want to more focusing on their target market which is Y generations should emphasize this variable in their promotional strategies. In this study, the most significantly influencing Functional Value Perceptions is Usability.

Firms emphasizing the indicators of Functional Value Perceptions which are: Usability, Quality, and Uniqueness. First, usability in figure above explained clearly by the words “TIME ON YOUR SIDE”, which explained about the function of the product itself.

Second, quality indicator can be related with the materials of the watch itself. The materials, such as: leather strap, machine of the watch



are represent superior quality because when the watch was put it in the snow storm the machine still works and the strap is just fine when meet the ice.

Third, uniqueness of this product is the design of the product. The design still looks elegant and classy even though maybe the owner want to use the watch to go skiing or do some outdoor activities.

So, if the marketers in luxury fashion industry still want to endorse an artist, the marketers should be careful when choosing the artist by adjust with the culture and lifestyle of the Y generation in Indonesia. It is, because the results of this research, Personal Value Perceptions and Social Value Perceptions does not signify the customers' purchase intention towards luxury fashion products. In terms of cost, if the marketers do the recommendation or the strategy, then the luxury fashion companies can reduce their marketing cost and can properly manage the company's cost.

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