

**THE INFLUENCE OF PRICE  
CONSCIOUSNESS, PRICE-QUALITY  
INFERENCE, AND PRODUCT INVOLVEMENT  
ON WILLINGNESS-TO-PAY**

( A Case of Premium Batik of Batik Sri Asih Semarang )



**BACHELOR THESIS**

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2018**

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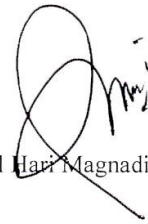
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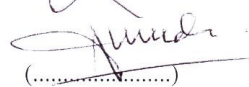
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## **ABSTRACT**

*Batik is a technique of wax-resist dyeing applied to whole cloth originated from Indonesia. In order to reach the upper-middle segment, there have been some producers that produce batik as a premium product. Batik Sri Asih Semarang is one of batik producers produces batik as a premium product. Batik Sri Asih Semarang needs to analyze the price perceptions and consumer behavior related to their products and pricing strategy in order to keep the loyal customers and also to find new consumers.*

*This study aims to analyze the influence of factors of willingness-to-pay for premium batik of Batik Sri Asih Semarang. Price consciousness, and product involvement as independent variables and willingness-to-pay as dependent variable. This research uses price-quality inference as intervening variable. Sample of this research is the consumers of Batik Sri Asih Semarang who had purchased and also have been using the premium batik of Batik Sri Asih Semarang. The sampling method in this research is purposive sampling. The analysis technique used is Structural Equation Modeling – AMOS.*

*The results of this study show price consciousness has a negative effect on willingness-to-pay, product involvement has a positive effect on price-quality inference, product involvement and price-quality inference have positive effect on willingness-to-pay, and price-consciousness has no significant effect on price-quality inference.*

*Keywords: Price consciousness, product involvement, price-quality inference, willingness-to-pay.*

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## CHAPTER I

### INTRODUCTION

#### 1.1 Research Background

Batik is a technique of wax-resist dyeing applied to whole cloth, or cloth made using this technique, originated from Indonesia (specially from Java island). Batik is made either by drawing dots and lines of the resist with a spouted tool called a “canting” or by printing the resist with a copper stamp called a cap. The applied wax resists dyes and therefore allows the artisan to colour selectively by soaking the cloth in one colour, removing the wax with boiling water, and repeating if multiple colours are desired.

In the beginning, batik clothing was often worn on formal occasions only to replace the suit, and many people consider batik as a clothing for a local community's ceremony only, such as wedding ceremony. But now, batik has been developing into textile products with various patterns and models, moreover, batik has now become a national dress, and even become the official dress of Indonesia. Batik clothing is already used as official school uniform and civil servants. Batik has transformed into everyday clothes that can be used by all circles, it can be seen when there have been many clothes or t-shirts that used daily are using the batik motifs, that's why batik has become a trend related to fashion industries in Indonesia now.

In order to deliver batik to all market segments, specially for upper-middle segment, and also to deliver batik to the wider market (outside Indonesia), there have been some batik producers that focused on producing batik as a premium

product. To produce that premium batik, they use traditional techniques in elegant colored wax cloth dyes and different with other products, every fabric is made by skilled and experienced batik artisans, and a design is not used for mass products. Nationally, there have been some famous premium batik producers such as Batik Keris, Batik Kencana Ungu, and Batik Danar Hadi, and those three are the top 3 of Top Brand Index 2017 for batik product. But it does not mean that those three are the only producers that produce batik as a premium product. Batik Sri Asih Semarang, is also a producer of premium batik. Batik Sri Asih Semarang is only segmenting their market for consumers from upper-middle financial's background.

In order to easily reach the upper-middle segment consumers, Batik Sri Asih Semarang market their products in starred hotels, i.e. Hotel Ciputra Semarang (five-star hotel) and Quest Hotel Semarang (three-star Hotel). Even so, Batik Sri Asih Semarang also opens a store inside UMKM Center, in order to introduce Semarang's batik to the domestic or foreign visitors. Semarang is a city that has its own peculiarities in creating a batik motif that reflects the identity of the Semarang city. Original Batik from Semarang city is often known as Batik Semarang or Batik Semarangan. Semarang batik growth is increasing after UNESCO stated that batik is the original heritage of Indonesian culture.

**Table 1.1**  
**Data on Growth and Sales of SMEs of Semarang Batik**

<b>Year</b>	<b>Number of UMKM</b>	<b>Averaged Turnover</b>
<b>2011</b>	<b>15</b>	Rp. 1.222.700.000
<b>2012</b>	<b>16</b>	Rp. 418.000.000
<b>2013</b>	<b>4</b>	Rp. 16.000.000
<b>2014</b>	<b>12</b>	Rp. 2.115.000.000

Source: Department of SMEs Semarang City, 2014

Based on the data above, it can be seen that the number of SMEs of Semarang batik always increased every year, although there was a decline in 2013, but in 2014 UMKM batik began to rise again with sales turnover which is relatively high. Seeing the above phenomenon, can be said that Semarang Batik already began to get attention from consumers. Batik entrepreneurs only need to know what is needed and wanted by the consumers. They can innovate its products to get more attention from consumer. And also, with these efforts, Indonesian consumers are expected to love Indonesian products more.

