

THE INFLUENCE OF LUXURY BRAND, BRAND AWARENESS, AND PRODUCT QUALITY ON CONSUMER WILLINGNESS TO PAY

Valencia Husaen¹⁾, Innocentius Bernarto^{2)*}

Universitas Pelita Harapan, Tangerang, Indonesia

¹⁾ e-mail: VH70048@student.uph.edu

²⁾ e-mail: bernarto227@gmail.com

*(Corresponding Author indicated by an asterisk *)*

ABSTRACT

The purpose of this study was to analyze the positive influence of Brand Luxury, Brand Awareness, and Product Quality on Consumer Willingness to Pay. This research was conducted using a survey method. The sampling technique used in this research is incidental sampling. Data was collected by means of a questionnaire. The number of respondents obtained is 400 respondents. The target population in this study were all iPhone smartphone users in Karawaci in 2020. The method of analysis used a partial least squares approach - structural equation modeling (PLS-SEM). The results showed that brand luxury, brand awareness, and product quality had a positive and significant effect on willingness to pay.

Keywords: Brand Luxury; Brand Awareness; Product Quality; Willingness to Pay

ABSTRAK

Tujuan dari penelitian ini adalah untuk menganalisis pengaruh positif *Brand Luxury*, *Brand Awareness*, dan *Product Quality* terhadap *Consumer Willingness to Pay*. Penelitian ini dilakukan dengan menggunakan metode survey. Teknik pengambilan sampel yang digunakan dalam penelitian ini adalah *incidental sampling*. Pengumpulan data dilakukan dengan kuesioner. Jumlah responden yang diperoleh sebesar 400 responden. Target populasi dalam penelitian ini adalah seluruh pengguna *smartphone* iPhone di Karawaci dalam kurun waktu tahun 2020. Metode analisis menggunakan pendekatan *partial least square - structural equation modeling* (PLS-SEM). Hasil penelitian menunjukkan bahwa *brand luxury*, *brand awareness*, dan *product quality* berpengaruh positif dan signifikan terhadap *willingness to pay*.

Kata Kunci: *Brand Luxury*; *Brand Awareness*; *Product Quality*; *Willingness to Pay*

INTRODUCTION

The development of the times encourages rapid technological advances, technology has become a necessity for humans. Such as cellphones and smartphones that are used to facilitate human activities (Sari, 2019). The iPhone is a smartphone from Apple that has been around since 2007 until now and is one of the giants in the telecommunications industry. Apple iPhone is the object used in this research

In choosing a smartphone, consumers will consider price, product quality, brand and other factors (Nurhayati, 2011). Brands that have good product quality will have a good brand reputation and are in demand by consumers (Putra, 2016). Based on the results of a survey of consumer interest in iPhone products, it shows that the Karawaci people have a high interest in iPhone products, but iPhone sales continue to experience a significant decline for three months, from May 2020 to July 2020.

Based on the background of the problems above, the factors that influence willingness to pay will be examined. The formulation of the problem of this research are: does luxury brand have a positive effect on willingness to pay; whether brand awareness has a positive effect on willingness to pay; whether product quality has a positive effect on willingness to pay. This study replicates the research of Agustina and Yulianti (2016) to find out whether the results of the research will be the same if they are applied to the community in Karawaci.

LITERATURE REVIEW

Brand Luxury

Phau and Prendergast (2011, in Efendi & Yulianti, 2015) argue that the luxury brand is a brand that evokes exclusivity, has a well-known name (brand name), has high brand awareness and has a perception of quality and good loyalty in the eyes of consumers. Quoted from Putri (2017), luxury brands can give the impression of being luxurious and rich for their users, so that consumers are willing to pay dearly to get products that they consider luxurious. Luxury products are considered capable of satisfying the psychological and functional needs of consumers, this psychological benefit is what distinguishes luxury products from non-luxury products or counterfeit goods (Vigneron & Johnson, 2004). Currently there is no scale that can measure the perception of "luxury" in a brand, or a definition that distinguishes between luxury brands and non-luxury brands (Vigneron & Johnson, 2004). Because what is considered 'luxury' by one group may be considered 'ordinary' by another group (Phau & Prendergast, 2000).

Brand Awareness

According to Surachman (2008, in Ghealita & Setyorini, 2015) brand awareness is the ability to recall potential buyers of a brand as part of a certain product brand category. So that customers who have awareness of a brand will have the ability to describe the elements of the brand automatically without having to be helped (Cahyani & Sutrasawati, 2016). Brand awareness can be defined as the strength of a brand to be remembered and identified by consumers under various conditions.

