

THE ANALYSIS OF CONSUMER PREFERENCES OF PRICE ENDINGS AT HYPERMART MANADO TOWN SQUARE

by:

Friska Angreiny Beyah

Faculty of Economics and Business,
International Business Administration (IBA) Program
University of Sam Ratulangi Manado
email: ikha.frisca@gmail.com

ABSTRACT

Price has become one important consideration for many businessmen or marketers in selling products or providing services for people in marketplace. Therefore, this research is purposed to know the analysis of consumer preferences of price endings at Hypermart Manado Town Square. This research uses qualitative method analysis, while interview and questionnaire will be data collection method. Informant is taken from people who have visited Hypermart Manado Town Square. The sample of this research is 30 customers of Hypermart. There is one important finding that can be concluded from the overall result in this research, which is; the similar perception of Consumer Behavior, Brand ,and Price Ending about electronic devices and how customers make their perception about purchasing and using this specified products. It is understandable that an ideal understanding of the consumer behavior is important in encouraging customers to choose the appropriated electronic products in Manado. Customers in Manado give the in-depth consideration for the Brand and Price Endings for electronic products in Manado.

Keywords: *price endings, consumer preferences*

INTRODUCTION

Research Background

In selling products or providing services for people in marketplace, price has become one important consideration for many businessmen or marketers, which is the price consideration. Even though price can be only set after the goods have been produced or the services have been ready to served, it is noticeable to see the importance of price for making customers become interesting to choose the available items. By setting the suitable price for sold products or provided services, it can be hoped that customers will choose to use the offered items, not just once, but also for other time. On the other hand, the right price will eventually ensure that the company can at least meet the overall costs for produced goods or given services, or in advanced, the proper price for products or services can make the company exceed the estimated profits.

This price concept can be also applied when there is a chance for common customers to get more items when purchasing one product or using one service. Premium price is applicable for every good or service with the luxurious image, in which the price of each item is more expensive, compared with the common products or services that are used by averaged people. Ending price is the concept of price setting that is focused on the psychological thought from the majority of people in the environment, in which those customers are given with the information about the smallest gap in the price for the offered items in the designated store, compared with other similar ones in another stores. Monopoly-based price is associated with the price setting that is applied from one product or service that cannot be produced in the mass production way. On the other hand, the floor price is usually related with the minimum charged fee that is charged for customers in lower economic condition, or even the poor ones. Decisively, those price concepts and other possible ones can be applied in any marketplace, together along with necessary adjustment with the designated environment.

Research Objectives

The objective of this research are to explain the description of:

1. Consumer Behavior factor for the understanding of customers about the ending price from Hypermart Manado Town Square.
2. Brand factor for the understanding of customers about the ending price from Hypermart Manado Town Square.
3. Price Endings factor for the understanding of customers about the ending price from Hypermart Manado Town Square.

THEORETICAL FRAMEWORK

Theories

Marketing

Alhroot (2007) as cited Silverman (1995) defined that marketing as the process in a society by which the demand structure for economic goods and services is anticipated or enlarged and satisfied through the conception, promotion, exchange and physical distribution of such goods and services. Also Following Schoell and Lvy (1982, 17) idea, as quoted in Alhroot (2007), it can be defined that: It is found about marketing as the process of managing effort in a dynamic environment in a socially responsible manner to facilitate its changed relationships which match an organization's capabilities and resources with wants of selected market targets (present and potential customer).

Brand

American Marketing Association (AMA) defined brand as a name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of the competitors.

Consumer Behaviour

Consumer behavior is a hotbed of psychological research, as it ties together issues of communication (advertising and marketing), identity (you are what you buy), social status (among peers and potential mates), decision-making, and mental and physical health. Corporations put the information to good use, and so should you in monitoring what, when, and why you buy.

Price Endings

Stiving and Winer (1997) distinguish between level and image effects of price endings: Level effects cause consumers to round prices down, essentially ignoring the right-hand digits, whereas image effects cause them to discern meaning from prices. Schindler and Kibarian (2001) ask consumers about their perceptions of the quality of advertised products; if the price tag shows a 99 ending, they tend to consider the price relatively low and representative of a discount. Schindler and Kibarian (2001) and Schindler (2006) thus conclude that such price endings might deteriorate perceived product quality. However, Stiving (2000) finds that price endings in themselves are not necessarily signals of quality, even though firms often use a combination of higher prices and even-numbered price endings to signal quality.

