THE INFLUENCE OF PRICE, DESIGN, BRAND IMAGE ON PURCHASE INTENTION AT UTAMA JEWELRY STORE

I Made Sastra Utama, Samuel Tarigan
Sekolah Tinggi Ilmu Ekonomi Harapan Bangsa, Indonesia
Email: mm-23025@students.ithb.ac.id, samueal_tarigan@ithb.ac.id

Abstract

This research aims to determine the influence of price, design, and brand image on gold purchase decisions at Utama Jewelry Store. This research is a quantitative study that utilizes questionnaires as a measurement tool. The questionnaires were distributed to 108 respondents using incidental sampling techniques. The collected data were processed using SPSS, employing the exploratory factor analysis (EFA) to obtain factor scores, followed by multiple regression analysis. The results of the regression analysis in this research show that both price and brand image significantly influence purchase decisions, while the design factor does not have a significant impact. Brand image has a higher influence on purchase decisions compared to price. The coefficient values for each variable are 0.241 for price and 0.671 for brand image, while for design is 0.024. The findings of this study corroborate extant knowledge on the important of price, design, and brand image on purchase intention and are expected to assist the management in taking a series of actions to improve sales.

Keywords: price, design, brand image, purchase intention, jewelry store

Introduction

There are several entities of commodity including livestocks, agriculture, fuels, and metals. The latter commodity consists of industrial and precious metals. Precious metals include palladium, platinum, silver, and gold while industrial metals are copper, titanium, magnesium, carbon, tin, and lead. Gold has an intrinsic value which is still utilized worldwide as common trade (Sutjipto et al., 2020). Historically, gold was used as an exchange currency, but, nowadays, the role of gold has been shifting. Gold has been utilized for investment, industrial purposes, and lifestyle as jewelry. Despite the change, gold is still valuable, and several countries store this precious metal as a gold reserve. According to the latest report of the World Gold Council, the gold demand in 2022 increased by 3% for jewelry, 2% for coins and gold blocks, and 2% for gold reserves respectively (World Gold Council, 2022). Moreover, investment awareness has escalated significantly, as proved by the increment of gold purchases (Malik, 2022). Thus, these reports verify that gold is stable and the intrinsic value is increased gradually.

As a jewelry store, Utama Store has been running well since the 1990s and sells various types of products such as necklaces, earrings, bracelets, gold blocks, pearls, silvers, etc. Since the beginning, the business has engaged more customers and developed several branches in Lombok. However, since 2022, the revenue has been declining

compared to the prior years. Starting from May 2022, the gross sales did not reach 1.5 billion rupiah per month or 50 million rupiah daily. This deflation also happened in the upcoming periods. Despite the COVID-19 outbreak in 2019, monthly gross sales did not decrease sequentially. Therefore, this problem has become a challenge for business managers to tackle.

Several obstacles that could be considered for the changes in the Utama Jewelry store include new competitors, the emergence of digital gold marketing, and the role of influencers. Since 2022, almost 10 new gold stores have been launched in Lombok— moreover, the local gold marketplace and the big gold companies such as PT. Aneka Tambang (ANTAM), PT. Untung Bersama Sejahtera (UBS), PT. Hartadinata Abadi, and PT. Pegadaian Persero has been developing and maintaining its business well. Most competitors acknowledge the increasing trend of gold investors and purchases. According to the new report, the number of gold investors will reach a higher percentage (53.87%) than other investment types (Hartanto, 2023). The stakeholders try to expand their business and create more branches to fulfill the upcoming demand. Besides, digital gold marketing also puts people's interest in easy investment. The role of online influencers in promoting gold investment has given the stakeholders a chance to reach out to customers (Henisz et al., 2014). In order to engage more customers, the managerial team of Utama Jewelry Store has decided to focus on some variables such as gold selling price, company design, and brand image.

The price of gold is determined by the carat, design, and manufacturing costs. Usually, the gold price is relatively the same but some stores sell their products at different prices which are determined by their expenditure and operational budget (Levin et al., 2006). Some competitors set higher prices on their products by accentuating unique and interesting designs that attract customers (Oktarina, 2016). In fact, they tend to get more customers in spite of higher prices. In contrast, Utama Jewelry Store sets more affordable prices and lower prices compared to them. However, this strategy does not guarantee profits. Another factor includes design. Some investors and customers are attracted to unique, elegant, and interesting designs. This is confirmed by a statement from the website of the Ministry for Maritime Affairs and Investment that unique jewelry design becomes the center of attention for media and foreign journalists (Biro Komunikasi Kementrian Koordinator Bidang Kemaritiman dan Investasi, 2023). Thus, design is important in giving success to the jewelry business. Being located in the local market in a suburban area, most of the products in the Utama Jewelry store still include old-fashioned designs. This happens because most customers are late adults and elderly who most likely buy old-fashioned jewelry. As time goes by, social media are trending, and the demand for modern and up-to-date designs is increasing. Furthermore, brand image also has a role in purchasing decisions. Product quality and service management will reflect on the brand image as well. Not only from Lombok, but the Utama Jewelry store also has a lot of customers from the outside region. Besides, most of the store's customers are coming down through generations because the store's brand image is still maintained for years. The brand image of the gold store is quite different compared to other types of stores. This image is built upon exceeding customer's expectations. For example, when a customer buys gold, they will expect to be able to sell their gold again in the same place. If the store can survive for a long time and build the customer's trust, then the store will gain a better brand image. However, since there are a lot of newcomers nowadays, the brand image comes into an issue whether it is still good enough or requires improvement. Nonetheless, the gold purchasing decision is determined by more factors such as politics,

