

## CHAPTER II

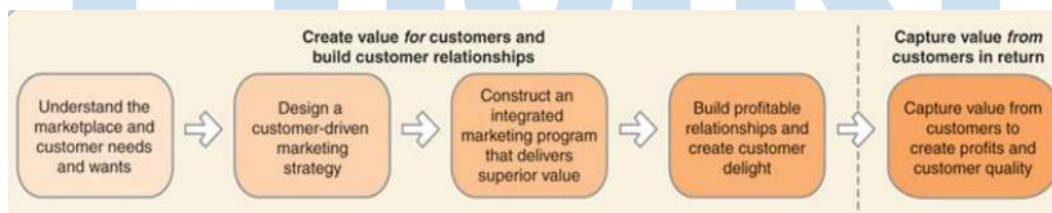
### THEORITICAL FRAMEWORK

#### 2.1 Theory Review

##### 2.1.1 Marketing

Marketing is a performance of activities to achieve goals in an organization by anticipating the needs of customers or clients and directing the flow of satisfaction with goods or services from producers to consumers (Perrault et al., 2010). The marketing applies to both for-profit and non-profit organizations. Profit is a goal for most business firms, but other organizations can seek more members or accept an idea. Consumers can be individuals, business companies, profit organizations, government agencies, or even foreign countries (Perreault et al., 2011).

In addition, there is a definition from Kotler & Keller (2016) that Marketing is a process by which companies create value for customers and build strong customer relationships to capture value from customers in return. Marketing has a 5 step model in the process; the first step is companies must know the market and the needs of their consumers. The second step is to design a marketing strategy based on customer value. The third is to build a marketing program that can generate excellence. The fourth is to build profitable relationships and satisfy customers to get a good value to create a profit and customer equity in the long term (Kotler & Keller, 2016).



Source: Kotler et al., 2016

Figure 2. 1 Step by Step Marketing Process

##### 2.1.2 Consumer Behavior

According to Solomon (2001), consumer behaviour is an understanding of activities that will occur when a group or person buys, uses, chooses, or disposes of a product or service to fulfil their wants and needs. Meanwhile, according to Blackwell et al. (2006), consumer behaviour is an activity that involves and can influence people who get, consume, order, or use a product or service.

According to Setiawan & Achyar (2013), consumer behaviour refers to the way people make choices about a product or service using available resources such as time, money, and effort. According to him, there are four views regarding the decision-making process and consumer behaviour, namely:

1. Economic View

Consumers face competition, and they are always faced with making rational decisions about products and services.

2. Passive View

The passive view is the exact opposite of the economic view. The passive view shows that consumers are irrational and impulsive because consumers are influenced by marketing.

3. Emotional View

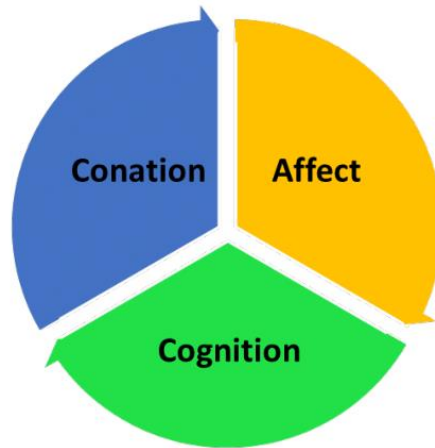
The emotional view is related to the perception of consumer decision making based on their emotions and feelings towards a product and service.

4. Cognitive View

Consumer behaviour in the cognitive view is based on seeking information about a product or service that can meet their needs.

### **2.1.3 Tri Component Attitude**

According to Schiffman & Wisenblit (2015), tri-component attitude is a model that explains how attitudes affect behaviour. There are three component models as follows:



**Source: Schiffman dan Winsbeld (2015)**

**Figure 2. 2 Tri Component Attitude Model**

a. Cognition Component

In the Cognitive Component, there are three essential factors in the formation, namely in the form of knowledge, perceptions, and beliefs about an object with their direct experience of an object and information related to the thing.

b. Affective Component

Affective Component relates to the feelings//emotions that exist in the person, likes/dislikes, which will affect a person's attitude in acting on an object.

c. Conative Component

The conative component is the final component of this model. This component focuses on a person's desire to do something specific and can regulate attitudes towards an object. After the person feels cognitive and affective, it will usually be decided whether or not to do something specific about the object.