Previous Research

Asamoah and Chovancova (2011) elaborated on the theoretical concept and practical aspects of the odd-even price perception that price endings influence perceptions of different categories of good and the perception of consumers determines their purchasing habits. Gaston-Breton (2011) indicated that consumers who are more price conscious are more likely to choose 99-ending prices where low involved shoppers (especially those with a low hedonic and symbolic involvement profile), low educated, low income and younger shoppers are prone to choose the 99-ending option. Anderson (2003) suggested that nine endings may be more effective when customers have limited to explain why retailers do not use nine price endings on every time. Guéguen and Jacob (2005) found that nine-ending price had no effect on effect on the rate of purchasers but had a positive effect on the amount the purchasers spend.

RESEARCH METHOD

Source of Data

For this current research, there are two types of data that are used to make an appropriate result, which are: (1) primary data as data originated by the researcher specifically to address the research problem and (2) secondary data as data collected for some purpose other than the problem at hand. The secondary data is taken from books, journals, and relevant literature from library and internet.

Population and Sample

Population is generalized to the object/subject which have a certain quantity and characteristic that is required by researcher to studying and to gain conclusion (Sugiyono 55:2005). The population in this research is all customer of Hypermart Manado Town Square. The sample of this research is customer of Hypermart Manado Town Square in Manado, as many as 100 respondents. The sampling design is convenience sampling.

Operational Definitions of Research Variables

1. Consumer Behavior is a complex, and dynamic.
2. Brand is a set of perception and images that represent a company.
3. Price Endings is the overrepresentation of 9 digits in retail price endings is merely the persistence of retailing practice that originated in attempts by early retailers to lessen dishonesty of clerks.

Data Analysis Method

Descriptive Analysis

Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Glass and Hopkins, 1984). It often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution.

RESULT AND DISCUSSION

Result

Respondent Characteristic

In this first sub-section, all the respondents that become the main source of the primary data for this current research will separated into four main characteristics, which are described in Table 1.

Table 1. Characteristics Distribution of Respondents

No	Characteristic	Total Respondents	Percentage
1	Gender:		
	Male	10	33.33
	Female	20	66.67
2	Age:		
	Below 17 Years Old	0	0.00
	17 until 25 Years Old	12	40.00
	26 – 50 Years Old	10	33.33
	More Than 50 Years Old	8	26.67
3	Educational Level:		
	Senior High School	0	0.00
	Diploma	9	40.00
	Under Graduated	14	46.67
	Others	7	23.33
4	Income per month:		
	<Rp. 1.000.000	0	0.00
	Rp. 1.000.000 – Rp. 2.500.000	14	46.67
	Rp. 2.500.000 – Rp. 5.000.000	9	30.00
	>Rp. 5.000.000	7	23.33

Source: Processed Data, 2013

There are six generalized descriptions can be drawn, regarding with characteristics of respondents in this research, which are most of cost in this research:

- 1). Are female respondents (20 respondents or 66.67% of the required sample) and the remaining one is male respondents (10 respondents or 33.33% of the required sample).
- 2). Are aged between 17 until 25 Years Old (12 respondents or 40% of the required sample) and the remaining ones are respondents that are aged between 26 until 50 Years Old (10 respondents or 33.33% of the required sample) and respondents that are aged above 50 Years Old (8 respondents or 26.67% of the required sample). Unluckily, there is no respondent that are aged below 17 Years Old in this research.
- 3). Have under Graduated as the educational level (14 respondents or 46.67% of the required sample) and the remaining ones are respondents that have Diploma as the educational level (9 respondent or 30% of the required sample) and respondents that have other unmentioned educational levels in this research (7 respondents or 23.33% of the required sample). Unfortunately, respondents who have educational level as Senior High School are excluded in this research.
- 4). Have monthly income between 1,000,000 IDR until 2,500,000 IDR (14 respondents or 46.67% of the required sample), and are followed by respondents that have monthly income between 2,500,000 IDR until 5,000,000 IDR (9 respondents or 30% of the required sample) and the remaining one has monthly income above 5,000,000 IDR (7 respondent or 23.337% of the required sample). Unfortunately, respondents who have monthly income below 1,000,000 IDR are excluded in this research.

