

**ANALYSIS OF THE FACTORS THAT DRIVE CUSTOMER WILLINGNESS TO
PURCHASE AT PREMIUM PRICE OF NIKE'S PRODUCT
(CASE STUDY AT NIKE'S SPORT SHOES)**

*ANALISIS FAKTOR-FAKTOR YANG MENDORONG PELANGGAN RELA MEMBAYAR HARGA
PREMIUM PADA PRODUK SPORT NIKE
(STUDI KASUS: SEPATU SPORT NIKE)*

By

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Abstract: the world now has facing the industry challenge where most of the company compete to create another way and fresh idea about how the product should be marketed and consumed by consumers continuously and sustainably, specially for the premium product. it takes strategy as a guideline for deploying the mission and goals to be achieved by the company. Limitations in resources and the uncertainty of the strength of the broader market competition require the right strategy in marketing. Price is something that is used as a measure or indication of the value and the benefits of consumers, and for premium product, of course it needs Premium pricing strategy, which is one of the strategies in pricing the high price level. It is done as a form of imaging that the value of the products offered are value and high quality, and it is challenging for the company since premium product treatment is quite different with regularly product, what separate it is value is the price itself.

Keyword: *Premium Price, Willing to pay*

Abstrak: Dunia sekarang telah menghadapi tantangan industri di mana sebagian besar perusahaan bersaing untuk menciptakan cara lain dan ide segar tentang bagaimana produk harus dipasarkan dan dikonsumsi oleh konsumen terus menerus dan berkelanjutan, khususnya untuk produk premium. Dibutuhkan strategi sebagai pedoman untuk menjalankan misi dan tujuan yang akan dicapai oleh perusahaan. Keterbatasan dalam sumber daya dan ketidakpastian kekuatan persaingan pasar yang lebih luas memerlukan strategi yang tepat dalam pemasaran. Harga adalah sesuatu yang digunakan sebagai ukuran atau indikasi dari nilai dan manfaat dari konsumen, dan untuk produk premium, tentu saja membutuhkan strategi harga premium, yang merupakan salah satu strategi dalam harga harga tinggi. Hal ini dilakukan sebagai bentuk pencitraan bahwa nilai produk yang ditawarkan adalah nilai dan kualitas tinggi, dan itu menantang bagi perusahaan karena perlakuan produk premium sangat berbeda dengan produk secara teratur, apa yang memisahkan itu adalah nilai adalah harga itu sendiri.

Kata Kunci: *Harga premium, kerelaan membayar*

INTRODUCTION

Research Background

Business competition in any kind of business today is highly competitive, which may have consequences for the company to find the right strategy to compete and win the competition. But in this paper will focus on the marketing side that was one indication of the company's objectives, how the product can be marketed and consumed by consumers continuously and sustainably. In this context, it takes strategy as a guideline for deploying the mission and goals to be achieved by the company. Limitations in resources and the uncertainty of the strength of the broader market competition require the right strategy in marketing.

The four strategies are interrelated and give due consideration to the mindset and behavior of consumers in determining product choice (Tjiptono, 2008). The phenomenon that occurs today is how to ensure you get more value paired with the consumption of other products. Value in question may be product differentiation, exclusive, service differentiation, image or differentiation in terms of pricing. Application of differentiation necessarily unique or something different, which can be highlighted, interesting, specific, and have value for customers. It is a competitive advantage for the company. Price is something that is used as a measure or indication of the value and the benefits of consumers.

Research Objective

To know the factors that drive customer willing to pay premium price of Nike in Manado.

THEORITICAL FRAMEWORK

Marketing

Kotler (2003) state, marketing is typically seen as task of crediting, promoting, and delivering goods and services to customers and businesses. Obviously marketing is important in all areas of the organization, and customers are the reason why business exist. The marketing concept, which emphasizes a coordinated effort to satisfy customers, not only satisfies but also to get customer loyalty.

Willingness To Pay

Willingness to pay is defined as the maximum price a buyer accepts to pay for a given quantity of goods or services (Kalish and Nelson, 1991; Kohli and Mahajan, 1991; Wertenbroch and Skiera, 2002).

1. Price

Zhang and Feng (2009) state that "price is the monetary cost for a customer to buy products or services".

2. Social Image

Social image is indeed relevant and affects the response of customers in a variety of categories, not just capital and shopping (Lassar et al., 1995).

3. Background Image

Pictures on the package in form of attractive situations (mountains, beaches, luxury houses and cars) can assist in triggering lifestyle aspirations (Rundh 2009). Many companies design the background-image in the order to represent the image of strong, nature and good taste.