culture, technology, economy, geography, and human factors. Therefore, in this research, the writer will study the effect of price, designs, and brand image on the gold purchasing decision in the Utama Jewelry store.

Research Methods

The research took place at the Utama Jewelry store, located in central Lombok Regency, west Nusa Tenggara, and started from January 20th,2023 until November 1st, 2023. The sample population included customers who purchased products at the Utama Jewelry store and agreed to be respondents to the research. Incidental sampling was utilized for sample collection. The independent variables of this research included price, designs, and brand image. The dependent variable was the purchasing decision. There were 108 respondents participating in this research by fulfilling some questions on the questionnaire. The results were collected as the primary source of data, while the financial report of the store was used as secondary data. By using Likert scale, the respondents were asked to give a rate for each question from 5 (strongly agree) to 1 (strongly disagree). Then, the results were converted into numeric data for analysis. Cronbach's Alpha was performed for reliability test. The value is reliable if it is more than 0.5. Before conducting Exploratory Factor Analysis (EFA), the Kaiser-Meyer-Olkin (KMO) test, Bartlett's test, and Measure of Sampling Adequacy (MSA) were performed for each variable. Then, Exploratory Factor Analysis (EFA) was used to achieve the factor score of each variable. The factor score was analyzed using multiple regression to define the correlation between the independent and dependent variables afterwards. The correlation is significant if the significant value is below 0.05.

Result and Discussion

The total number of respondents included in this study was 108 people. They were from West Lombok, Central Lombok, and East Lombok. Most of the respondents were women (76.1%) while men were only 23.9%. The age varied from 19 to 59 years old and a large number of the respondents were from 21 to 30 years old.

This research had 3 independent variables: price, design, and brand image. Each variable had 6 items, 4 items, and 5 items of question respectively. The dependent variable (purchasing decision) consisted of 5 items of questions. The reliability test for each questionnaire variable was conducted using Cronbach's alpha test (Table1).

Table 1. Reliability for Each Variable

Reliability Statistics			
	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Price (X1)	.865	.873	6
Design (X2)	.878	.878	4
Brand Image (X3)	.930	.932	5
Purchase Intention (Y)	.937	.937	5

The results of the questionnaire items in all variables were reliable as a measurement tool for this research (Cronbach's alpha value > 0.5). The Cronbach's alpha values were 0.865, 0.878, 0.930, and 0.937 for price, design, brand image, and purchase intention variables, respectively.

Moreover, the Kaiser-Meyer-Olkin (KMO) test and Bartlett's test were conducted for each variable as seen in Table 2.

Table 2. KMO and Bartlett's Test for Each Variable

KMO and Bartlett's Test				
Variables	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	Bartlett's Test of Sphericity		
		Approx. Chi-Square	df	Sig.
Price	0.805	342.073	15	0.000
Design	0.782	232.342	6	0.000
Brand Image	0.892	428.118	10	0.000
Purchase Intention	0.898	447.261	10	0.000

Based on the KMO test for each variable, the results were 0.805, 0782, 0.892, and 0.898 for price, design, brand image, and purchase intention variables, respectively. It was significant if the KMO's value was more than 0.5. Additionally, the significance value of Bartlett's test of sphericity test was lower than 0.05, thus, the result was significant.

Not only the KMO and Bartlett test of sphericity, but also Kaiser's single-variable measure of sampling adequacy (MSA) was also conducted. This test is for debugging inappropriate items before a factor analysis (FA) solution is fitted to an item-pool dataset for item selection purposes. The results of MSA were shown in Table 3.

Table 3. Measure of Sampling Adequacy (MSA)

Anti-Image Matrices Correlation		
Variable	ITEM	Measures Of Sampling Adequacy (MSA)
Price	PRICE01	0.757
	PRICE02	0.733
	PRICE03	0.791
	PRICE04	0.815
	PRICE05	0.851
	PRICE06	0.866
Design	DESIGN01	0.853
	DESIGN02	0.801
	DESIGN03	0.734
	DESIGN04	0.766
Brand Image	IMAGE01	0.888
	IMAGE02	0.925
	IMAGE03	0.893
	IMAGE04	0.852
	IMAGE05	0.914
Purchase Intention	INTENTION01	0.894
	INTENTION02	0.922
	INTENTION03	0.909
	INTENTION04	0.873
	INTENTION05	0.898

According to this calculation, all MSA results of each variable were more than 50%. Thus, the results were appropriate for factor analysis. Next, the extracted factor for each variable can be seen in Total Variance Explained Table (Table 4).