#### 2.1.4 Internet Network

According to Oetomo (2006), the internet is an acronym or short for an international network, which is defined as a vast computer network. The computer network consists of several small networks that are connected to each other. It was further explained that this vast computer network could cover the entire world network.

Jeklin (2016) explains that the internet is a collection of computer networks that are physically connected and also have the ability to read and describe specific communication protocols that we often know as Internet Protocol (IP) and Transmission Control Protocol (TCP). The protocol itself, further defined by Alan as a simple specification of how two or more computers can exchange information.

### **2.1.5 Brand Image**

Brand image is a representation of the overall perception of the brand. Brand image is related to attitudes in the form of beliefs and preferences towards a brand. According to Keller (1993), brand image is defined as a consumer's perception of a brand reflected in the brand associations in the minds of consumers. Thus, the brand image does not come from technology, features, or the product itself, but from promotional activities, advertisements, or consumers.

Wang & Tsai (2014) stated that consumers are more likely to buy products with well-known brands that have a positive brand image because brands with a more positive image reduce the risk perceived by consumers and increase the value perceived by consumers. Rahman (2012) revealed that brand image is part of the customer's response to the brand name or impression and represents a symbol of the quality of a product. Brand names and signs indicate that assets and liabilities can increase or decrease the company's value that produces products or services for customers.

In this study, the definition of the brand image refers to the perception of a brand reflected in the brand association in the minds of consumers. This definition refers to the theory of Keller (1993).

### **2.1.6 Perceived Price**

Price is an element that often influences consumer decisions to buy a product. According to Chen & Dubinsky (2003), perceived price is the consumer's perception of the relative price or sacrifice that must be incurred to get a product compared to the price or sacrifice of other similar products.

Perceive price is often the target of investigation in a study, compared to objective price. This is because consumers usually do not evaluate the exact price when they want to purchase it. Still, they perceive the product's price as a cheap, reasonable, or expensive price based on their reference price (Zeithaml, 1984).

Another theory reveals that perceived price can be defined as a picture of consumers' subjective perceptions of the actual price of a product (Chang & Wildt, 1994).

In this study, the definition of perceived price refers to the consumer's perception of the comparison between the actual price listed and the benefits obtained by consumers (Chen & Dubinsky, 2003).

### **2.1.7 Trust**

Building Trust is essential because trust is the key to a brand's long-term survival. Morgan & Hunt (1994) suggest that trust is a critical variable in developing a long-lasting desire to maintain long-term relationships. Trust will build consumer perceptions, whether the brand has integrity, competence and benevolence and others that will affect attitudes and behaviour.

Trust is a company's willingness to depend on business partners. Trust depends on several interpersonal and inter-organizational factors such as competence, integrity, honesty and kindness. Building trust can be difficult in online situations; companies impose stricter rules on their online business partners than other partners. Business buyers worry that they will not get the right quality product or service delivered to the right place at the right time, and vice versa (Kotler, 2012).

According to Mowen (2000), consumer beliefs are all knowledge consumers possess and all conclusions about objects, attributes, and benefits. Objects can be

products, people, companies, and everything about which a person has beliefs and attitudes. Attributes are characteristics or features that objects may or may not have. Two broad attribute classes have been previously identified among them. Intrinsic attributes are everything related to the actual nature of the product. In comparison, extrinsic attributes are everything obtained from the external aspects of the development, such as brand names, packaging and labels. Benefits (benefits) are the positive results of attributes given to consumers.

In this study, trust is one of the most important aspects of establishing long-term relationships with consumers, as Morgan & Hunt (1994) stated.