4. Perceived Value

Customer perceived value is major factor influencing customer satisfaction document by (Bolton and Drew, 1991)

5. Perceived Quality

According to Zeithaml (1988), quality was seen as the superiority of a certain product or service in a broad sense. Perceived quality was defined as customer's judgment about product's excellence or superiority.

6. Social Influence

In addition, DeLamater and Myers (2010) stated that social influence is the changes of a person's attitude and behaviour which influenced by another person's action such as persuading and threatening.

7. Satisfaction

Customer satisfaction is the key factor determining how successful the organization will be in customer relationships (Reichheld, 1996). It is an important factor to understand to satisfy customers about what they need and want.

8. Unique

Netemeyer. R.G et al., (2004) define that, Uniqueness means what the perceived differences of consumer brands with a brand competitor is one of the main pillars in marketing and is closely related to the concept of differentiation and unique selling proposition.

9. Trust

Believe in what they said commitment, or goals, or promises, it called trust. Trust is a set of specific beliefs including integrity, benevolence, ability, and predictability Gefen (2003).

10. Social Status

Social status define by Eastman (1999) is “the motivational process by which individuals strive to improve their social status through conspicuous consumption of customer products that symbolize status for both individuals and surrounding others”.

11. Product Availability

Steinhart (2013) stated that when the product is available to purchase, the customer typically finds it as a good thing (in most cases, this is the default state), and when it not available, there are potentially negative consequences.

12. Convience of Usage

Candel (2001) stated that, convenience is considered as one of the variables that influences consumer behavior and contributes to the market success of a product, especially in the context of non-durable consumer products.

13. Habit

Aarts (1998) stated, most habitual behaviour arises and proceeds efficiently, effortlessly, unconsciously. And habit can predict customers' future behaviour.

14. Product Variety

Ulrich and Randall (2001) defined, product variety as the number of different versions of a product offered by a firm at a single point in time.

15. Printed Information

Shah (2013) defined that, Printed information contained all the information related to the product quality, price, description which help to identify the brand. This helps customers to make the right decisions and to purchase the product. It is one of the most visible parts of product and important element of marketing mix.

16. Promotion

Evans (1996) stated that, promotion includes the use of advertising, sales promotions, personal selling and publicity. Advertising is a non-personal presentation of information in mass media about a product, brand, company or store. It greatly affects customers' images, beliefs and attitudes towards products and brands, and in turn, influences their purchase behaviours.

17. Product Packaging

Packaging works as an instrument for differentiation, and helps customers to decide the product from wide range of parallel products, packaging also stimulates customer's buying behavior (Wells, Farley and Armstrong, 2007).

18. Lifestyle

Lifestyle is pattern live expressed someone through activity, interest, and opinion. How the people do self actualize, fulfilled, experiences, believers, and strugglers. Also lifestyle can determine how the people buy products which have brand or no brand (Kotler, 2000).

19. Cultural

Kotler and Armstrong (2003) stated that, factors that affect consumer behavior is a factor of social, cultural, personal, psychological. Most of these factors are not heeded by marketers but it really should be taken into account to find out how far the factors that affect consumer purchasing behavior of consumers. Cultural factors have a wide and deep influence on consumer behaviour.

20. Country of Origin

Keller (2009) defined that, consumers may make decisions to buy products with such national ties in order to portray a self's image and to fulfill the need. In addition, such strong positive associations and beliefs of consumers regarding various brands could create a point of difference regarding the country of origin.