Product Quality

According to Crosby (1979, in Nurhayati, 2011) product quality is a product that is in accordance with the quality and standards specified. So that a product will be considered quality if the product is in accordance with company standards and quality. Product quality is a measure of the success of a company in maintaining consumer interest in its products that

affect the reputation of a brand, so that the brand is considered as one of the determining factors for consumers in making decisions, because brands can provide assurance, hope, and confidence to customers that their needs will be satisfied (Putra, 2016).

Willingness to Pay

Willingness to pay or someone's willingness to pay for a good or service is usually called economic value, which is the maximum amount someone is willing to sacrifice in order to obtain a good or service (Harahap & Hartono, 2007, in Khoiriyah & Toro, 2014). Generally, someone will feel reluctant to pay (WTP decreases) if a product or service has an increase in price, this is related to the law of demand (Aryal, Chaudhary, Pandit, & Sharma, 2009, in Khoiriyah & Toro, 2014). According to Rofiatin and Bariska (2018), willingness to pay aims to identify and measure consumer purchasing power according to consumer perceptions. Willingness to pay is a consumer's subjective measure of how much the value of a good or service is in the eyes of the consumer, so that the consumer's willingness to pay varies, it can be more than the market price, the same as the market price or lower than the market price (Mankiw, Gans, & King, 2001, in Nasution, 2016).

The relationship between brand luxury and consumer willingness to pay

The luxury brand is a very good brand, where consumers feel confident and have a good quality perception of luxury brands. Apart from having good quality and reputation, luxury brands can also give users a sense of confidence. The definition of luxury brand is relative, because there are consumers who buy a product based on their perception that the brand seems luxury or the perception that products labeled luxury brand have better quality than non-luxury brands (Putra, 2016). Consumers make purchases to get utility from the products or services they buy. Through the reputation of the luxury brand, consumers feel convinced that their utility will be fulfilled so that consumers will be willing to pay. Based on research by Alfitrada (2017), Putra (2016), and Wijayanti et al. (2019), brand luxury is proven to have a positive influence on consumer willingness to pay. So it can be said that consumers are willing to pay more to get luxury goods

H₁: Brand luxury has a positive effect on consumer willingness to pay

The relationship between brand awareness and consumer willingness to pay

Consumers' perceptions of a brand are often a consideration in making purchases (Putra, 2016). Consumer awareness of a particular product or service category brand indicates that the brand is well known and remembered by consumers. The consumer's memory of a brand is usually accompanied by a memory of the brand's image, which then affects the willingness of consumers to buy products from brands they recognize. Based on research by Alfitrada (2017) and Wijayanti et al. (2019) brand awareness is proven to have a positive and significant effect on willingness to pay. So it can be said that consumers tend to buy products with well-known or well-known brands, because a brand name can represent the reputation and quality of the product.

H₂: Brand awareness has a positive effect on consumer willingness to pay

The relationship between product quality and consumer willingness to pay

Product quality is one of the factors measuring the extent to which a company tries to provide satisfaction to consumers through its products. Product quality has a direct effect on brand reputation. Brand can reflect the quality of the product, so that the brand becomes a

consideration for consumers in making purchases. Consumers are willing to pay (WTP) for a particular brand of product or service because of the quality offered in the hope that the product can provide satisfaction (Rofiatin & Bariska, 2018). Most consumers choose smartphones based on the features (quality) offered, if a smartphone brand has features that consumers need, consumers will be willing to pay more (Putra, 2016). Based on the research of Aufanada, Ekowati, and Prastiwi (2017), product quality is proven to have a positive and significant effect on consumer willingness to pay. Putra's (2016) research also proves that product quality has a positive effect on willingness to pay. So it can be concluded that consumers tend to choose to buy quality products and are willing to pay more to get products with good quality.