### **2.1.8 Value**

Value implies the relationship between customers, consumers, and products (Payne & Holt, 2001). Chang & Wildt (1994) argue that value has been associated with constructing the concept with purchase intention. It was decided that the higher the perceived value of the product, the higher the purchase rate of the product.

A study from Zeithaml (1988) states that value is identified as a consumer's overall assessment of the utility of a product or service based on the perception received and what is given. Previous studies have shown that value is an important part of influencing user behaviour in various contexts. According to Yu et al. (2014), value is essential in understanding user behaviour such as shopping behaviour or service adoption.

In this study, the definition of value refers to Zeithaml (1988), where he states that value is a complete consumer assessment of the utility of a product or service.

### **2.1.9 Purchase Intention**

Purchase intention is a combination of interest and the possibility of consumers buying a product (Kim & Ko, 2012). Purchase intention is defined as the possibility of consumers to buy in the future, with the consumer's intention to carry out certain activities related to consumption in the future; many studies use purchase intention as an estimate to determine the benefits that will be obtained in the future (Kim & Ko, 2010). Purchase intention is a probability of consumer buying certain product in the

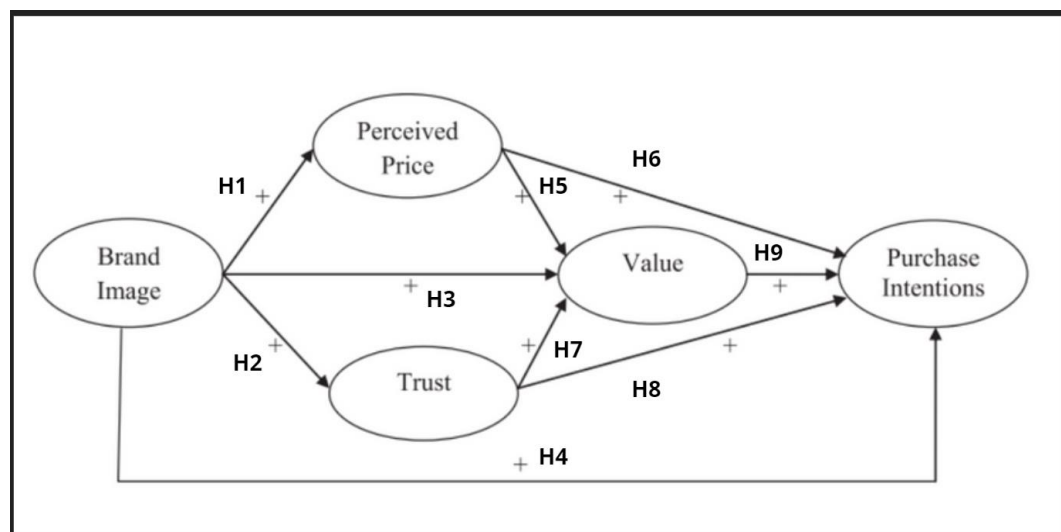
future. Purchase intention refers to the extent of consumer buying a certain product regularly and refusing to switch to another product (Rizkalla & Suzanawaty, 2012).

Purchase intention is a desire to purchase a specific product or brand that has been selected after conducting several evaluations; consumer purchase intention is a decision-making process carried out by consumers related to offers from the market in the form of purchases from sellers (Dharamdasani & Sharma, 2017).

In this study, the definition of purchase intention refers to the desire to purchase a particular product or brand that has been selected after conducting several evaluations. This definition refers to the theory of (Dharamdasani & Sharma, 2017).

## 2.2 Research Model

Based on the hypotheses that have been described, the researcher provides a framework that represents the entire hypothesis. Figure 2.3 is the research model used referring to the journal Lien et al. (2015). In this research model, it can be explained that there are several variables, such as Brand Image, Perceived Price, Trust, Value, and Purchase Intention on the Biznet brand.