Consumer Behavior

The question that represents the Consumer Behavior indicator from customers in Manado: "Based on your thought, how is your behavior when doing purchase according to the offered price? Please explain briefly. Based on to the overall answers from consumer in Manado, there is one model of answer that can be partially concluded and related with their perception for electronic products. The answer model stated that the majority of consumer in Manado give in-depth concern with the customer behavior that applied for electronic devices. This model is proved by several statements from the customers.

Respondent 1: "When I see one product or more those are interesting for me, I usually want to buy the seen items. But, sometimes I do not think that I really buy good(s) that are important for my activities, because I just keep some of those times in my room. I probably use the purchased items in some special occasion. It is something like that".

Brand

The question that represents the Brand Indicator from customers in Manado. Based on your thought, are the offered electronic devices have the best quality and various models? Please explain briefly. Based on to the overall answers from customers in Manado, there is one model of answer that can be partially concluded and related with their perception for electronic products. The answer model stated that the majority of customers in Manado give in-depth concern with the brand that applied for electronic devices. This model is proved by several statements from the customers. Respondent 1: For me, brand is important for deciding to purchase a product or to use a service, not only for myself, but also for other people. Even though there is one item that can be chosen by them, it is not certain that those people can immediately choose the offered good or service. This condition can be related with the fact that there are several alternatives that can be chosen by them for satisfying their needs and wants, related with the availability of some goods with similar or same models and functions. So, accidentally or not, it cannot be ensured that people in this city will directly decide to purchase products in the store display, without considering the quality from the offered ones. But, there are some people who like to purchase a product or more without making a thought.

Price Ending

The question that represents the price Ending indicator from customers in Manado. Based on your thought, is the set price standard already it with the offered products? Please explain briefly. Based on to the overall answers from customers in Manado, there is one models of answer that can be partially concluded and related with their perception for electronic products. The answer model stated that the majority of customers in Manado give in-depth concern with the price ending that applied for electronic devices. This model is proved by several statements from the customers. Respondent 1: From my personal perception, it is important for any

customer, including myself, to purchase products or to use services with the appropriated price. To be put in simple, the concept of “the appropriated price, is not always associated with the expensive price or the cheaper price. In the reality, the quality of any product or service can be based on the how the offered items can be utilized in the medium or the long term basic, without many repair or adjustment. But, it is possible for some people, especially in this city, there is also a possibility for them to purchase goods or to use services that are attractive to them, even though there a small consideration about the following quality and price from the available items. I think so. So, based on several conclusions in three elements in this part, there is one general conclusion that can be drawn, which is: Customers in Manado give the in-depth consideration for Customer Behavior, Brand, and Price Ending to the perception for electronic products that are sold in Manado City.

Discussion

Consumer Behavior it is understandable that an ideal understanding of the customer behavior is important in encouraging customers to choose the appropriated electronic products in this city that can be used in their personal or formal activities. Brand the stated theory for this important factor describes that the understanding of the brand is associated with the customers’ standard for the qualified electronic devices. Eventually, the finding for this element in this research has found that this acceptance concept have an impact for customers in this city, in which a respected brand will encourage common people here to at least prefer the offered electronic tools. As described in the theory of this aspect, this concept meaning is related with the essential role of the price ending concept for motivating many people for making a specified preference from all alternatives of electronic devices in the market. After observing the partial result for this aspect in this research, it can be later summarized that the understanding of this important concept will definitely make many people in this city have a good preference for any electronic device that are sold for them.

CONCLUSION AND RECOMMENDATION

Conclusion

This research concludes findings as follow, there is one partial conclusion:

1. Which is consumer in Manado give the in-depth consideration for the Consumer Behavior for electronic products in Manado. It is understandable that an ideal understanding of the consumer behavior is important in encouraging customers to choose the appropriated electronic products in Manado that can be used in their personal or formal activities.
2. Which is consumer in Manado give the in-depth consideration for the Brand of electronic products in Manado. Brand is associated with the customers’ standard for the qualified electronic devices. Eventually, the finding for the element in this research has found that this acceptance concept has impact for customers in Manado, in which a respected brand will encourages common people to at least prefer the offered electronic tools.
3. Which is consumer in Manado give the in-depth consideration for the Price Ending of electronic products in Manado. The concept meaning is related with the essential role of the price ending concept for motivating many people for making a specified preference from all alternatives of electronic devices in the market. After observing the partial result for this aspect in this research, it can be later summarized that the understanding of this important concept will definitely make many peoples in Manado have a good preference for any electronic device that are sold for them.