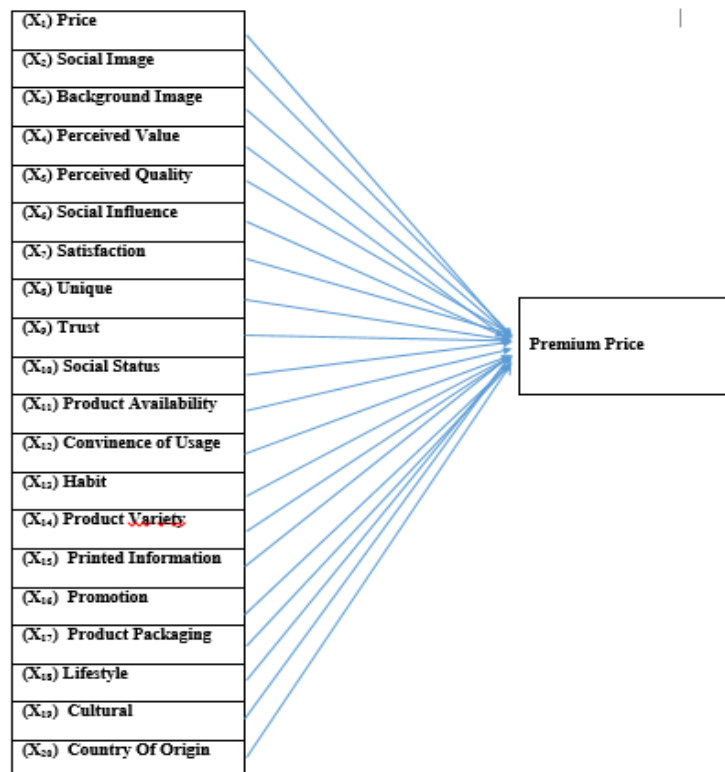


Figure 1. Conceptual Framework

Source: Data Processed, 2018

Previous Research

Jan Benedict Steenkamp, Harald J. Van Heerde Inge Geysken (2010) What Makes Consumers Willing to Pay a Price Premium for National Brands over Private Labels?

Najam ul Zia and Maryam Sohail (2016) Hoe Customers Are Willing To Pay Price Premium On The Bases Of Brand Image For Food Brands?

Xiaorong Chen (2006) Is premium pricing strategy a viable option to pursue higher revenue performance? A case study of relative pricing strategy in the Singapore lodging market.

RESEARCH METHOD

Type of Research

Quantitative method is uses to collect the data in this research. Aliaga and Gunderson (2000) describe quantitative research is explaining phenomena by collecting numerical data that are analysed using mathematically based methods (in particular statistics).

Place and Time of Research

This research will be conducted in Manado.

Population and Sample

Population

Population are those who selected to be the audience of a research. According to Sekaran (2000), population is “the entire group of people, events, of things of interest that researcher wishes to investigate.

Sample

Sampling is considered as the way for getting some information quickly and efficiently. According to Sekaran (2000), a sample is “a part of the population”. The samples of this research are the Football fans as many as 100 respondents. The sampling design is convenience sampling that is considered as the best way of getting some basic information quickly and efficient.

Sample Size

In this study the samples taken in large sizes whose numbers are not known exactly, and used techniques of determining the number of samples for the infinity population as follows (Rao Purba, 1996)

$$n = \frac{z^2}{4(moe)^2} = \frac{1,96^2}{4(0,1)^2} = 96,04 = 100$$

N : number of samples

Z : normal distribution level at 5% significant level (1.96).

Data Collection Method

Primary data is the information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study (Sekaran and Bougie, 2009). This research gets the primary data from the result of questionnaires.

Table 1. Likert Scale

| Statement | Score |
|-------------------|-------|
| Strongly Agree | 5 |
| Agree | 4 |
| Neutral | 3 |
| Disagree | 2 |
| Strongly Disagree | 1 |

Source: *Research Method for Business, 5th edition, 2009*

Confirmatory Factor Analysis

Confirmatory Factor Analysis (CFA) test whether a specified set of constructs influencing responses in a predicted way. Factor Analysis used to reduce the data, namely the process summarizes a number of variables into fewer and named as a factor. Analysis factor is a technique for analyzing of mutual dependence (interdependence) of several variables simultaneously. So in principle, factor analysis is a technique to classify some variables has a resemblance to be a factor (Suliyanto, 2005).

RESULT AND DISCUSSION

Result of Factor Analysis

Confirmatory factor analysis was used to determine how many factors were appropriate and which items belonged together. The steps that were followed for doing factor analysis were four: 1 data collection and generation of the correlation matrix, 2 extraction or initial factor solution, 3 rotation and interpretation, and 4 constructions of scales or factor scores to use in further analysis.

Reliability Test

The reliability test in this research uses Alpha Cronbach. If Alpha is less than 0.6 then it is unreliable. The interpretation of Alpha is ;

- < 0.6 indicates unsatisfactory internal consistency or consider that the data resulted is unreliable.
- 0.7 indicates that the data is acceptable.
- 0.8 indicates good internal consistency or consider that the data resulted is reliable.