Source: Lien et al. (2015)

Figure 2. 3 Research Model

## 2.3 Research Hypothesis

### **2.3.1 The Effect between Brand Image and Perceived Price**

According to Keller (1993), brand image is defined as a consumer's perception of a brand reflected in the brand associations in the minds of consumers. Thus, the brand image does not come from technology, features, or the product itself, but from promotional activities, advertisements, or consumers. According to Chen & Dubinsky (2003), perceived price is the consumer's perception of the relative price or sacrifice that must be incurred to get a product compared to the price or sacrifice of other similar products.

The assessment of the price of a product that is said to be expensive, cheap or ordinary from each individual does not have to be the same because it depends on individual perceptions motivated by the environment and personal conditions. The research results conducted by Lien et al. (2015) show that brand image has a positive effect on the perceived price. On this basis, the hypothesis in this study is as follows:

**H1: Brand Image have a positive effect on Perceived Price**

### **2.3.2 The Effect between Brand Image and Trust**

Shimp & Andrews, Craig (2015) argues that brand image can be considered as a type of association that appears in the minds of consumers when remembering a particular brand; the association can occur in the form of specific thoughts or images that are associated with a brand, as well as when thinking about other people. Trust is a complex statement because the individual does not know what the motives and intentions of the other are. Trust is defined as a customer's willingness to accept weaknesses in online transactions based on their positive expectations about future online store behaviour (Ling et al., 2010).

The results of research conducted by Lien et al. (2015) show that brand image has a positive effect on trust. This is in line with research conducted by Cheong & Jang (2013) that brand image has a positive effect on trust. On this basis, the hypothesis in this study is as follows:



## **H2: Brand Image have a positive effect on Trust**

### **2.3.3 The Effect between Brand Image and Value**

Wang & Tsai (2014) stated that consumers are more likely to buy products with well-known brands that have a positive brand image because brands with a more positive image reduce the risk perceived by consumers and increase the value perceived by consumers. According to Schiffman & Wisenblit (2015), value is the ratio between the benefits felt by customers both economically, functionally, and psychologically and the resources in terms of monetary, time, effort, and psychological finance used to obtain these benefits.

The results of research conducted by (Lien et al., 2015) show that brand image has a positive effect on value. On this basis, the hypothesis in this study is as follows:

## **H3: Brand Image have a positive effect on Value**

### **2.3.4 The Effect between Brand Image and Purchase Intention**

A product is related to the brand; a good brand image will have a higher probability of being chosen. Therefore, the brand image of a product affects a person's intention to select a product. Purchase intention is a combination of interest and possibility to buy a product by consumers (Kim & Ko, 2012).

The study of Bian & Moutinho (2011) on brand image, product involvement and knowledge in purchase behaviour concluded that there is a positive influence of brand image on brand image purchase intention.

A study conducted by Rumokoy et al. (2015) on Samsung smartphones concluded a positive relationship between brand image and purchase intention.

The results of research conducted by Lien et al. (2015) show that brand image has a positive impact on purchase intention. The other study conducted by Simonian et al. (2012) on apparel products also concludes that brand image significantly affected purchase intention. Thus it will be formulated that:

#### **H4: Brand Image have a positive effect on Purchase Intention**

##### **2.3.5 The Effect between Perceived Price and Value**

Perceived Price is related to the financial aspect of using new products and systems. Users are more likely to compare the new system's benefits to the financial costs paid. The price value is one of the strongest factors contributing to purchase intention (Alalwan 2020). The relationship between Perceived Price and purchase intention has a direct effect, where the more the price of a system is commensurate with the benefits, the higher the purchase intention (Chong et al., 2012). Perceived price has been defined as the perception of the monetary price offered by one seller to another. When people incur costs, they tend to compare the seller's listed price or objective price with the average market price or reference price in the minds of consumers. This shows that when individuals have received prices that match their expectations, individuals will intend to use a system again (Wang et al., 2019).

According to Schiffman & Wisenblit (2015), the value of consumers is the ratio between the benefits perceived by customers (economic, functional, and psychological) and the resources (monetary, time, effort, and psychological) they use to obtain these benefits.