Batik Sri Asih Semarang decided to become a producer of premium batik by producing high quality batik that can be seen by its high quality fabrics, one design is for very limited amount of products, skillful artisans, different and unique design (i.e. Hijjaiyah motif which is originally introduced by Batik Sri Asih) that combined as an elegant fashion, and in the end, it's impacting the price. Price carries cues that influence consumers' perceptions and agendas; price helps consumers frame decisions; and price may be more than just time and money (Hauser, 2014). Below is the price list of Batik Sri Asih Semarang:

**Table 1.2**  
**Price List Of Batik Sri Asih Semarang**  
**Data as per end of December 2017**

	Cheapest Price (IDR)	Most Expensive Price (IDR)
Men's clothing	350,000	950,000
Women's clothing	250,000	2,000,000
Fabric (2.5 m x 1.15 m)	450,000	2,000,000

Source: Batik Sri Asih Semarang, 2017

The best way to position a product as a premium brand is with a high price. Price sends a psychological message related to value: things that cost more are assumed to be of higher value. Things that cost less are assumed to be of lower value (Ries, 2016). According to Aaker (1996) in Anselmsson, Vestman Bondesson, & Johansson (2014), price premium may be the best indicator available to measure the brand equity. Price is an important part in consumer's purchase decision, price is one of marketing mix (4P: price, place, product, promotion). But before knowing the attributes of a product (e.g. price), we can easily say that a product is a premium product, in this case a batik's brand is a premium batik producer, by the label "premium" or "premium batik" used by the producers when they are launching their products, or when they are promoting their products through indoor or outdoor advertisings.

Aaker (1996) defines price premium as the total price that consumers are willing to pay for a brand or a product, in comparison to other brands that produce the similar products. A brand includes a price premium when the total price that consumers are willing to pay is higher than the total price they are willing to pay

for any similar products from other brands (Aaker, 1996). Campbell, DiPietro, & Remar (2014) in their research about customer willingness-to-pay stated that willingness-to-pay has been discussed in several contexts, but is often concluded as a consumer's willingness-to-choose or purchase a product compared to the price, or, as a hypothetical value or price interval (such as a percentage) given to the product (e.g. 'I would be willing to pay 15%, 20%, or 45% more for a certain product'). Willingness-to-pay (WTP) becomes a main factor that should be analyzed related to premium batik, specially when batik has now become a trend related to fashion industries, and also willingness-to-pay is very related to analyze whether the prices setted by the producers are accepted or not, by the consumers.

When deciding the best product, it is normal that consumers rely heavily on the price as an indicator that help the consumers in making a purchase decision. Price-quality inference has been repeatedly studied in consumer behavior literature (Rao & Monroe, 1989), and can generally be stated that the higher the price/cost of a product or service, the higher the quality will be perceived by the consumers. When consumer believes that a higher price significantly means higher quality, then a higher price is obtained in that product which perceived has a higher quality, no surprise that the consumer's WTP increased (Lichtenstein, Bloch, & Black, 1988). When the consumers, in the context of premium batik of Batik Sri Asih Semarang, believe that higher price means better quality, then Batik Sri Asih Semarang has successfully deliver the premium label to the consumers. Moreover, it is also very important to find out whether the consumer find that the price is suitable to the quality or not.

Product involvement reflects the perceived connection of the product category to the individual continuously (Quester & Lin Lim, 2003). Product involvement is important in purchase decision making, consumers will think harder in making a decision in a high involvement situation. Consumers want to find products that are match to their personal goals, in other words, they want to reduce their level of regret after buying a product, that's why they involve more for certain kind of product. Involvement with a product is concerning and contributing to the product (Joel B. Cohen, 1983). And in this case, the involvement of consumer will be analyzed in relation to batik product. Batik has so many motifs and designs, in short, there are so much kinds of batik. Specially for premium products, it is very possible for consumer to involve more because they will pay more. They also want to find out whether the price is appropriate to the quality or not, so that it can be seen, specially for premium products, whether they are willing to pay or not.