H₃: Product quality has a positive effect on consumer willingness to pay

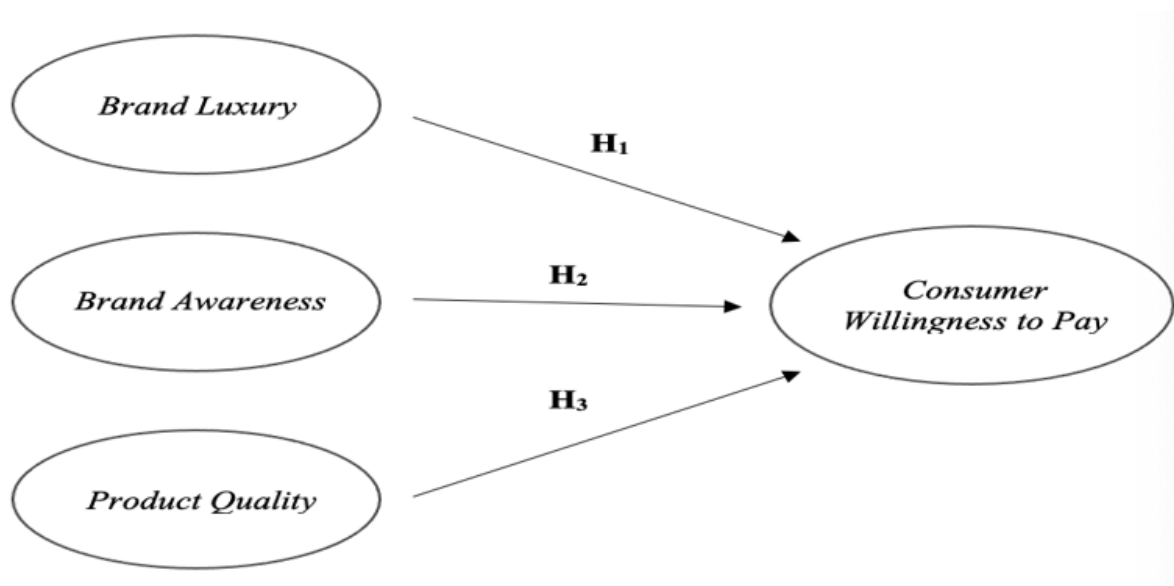


Figure 1. Research Model
Source: Agustina and Yulianti (2016)

RESEARCH METHODS

The data in this study were collected through primary data using questionnaires and secondary data through books, journals and literature studies. The target population of this study is all iPhone smartphone users in the Karawaci area by 2020. Sampling in this study was conducted using the Cochran formula because the number of the population is unknown. (Sugiyono, 2019). Namely $n = \frac{z^2 pq}{e^2}$ where confidence level (z) is 95% or 1.96, margin of error (E) is 5%, the probability of being right (p) is 50% and the probability of being wrong (q) by 50%. So that the results obtained are 385 respondents rounded up to 400 respondents.

Each indicator of the variable is measured using a 5-point Likert scale. Luxury brand construct items are adapted from Putra (2016); Vigneron and Johnson (2004); scale development. Brand awareness construct items were adapted from Sasmita and Suki (2015); scale development. Product quality construct items were adapted from Nurhayati (2011); Putra (2016). Willingness to pay construct items were adapted from Anselmsson, Bondesson, and

Johansson (2014); Putra (2016); scale development. This study uses the analysis method Partial Least Square-Structural Equation Modeling or PLS-SEM using the SmartPLS 3.0 program.

Outer Model

In this study, validity and reliability were tested as pretesting and then tested the outer model and inner model. Validity and reliability testing is done by calculating the value of composite reliability, average variance extracted (AVE), discriminant validity, and outer loadings. Where the composite reliability value must be >0.7 , the AVE value must be >0.5 , the discriminant validity value must be >0.7 and the latent variable value must be higher than other variables, then the outer loadings value must be >0.7 or the value <0.7 can be accepted if the AVE is >0.5 (Ghozali & Latan, 2015).

Table 1 shows that all construct items are valid and reliable, although there are still some items that have a value below 0.7 but can be considered valid because the AVE value has exceeded 0.5 (Ghozali & Latan, 2015).

Table 1. Evaluation of the Measurement Model

Construct items	Outer Loading
Brand Awareness/BA (CR=0.774, AVE=0.535)	
BA2 Several characteristics of the iPhone flashed through my mind quickly	0.676
BA5 I know all types of iPhones	0.727
BA8 I can remember iPhone features quickly	0.787
Brand Luxury/BL (CR=0.770, AVE=0.529)	
BL3 iPhone can improve social status	0.760
BL7 iPhone symbolizes wealth	0.670
BL8 iPhone has a unique design	0.748
Product Quality/PQ (CR=0.734, AVE=0.580)	
PQ4 iPhone has a variety of attractive colors	0.722
PQ7 iPhone has speakers with clear sound	0.800
Willingness to Pay/WTP (CR=0.810, AVE=0.516)	
WTP1 I am willing to pay more to get an iPhone	0.734
WTP2 I am willing to pay more for iPhone products than smartphone products from other brands	0.738
WTP3 I still choose to buy iPhone products even though other smartphone products are cheaper than the iPhone	0.692
WTP4 I am willing to buy an iPhone at twice the price compared to other smartphones	0.707

Information: CR= composite reliability; AVE= average variance extracted; *=significant (one-tailed test, $p<0.05$).

Source: Primary data processing results using SmartPLS 3.0 (2020)

Table 2 shows the results of the calculation of discriminant validity, in which all research variables can be said to be valid because they have a value of >0.7 and the value of the latent variable is higher than other variables (Ghozali & Latan, 2015).