Table 4. Total Variance Explained for Each Variable

Total Variance Explained for Price

V	F	Initial Eigenvalues			Extraction Sums of Squared Loadings		
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Price	1	3.684	61.393	61.393	3.245	54.082	54.082
	2	0.976	16.270	77.663			
	3	0.488	8.133	85.796			
	4	0.373	6.220	92.016			
	5	0.251	4.186	96.202			
	6	0.228	3.798	100.000			
Design	1	2.932	73.294	73.294	2.590	64.751	64.751
	2	0.496	12.393	85.687			
	3	0.370	9.239	94.926			
	4	0.203	5.074	100.000			
Brand Image	1	3.934	78.671	78.671	3.674	73.476	73.476
	2	0.374	7.480	86.151			
	3	0.283	5.660	91.811			
	4	0.249	4.984	96.795			
	5	0.160	3.205	100.000			
Purchase Intention	1	3.998	79.969	79.969	3.751	75.026	75.026
	2	0.330	6.600	86.569			
	3	0.286	5.722	92.291			
	4	0.214	4.289	96.581			
	5	0.171	3.419	100.000			

This step yielded one factor for each variable because there was only one factor resulting the eigenvalue above 1.

These factors were labeled as FS_PRICE, FS_DESIGN, FS_IMAGE, and FS_INTENTION. The multiple regression was tested for the factor scores, as shown in Table 5.

Table 5. Multiple Regression Result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.28E-16	0.041		0	1
FS_PRICE	0.247	0.085	0.241	2.894	0.005
FS_DESIGN	0.025	0.08	0.024	0.306	0.761
FS_IMAGE	0.672	0.088	0.671	7.597	0

$$Y= 3.28 \times 10^{-16} + 0.241(X1) + 0.671(X3) + e$$

The equation was obtained from the test, and the interpretation was explained below:
1) The intercept's value was 3.28E-16 or 3.28×10^{-16}. This value was minuscule and insignificant (p-value 1.000). Therefore, the constant or intercept in this regression equation does not have a significant influence on the dependent variable in the model.
2) The regression coefficient of the independent variable (X1) or the price variable was 0.241. This implies that an increase of one unit in price fairness of a product will increase the purchasing decision by 0.241 and vice versa.
3) The regression coefficient of the independent variable 2 (X2) or the design variable was 0.024. This coefficient was not included in the regression model because this coefficient did not provide a significant value in the model.
4) The regression coefficient of the independent variable 3 (X3) or the brand image variable was 0.671. This implies that an increase of one unit in Brand Image will increase the purchasing decision by 0.671 and vice versa.

Discussion

According to the results of this research, the price and brand image significantly influence the purchasing decision. When comparing the strength of both variables in influencing purchasing decisions, it is found that the strength of the brand image variable is stronger or more significantly influential than price fairness. Meanwhile, design does not have a significant influence. Research by Zahid et al. (2022) indicated that the primary factor in jewelry products that drove consumer purchases was durability, followed by differentiation, and fashion innovativeness at last which included design. Furthermore, Chaisuriyathavikun and Punnakitikashem (2016) also stated that design did not have a significant impact on gold purchasing decisions but the result was insignificant. According to their research, factors influencing gold purchasing decisions were buyer's preference and expected future value. The insignificant result could be due to various factors, such as the type of consumers used in the study or internal and external factors influencing purchasing decisions (Kotler & Keller, 2022).

A study conducted in India mentioned the main factors in jewelry purchases in that study are investment and gifts. However, it also showed that design, quality, manufacturing cost, and jewelry brands had an impact on purchasing decisions (Thakor & Parmar, n.d.). Aligning with the latter study, Pavithra and Venugopal (2022) emphasized the importance of maintaining jewelry design in order to meet the high expectations of customers. From the series of studies mentioned above, there are both supporting and opposing views on the impact of design on gold jewelry purchasing decisions.

The significant influence of price and brand image in this study is supported by Krishnan (2017). The study stated that social status, variety, brand name, word-of-mouth marketing, and price influence purchasing decisions. Phophalia et al. (2020) mentioned price and brand factors as the influencing factors in purchasing decisions. Mitesh et al. (n.d.) also stated that the main factors in purchasing decisions are investment and gifts, yet design, quality, manufacturing cost, and jewelry brand remain important factors.

Conclusion

In this study, price and brand image have a significant influence on purchasing decisions. Ensuring a suitable price for the products offered is expected to stimulate customers and potential customers to increase their willingness to purchase products from this business. Meanwhile, the design variable does not exert a substantial influence on purchasing decisions in this business. The price fairness of a product is crucial, indeed. Product pricing is one of the most important elements, and it is one of the marketing mix components that generate revenue for the company. Similarly, brand image is also fundamental because the established brand image of this business is capable of influencing consumer behavior for procurement

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