The research results conducted by Lien et al. (2015) show that perceived price affects perceived value. This is in line with research conducted by Chiang & Jang (2014) that perceived price affects perceived value. On this basis, the hypothesis in this study is as follows:

#### **H5: Perceived Price have a positive effect on Value**

##### **2.3.6 The Effect between Perceived Price and Purchase Intention**

Perceived price influences purchase intention (Cheong & Jang, 2013). Perceived price is a picture of the price of a product in consumers' minds (T. Z. Chang & Wildt, 1994). Changes in prices will lead to different decision outcomes (Chang & Chiou, 2007). Price reductions, or discount promotions, may be considered situations in which consumers benefit (Chang & Chiou, 2007).

Consumers will pay more attention to price when the price of a product has a high price (Zeithaml, 1988).

This is in accordance with research conducted by Chen et al. (2016), which explains that perceived price has a direct and positive effect on purchase intention. Consumers perceive price as a key extrinsic quality signal when their product knowledge is limited. Therefore, consumers will view products with higher prices as higher quality products. Based on the explanation of several statements described previously, the hypotheses in this study are:

#### **H6: Perceived Price have a positive effect on Purchase Intention**

##### **2.3.7 The Effect between Trust and Value**

Trust arises when customers have confidence in the reliability and integrity of the service provider (Kim et al., 2009). (Belch, 2006) state that value is the consumer's perception of all the benefits of a product or service, which imposes all costs to obtain and consume it.

The results of research conducted by Lien et al. (2015) show that trust affects perceived value. This is in line with research conducted by Cheong & Jang (2013) that trust has a positive effect on perceived value. On this basis, the hypothesis in this study is as follows:

#### **H7: Trust have a positive effect on Value**

##### **2.3.8 The Effect between Trust and Purchase Intention**

According to Wang et al. (2019), trust is a somewhat important factor in social networking or social media. The level of trust between an individual and another individual will affect their intention to buy a product online—the object of trust from the customer in the marketplace and the seller in the marketplace.

Companies must build consumer trust in the long term to create customer loyalty because consumers buy an item or service based on their belief in the product or service.

The results of research conducted by Lien et al. (2015) show that trust has a positive impact on purchase intention. This is also supported by Kian et al. (2017) in their research that trust positively affects purchase intention. On this basis, the hypothesis in this study is as follows:

**H8: Trust have a positive effect on Purchase Intention**

**2.3.9 The Effect between Value and Purchase Intention**

According to Taylor and Taylor & Bearden (2002), the perceived value should be relatively unchanged because existing research supports a positive relationship between perceived value and purchase intention. Therefore, purchase intention should remain unchanged.

According to Chen and Dubinsky (2003), the perceived value perceived by consumers reflects the net income obtained from their consumption behaviour. It can be used as an indicator of purchase intention. And according to Wang (2010), the perceived functional value or the value of the product will positively affect consumers' purchase intentions. Based on the description above, the hypotheses in this study are:

**H9: Value have a positive effect on Purchase Intention**

**2.4 Previous Research**

**Table 2. 1 Previous Research**

Number	Researcher	Research Title	Core Findings
1	Lien et al. (2015)	Online hotel booking: The effects of brand image, price, trust and value on purchase intentions.	<ul style="list-style-type: none"> <li>• Brand Image has a positive effect with Perceive Price.</li> <li>• Brand Image has a positive effect with Trust.</li> <li>• Brand Image has a positive effect with Value.</li> </ul>