Consumers may delay or give up a purchase based on high prices that is set by the company, in this case, Batik Sri Asih Semarang, in this condition, high price does not act as a positive role in purchase decision, but as a negative role in purchase decision. According to Donald R. Lichtenstein (1993), there are five negative price cues: sale proneness, price mavenism, value consciousness, price consciousness and coupon proneness. Donald R. Lichtenstein (1993) define price consciousness as the degree to which the consumer focuses strictly on paying low prices. For price conscious consumers, low price is more important than non-price conscious consumers in purchasing of the chosen product (Kukar-

Kinney, Ridgway, & Monroe, 2012). Sternquist, Byun, & Jin (2004) stated that when consumers think of price as something they have to sacrifice in purchasing, they tend to be price conscious and will visit more than one store to find the cheapest price. In order to analyze how the consumer of premium batik reacts to the price that is offered by the producers, it is important to test whether the consumers are price conscious shoppers or not. Price conscious shoppers have tendency to not willing to pay higher price of product, then they show a negative response to the pricing strategy setted by the producer, in this case, Batik Sri Asih Semarang.

**Table 1.3**  
**Sales Data of Batik Sri Asih Year 2013-2017**

	2013	2014	2015	2016	2017
Ready-to-wear Clothes	940	975	980	880	740
Fabric (2.5 m x 1.15 m)	840	965	985	770	660

Source: Batik Sri Asih Semarang, 2017

The table above shows that the sales of Batik Sri Asih Semarang is decreasing since year 2016 to 2017. It obviously becomes a threat for Batik Sri Asih Semarang, moreover, the competition in fashion industries is getting heavier each year, specially for batik product.

Therefore, based on the background and problem that have been explained above, then this research will focus on variable price consciousness, product involvement, price-quality inference, and willingness-to-pay. Then finally, in

order to explain any variables influence the consumer's willingness to pay , a research is done entitled: **"The Influence of Price consciousness, Product Involvement, and Price-Quality Inference, on Willingness-to-Pay (A case of Premium Batik of Batik Sri Asih Semarang) "**.

## **1.2 Research Problems**

In 2016, the number of ready-to-wear batik sold was 880 units from 980 units in 2015, and the number of fabrics sold in 2016 was 770 units, in 2015 the number of fabrics sold is 985 units. So, there was a significant decline. And this number continues to decline until 2017, 740 units for ready-to-wear clothes, and 660 units for fabrics.

To summarize, the research problem was the decreasing of the number of sales of Batik Sri Asih Semarang. Therefore, to demonstrate how price consciousness, price-quality inference, and product involvement affecting the consumer's willingness to pay, belows are the research questions:

1. What is the influence of price-quality inference to willingness-to-pay?
2. What is the influence of price consciousness to willingness-to-pay?
3. What is the influence of price consciousness to price-quality inference?
4. What is the influence of product involvement to willingness-to-pay?
5. What is the influence of product involvement to price-quality inference?



### **1.3 Research Purpose and Research Advantages**

The purpose of this research is to demonstrate how price consciousness, product involvement, and price-quality inference affecting consumer's willingness to pay for premium batik of Batik Sri Asih Semarang, in order to find what factors influencing the willingness-to-pay in the context of price perceptions and consumer behavior, so that the strategy to increase the sales can be found, and to study over again about the previous relevant researchs.

The advantages of this research are as follow:

1. To Batik Sri Asih Semarang and other Premium Batik Producers

The results of this study are expected to be considered by company to develop its marketing strategy in order to increase the sales of their products by analyzing the consumer behaviour to the current strategy made by the batik Sri Asih Semarang and any batik retailers.

2. To Future Researcher

The results of this study are expected to provide insight and adding to the future researcher's knowledge. And also as a reference for researchers to make any similar researchs related to price perceptions and consumer behavior and willingness-to-pay.

3. To Reader

The results of this research are expected to add knowledge for the general public, specially for students, and this research can also be used as reference in studying about consumer behaviour related to willingness to pay, specially for premium batik products.

## **1.4 Structure of Writing**

The structure of this thesis is divided into 5 chapters as follows:

### **CHAPTER I: INTRODUCTION**

Chapter I consists of background, problem statement, purposes, usefulness, and structure of thesis. The functions of this research will be explained in the section “purposes and usefulness of the research”. Finally, in the “structure of thesis” section, each of chapter will be described in brief.

### **CHAPTER II: LITERATURE REVIEW**

Chapter II contains descriptions of theories that can be used as theoretical framework or the basis of research and hypotheses.

### **CHAPTER III: RESEARCH METHOD**

Chapter III This chapter explains the variables used in this study, the population and the sample studied, the types and sources of the data used, data collection methods and analytical methods.

### **CHAPTER IV: RESULTS AND DISCUSSIONS**

Chapter IV contains the object / subject of research, data analysis, and discussion of data analysis

### **CHAPTER V: CONCLUSIONS AND IMPLICATION**

Chapter V concludes and resolves the conclusions of the research, limitations during the research process and give remarkable suggestions for the next researchers.