Communalities**Table 2. communalities (Principal Component Analysis)**

| | Communalities | |
|----------------------|---------------|------------|
| | Initial | Extraction |
| Price | 1.000 | .708 |
| Social image | 1.000 | .718 |
| Background image | 1.000 | .585 |
| Perceived value | 1.000 | .655 |
| Perceived quality | 1.000 | .543 |
| Social influence | 1.000 | .583 |
| Satisfaction | 1.000 | .535 |
| Unique | 1.000 | .669 |
| Trust | 1.000 | .561 |
| Social Status | 1.000 | .732 |
| Product Availability | 1.000 | .898 |
| Convenience of Usage | 1.000 | .613 |
| Habit | 1.000 | .744 |
| Product Variety | 1.000 | .574 |
| Printed Information | 1.000 | .661 |
| Promotion | 1.000 | .621 |
| Product Packaging | 1.000 | .648 |
| Lifestyle | 1.000 | .751 |
| Cultural | 1.000 | .675 |
| Country | 1.000 | .839 |

Source: data process, 2019

The table above showed us that those 20 variables has been tested to meet the requirements of communality that is greater than 0.5 (communality > 0.5). If there is a variable with values in the table Extraction Communalities < 0.5, then the variable is not eligible communality.

From the table above shows that 3 variables of 20 has extraction value greater than 0.5 Which is Product Availability (X11), Second Country Of Origin (X20), and the last variable is Lifestyle (X18).

Results of Regression Analysis

The present research attempted to answer research question what is the factors that drive customer willingness to pay the Premium Price of Nike Sport Shoes in Manado, and the result will take the three highest factors from the communalities which is Product Availability has greater values that drive customers willingness to pay, Second Country of Origin has greater values that drive customers willingness to pay, and the last on is Lifestyle has also greater values that drive customers willingness to pay.

Table 3. Results of Regression Analysis

| Regression Model | Dependent Variable | Independent Variable |
|------------------|-----------------------------|--|
| First | Customer Willingness to Pay | Product Availability Country of Origin Lifestyle |

Sourced: Data Processed, (2019)

Discussion

As the result above we can conclude that Product Availability, Country of Origin, and Lifestyle factor has the most significant factors that Drive Customer willing to purchase Nike Premium Shoes in Manado city.

1. Product Availability

This drives the customer willingness to pay because in this case, Nike Premium Shoe is a tangible product that the quality of the product must be seen by the moment the customer buy it or when they try it before they buy it.

2. Country of Origin

Country of Origin where the product is manufactured is really affect the customer willingness to pay, since Nike Premium Shoe is a product where the quality itself is justify by the Country of Origin.

3. Lifestyle

Lifestyle can determine how the people buy products which have brand or no brand (Kotler, 2000). According to the theory, it can be conclude that Lifestyle factor is strongly driven the customer willingness to pay Nike Premium Shoe based on how the customer sees the brand to increase their value in the society.

CONCLUSION AND RECOMENDATIONS

Conclusion

Based on the result from the previous chapter, we can conclude that:

1. Price factor did not significantly affect customer willingness to pay Nike Premium Shoe.
2. Social Image factor did not significantly affect customer willingness to pay Nike Premium Shoe.
3. Background image factor did not significantly affect customer willingness to pay Nike Premium Shoe.
4. Perceived Value factor did not significantly affect customer willingness to pay Nike Premium Shoe.
5. Perceived Quality factor did not significantly affect customer willingness to pay Nike Premium Shoe.
6. Social Influence factor did not significantly affect customer willingness to pay Nike Premium Shoe.
7. Satisfaction factor did not significantly affect customer willingness to pay Nike Premium Shoe.
8. Unique factor did not significantly affect customer willingness to pay Nike Premium Shoe.
9. Trust factor did not significantly affect customer willingness to pay Nike Premium Shoe.
10. Social Status factor did not significantly affect customer willingness to pay Nike Premium Shoe.
11. Product Availability factor does significantly affect customer willingness to pay Nike Premium Shoe.
12. Convenience of Usage factor did not significantly affect customer willingness to pay Nike Premium Shoe.
13. Habit factor did not significantly affect customer willingness to pay Nike Premium Shoe.
14. Product Variety factor did not significantly affect customer willingness to pay Nike Premium Shoe.
15. Printed Information factor did not significantly affect customer willingness to pay Nike Premium Shoe.
16. Promotion factor did not significantly affect customer willingness to pay Nike Premium Shoe.
17. Product Packaging factor did not significantly affect customer willingness to pay Nike Premium Shoe.
18. Lifestyle factor does significantly affect customer willingness to pay Nike Premium Shoe.
19. Cultural factor did not significantly affect customer willingness to pay Nike Premium Shoe.
20. Country of Origin factor does significantly affect customer willingness to pay Nike Premium Shoe.

Recommendation

Based on the result above, the author will recommend the store that selling Nike Premium Shoes to be more selective in terms of controlling the product detail and quality in order to maintain the customer preference in buying the product, because Nike Premium Shoe is a segmented product that exclusive regarding the brand itself, or the quality of the product, since all of that is really related to Product Availability factor, Lifestyle factor, and Country of Origin factor as the author mention in the previous chapter.

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