			<ul style="list-style-type: none"> <li>• Brand Image has a positive effect with Purchase Intention.</li> <li>• Perceive Price has a positive effect with Value.</li> <li>• Perceive Price has a positive effect with Purchase Intention.</li> <li>• Trust has a positive effect with Value.</li> <li>• Trust has a positive effect with Purchase Intention.</li> <li>• Value has a positive effect with Purchase Intention.</li> </ul>
2	Keller (1993)	Conceptualizing, Measuring, and Managing Customer-Based Brand Equity	<ul style="list-style-type: none"> <li>• Brand image's meaning</li> </ul>
3	Shimp & Andrews, Craig (2015)	Advertising Promotion and Other Aspects of Integrated Marketing Communications	<ul style="list-style-type: none"> <li>• Brand image's meaning</li> </ul>
4	Wang & Tsai (2014)	The relationship between brand image and purchase intention: evidence from award winning mutual funds.	<ul style="list-style-type: none"> <li>• Brand image's meaning</li> </ul>
5	Bian & Moutinho (2011)	The role of brand image, product involvement, and knowledge in explaining consumer purchase behaviour of counterfeits.	<ul style="list-style-type: none"> <li>• Brand image's meaning</li> <li>• Brand image has a positive effect with purchase intention</li> </ul>

6	Chen & Dubinsky (2003)	A conceptual model of perceived customer value in e-commerce: A preliminary investigation	<ul style="list-style-type: none"> <li>• Perceived price's meaning</li> <li>• Value's meaning</li> </ul>
7	Cheong & Jang (2013)	The Effects of Perceived Price and Brand Image on Value and Purchase Intention: Leisure Travelers' Attitudes Toward Online Hotel Booking.	<ul style="list-style-type: none"> <li>• Brand image has a positive effect with trust</li> <li>• Perceived price has a positive effect with value</li> <li>• Trust has a positive effect with value</li> </ul>
8	Schiffman & Wisenblit (2015)	Consumer Behavior	<ul style="list-style-type: none"> <li>• Value's meaning</li> <li>• Perceived value's meaning</li> </ul>
11	Rumokoy et al. (2015)	The influence of Brand Image, Advertising, Perceived Price toward consumer purchase intention (case study: Samsung Smartphone)	<ul style="list-style-type: none"> <li>• Brand image has a positive effect with purchase intention</li> </ul>
12	Simonian et al. (2012)	The role of product brand image and online store image on perceived risks and online purchase intentions for apparel	<ul style="list-style-type: none"> <li>• Brand image has a positive effect with purchase intention</li> </ul>
13	Kim & Ko (2012)	Do social media marketing activities enhance customer equity? An empirical study of luxury fashion brand	<ul style="list-style-type: none"> <li>• Purchase intention's meaning</li> </ul>

14	Alalwan (2020)	Mobile food ordering apps: An empirical study of the factors affecting customer e-satisfaction and continued intention to reuse	<ul style="list-style-type: none"> <li>• Perceived price's meaning</li> </ul>
15	Chong et al. (2012)	An Empirical Analysis of Mobile Internet Acceptance from Value-based View	<ul style="list-style-type: none"> <li>• Perceived price's meaning</li> </ul>
16	Wang et al. (2019)	Developing and validating a mobile catering app success model	<ul style="list-style-type: none"> <li>• Perceived price's meaning</li> </ul>
17	Chen et al. (2016)	Exploring Determinants of Attraction and Helpfulness of Online Product Review: A Consumer Behaviour Perspective	<ul style="list-style-type: none"> <li>• Perceived price has a positive effect with purchase intention</li> </ul>
18	Kim et al. (2009)	Modeling roles of subjective norms and eTrust in customers' acceptance of airline B2C eCommerce websites	<ul style="list-style-type: none"> <li>• Trust's meaning</li> </ul>
19	Belch (2006)	Advertising and Promotion. An Integrated Marketing Communication Perspective	<ul style="list-style-type: none"> <li>• Value's meaning</li> </ul>

20	Kian et al. (2017)	Factors that influence the consumer purchase intention in social media websites	<ul style="list-style-type: none"> <li>Trust has a positive effect with purchase intention</li> </ul>
23	Taylor & Bearden (2002)	The Effects of Price on Brand Extension Evaluations: The Moderating Role of Extension Similarity	<ul style="list-style-type: none"> <li>Value's meaning</li> </ul>
24	Wang (2010)	Impact of Multiple Perceived Value on Consumers' Brand Preference and Purchase Intention: A Case of Snack Foods.	<ul style="list-style-type: none"> <li>Value has a positive effect with purchase intention</li> </ul>