Recommendations

1. Management staffs of every company that sells electronic products in Manado must consider about the importance of Consumer Behavior, Brand and Price Ending, because of these factors roles in encouraging people in Manado to establish a certain pattern in purchasing and using electronic tools. Consumers in Manado give the in-depth consideration for Consumer Behavior, Brand, and Price Ending to the perception for electronic products that are sold in Manado.

2. The same management staffs of every company that sells electronics product also have to aware about other factors that can influence the consumer perception in purchasing electronic devices that are sold in Manado, because there is a possibility that each element can positively impact their final decision for purchasing the available products

REFERENCES

- Anderson, T. E. and Siemester, at all. 2003. Effect of \$9 Price Endings on Retail Sales, Evidence from field experiments. *Quantitative Marketing and Economics*. 93-110.
- Aaker, J. 1997. Dimensions of Brand Personality, *Journal of Marketing Research*. 347-56, 34 (3)
- Anderson, E.R. & Suri, R. 2004. The use of 9-endings Prices: Contrasting the USA with Poland. *European Journal of Marketing*. 1659-1679.
- Avs, M. 2009. The Problem of Brand Definition. University of Otago. <http://www.business.otago.ac>.
- Breton, G. C. 2011. *Consumer Preferences for 99-Ending Prices: The mediating role of price Consciousness*. University Carlos III De Madrid. 1443-56.
- Chernatony, L. & Dall'Olmo Riley, F. 1998. Defining a Brand: Beyond the Literature with Experts Interpretations. *Journal of Marketing Management*, 417-443. Vol. (14)
- Coleman, A.D. 2004. Service Identity Definition, Measurement, Dimensionality and Influence on Brand Performance. 335-352. P. 17-39.
- Chernatony, L. & Cottam, S. 2008. Interactions between Organizational Cultures and Corporate Brands. *Journal of Product & Brand Management*, 17, 13-24.
- Fournier, S. 1998, Consumer and their brands: Developing relationship Theory in consumer Research, *Journal of Consumer Research*, 24, 343-374
- Gueguen, N. and Jacob, C. 2005. Nine ending Price and Consumer Behaviour an Evaluation in a New Context. 1812-5654. 5 (2). www.elsevier.com/locate/ijoshman.
- Gardner, B. and S. Levy 1955. The Product and the Brand, *Harvard Business Review*, 0278-4319. 33 (March-April), 33-59. 1121-1139.
- Gajjar, B.N. 2013. Consumer Behavior and the Process of Purchase Decision. *International Journal of Research in Management and Pharmacy (IRJMP)*. 2320-0901.
- Goncalves, P.R. 2008. Consumer Behavior: Product Characteristic and Quality Perception. University Autonoma de Barcelona. P. 7-9. <http://mpr.ub.uni-muenchen.de/1142>
- Kleinsasser, S. & Wagner, U. 2010. Price Endings and tourism consumers price perceptions. *Journal of Retailing and Consumer Services*. 0969-6989.
- McAlexander, J.H, Schouten J.W. and Keonig, H.F. 2002. Building brand communities, *Journal of Marketing*, vol. 66(1), pp 38-55.
- Schutte, T. F. 1969, The semantics of branding, *Journal of Marketing*, 33 (2), P. 511.
- Schindler, M.R. & Kibarian, M.T. 1996. Increased Consumer Sales Response Though Use of 99-Ending Prices. *Journal of Retailing*, 0232-3289. Vol. 72

- Schindler, M. R. 2006. The 99 Price Endings as a signal of a low-price appeal. *Journal of Retailing*.0022-4359.P.72
- Stiving, M., Winer, R.S., 1997. An empirical analysis of price endings with scannerdata. *Journal of Consumer Research* 24 (June),4321-5243. 57–67.
- Sekaran, U., and Bougie, R. 2009 *Research Methods for Business; A skill Building Approach* .John Wiley & Sons Ltd. United Kingdom
- Silverman, N.S. 1995. *An Historical Review and Modern Assesment of The Marketing Concept*. University Of Pittsburgh.
- Way, B.A. 2008. *Consumer Behavior*. National Open University of Nigeria. Prentice Hall, New Jersey.