Table 2 Discriminant Validity Test Results

Variable	Brand Awareness	Brand Luxury	Product Quality	Willingness to Pay
Brand Awareness	0,731			
Brand Luxury	0,254	0,727		
Product Quality	0,212	0,309	0,762	
Willingness to Pay	0,371	0,289	0,352	0,718

Source: Primary data processing results using SmartPLS 3.0 (2020)

Inner Model

In testing the inner model will measure collinearity statistics (VIF), coefficient of determination (R-square value), and size and significance of path coefficient (hypothesis test results). According to Ghozali and Latan (2015), VIF testing is carried out with the aim of knowing the absolute formative construct, if the VIF value is <5 then the variable is considered to have no multicollinearity. Table 3 shows the results that all independent variables have a value below 5 so it can be concluded that there is no multicollinearity in all independent variables in this study.

Table 3. Evaluasi Collinearity

As a Willingness to Pay Predictor	
Construct	VIF
Brand Awareness	1,092
Brand Luxury	1,153
Product Quality	1,129

Source: Primary data processing results using SmartPLS 3.0 (2020)

Inner model test aims to see the R-square value, in testing the inner model the R-square value on the dependent variable can be used as a prediction, the value of 0.75 can be considered strong, the value of 0.50 is considered moderate, and a value of 0.25 is considered weak (Ghozali and Latan, 2015). Based on the results of table 4, it shows that the R-square value of willingness to pay is 23.3%, meaning that consumer willingness to pay can be explained by the variables of brand luxury, brand awareness, and product quality by 23.3%, then the rest is explained by other variables. which was not in this study. A value of 23.3% indicates that the relationship between the independent variables has a weak relationship with the dependent variable.

Table 4. Coefficient of Determination

Variable	R-Square
Willingness to Pay	0,233

Source: Primary data processing results using SmartPLS 3.0 (2020)

The research hypothesis was re-tested using bootstrapping through SmartPLS using a number of bootstrap sample of 5000 and a significance value of 5% (one-tailed test). The path coefficient test was carried out using the P-value to determine the significance value. In this test, a significance value of 5% is used, so that the hypothesis can be said to be significant if the value of the P-value is <0.05. Based on the results of table 4:14 it can be seen that all hypotheses have been accepted and can be said to be significant.

Table 5. Size and Significance of Path Coefficient

Hypothesis		Standardized Path Coefficient	P-value	Decision
H ₁	Brand Luxury has a positive effect on Consumer Willingness to Pay	0,141	0,000*	Supported
H ₂	Brand Awareness has a positive effect on Consumer Willingness to Pay	0,282	0,011*	Supported
H ₃	Product Quality has a positive effect on Consumer Willingness to pay	0,249	0,000*	Supported

Source: Primary data processing results using SmartPLS 3.0 (2020)

RESEARCH RESULTS AND DISCUSSION

The results of the first hypothesis test, namely the luxury brand variable has a positive and significant effect on the willingness to pay variable. These results are the same as previous research conducted by Alfitrada (2017), Putra (2016), and Wijayanti et al. (2019). The result of the second hypothesis test is that the brand awareness variable has a positive and significant effect on the willingness to pay variable. These results are the same as previous research conducted by Alfitrada (2017) and Wijayanti et al. (2019). The results of the third hypothesis test, namely the product quality variable has a positive and significant effect on the willingness to pay variable. This result is the same as previous research conducted by Aufanada, Ekowati, and Prastiwi (2017); Putra (2016).

CONCLUSION

The results of this study indicate that brand luxury has a positive and significant effect on consumer willingness to pay, brand awareness has a positive and significant effect on consumer willingness to pay, product quality has a positive and significant effect on consumer willingness to pay.

LIMITATIONS AND SUGGESTIONS FOR NEXT RESEARCH

In this study, there are many limitations and deficiencies in both writing and data collection, which are expected to become learning materials and suggestions for further research in order to make improvements from the deficiencies in this study. The limitations and drawbacks of this study are that this research is only conducted on iPhone consumers in the Karawaci area, so the coverage of respondents is smaller. Further research should be carried out in a wider area such as the Tangerang area or the entire JABODETABEK area in order to reach a wider and more diverse range of respondents.

This study also did not include respondent characteristics such as occupation and education level, so that the respondent profile data was incomplete. It is hoped that further research can include occupation and level of education in the research questionnaire in order to obtain complete data. This research is also limited to the variables in this study so that we cannot find out other factors that also affect the variables in this study. So that in further research it is recommended to use or add other variables such as brand image, brand loyalty, or other variables related to this research variable.

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