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**THE 1ST INTERNATIONAL CONFERENCE ON
ECONOMICS, BUSINESS, AND ACCOUNTING**

Proceeding

**“LOCAL WISDOM FOR RE-THINKING
GLOBAL SOLUTIONS”**

Padang, 21st – 23rd September 2016

**FACULTY OF ECONOMICS
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PT. Pegadaian Persero



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Doctor Sigit Triandaru (Faculty of Economics, University of Atma Jaya Yogyakarta)

Doctor Ade Palupi, MPPH, CA. (FEB, Universitas Airlangga)

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Address :Jalan Prof. Dr. Hamka Air Tawar Padang 25131
Telp / Fax :Fax. (0751) 447366
E-mail :feunppadang@gmail.com, info@fe.unp.ac.id

PREFACE

This Conference Proceedings contains the written version of most of the contributions presented during the First International Conference On Economics, Business And Accounting (The 1st ICEBA 2016). The ICEBA 2016 is the First International Conference on Economics, Business, and Accounting organized by Faculty of Economics State University Of Padang (Universitas Negeri Padang—UNP), West Sumatera, Indonesia. This conference's objective is to raise awareness on important issues related to the field of economics, business, accounting and economics education and as research discussion forum among academicians in those fields . This years' conference will be held on 21st to 23rd September 2016 in Pangeran Hotel Padang West Sumatera.

The main theme of the 1st ICEBA 2016 is "Local Wisdom for Re-thinking Global Solutions." The focus is to raise the importance of invoking local values, cultures, religiosity, and traditions in carrying out a rigorous and holistic in the field of economics, business, accounting and economics education.

The keynote speech of the 1st ICEBA 2016 will be delivered by the Ministry of National Development Planning / The head of National Development Planning Agency (BAPPENAS), Prof. Dr. Bambang P.S. Brodjonegoro. The scientific program consists of two plenary sessions and parallel sessions of 70 participants from five different countries and 29 universities/institutions. Subjects that are encounter within the theme of the conferences include cultural issues in human reseources management, marketing, Islamic finance, accounting and taxation, governance, and economic education will be discussed. The conference tries to find an alternative solutions for current business and economic problems by envoking local wisdoms to overcome potential cultural barriers.

We would like to thank to all participants for their contributions to the Conference program and proceeding. We'd also like to acknowledge the financial supports from Bank Indonesia, Bank Nagari and Pegadaian. We hope that all the participants can optimally contribute to the discussion and enjoy the whole conference programs.

Padang, 21st September 2016

Chairman

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MEASURING PRICE IMAGE: AN EMPIRICAL ASSESSMENT OF LOW PRICE STORE

Perengki Susanto¹, Halifah Nadia², firman³

Economics Faculty, Padang State University

¹perengki.unp@gmail.com

Abstract

Low price strategy in modern retail is an imperative issue discussed today by retail researchers and practitioners. Therefore, measuring the price image of modern retail become essential in knowing the application of everyday low price strategy. This research aims to investigate how price and non-price factors impact the price image of a modern retail. The data for this research were collected using a survey on consumers who shop at a modern retail with low price strategy. The population in this study was retail consumers who shop at Ramayana Department Store. The data was obtained by questionnaire and collected data using a mall-intercept approach. The results revealed that price factors influences price image, while non-price factors have no-effect on price image in Ramayana Department Store. Thus, these results reflect that the price image is determined by the price factor.

Keywords : *price image, low price strategy, non-price factors and price factors.*

I. Introduction

The high potential for the development of the retail industry in Indonesia help to gain many investors to invest and establishing modern retail outlets. Kearney (2015) ranked Indonesia at 12th of the Asian countries that enter into the TOP 30 Global Retail Development Index (GRDI). The following table shows the ranking of Indonesia in the global retail development based on a total score of Indonesia's economic growth.

Table 1. 2015 Global Retail Development Index (GRDI)

Rank (2015)	Country	Market Attractiveness (25%)	Country risk (25%)	Market Saturation (25%)	Time Pressure (25%)	GDRI Score
1	China	66,7	55,7	42,3	96,6	65,3
9	Malaysia	75,6	68,8	29,3	52,7	56,6
12	Indonesia	50,6	35,5	55,1	65,9	51,8
15	India	30,5	39,8	75,7	58,5	51,1
24	Philippines	39,6	35,0	51,6	60,7	46,7

Source: Kearney, A. T. (2015)

To view the competition among retail more clearly, especially for retail with the type of department stores, there is presented one indicator to measure the power of a brand name called Top Brand Index (TBI) known as Top Brand Award. The below table shows that Matahari became the winner of competition among other department stores. Matahari has highest a Top Brand Index among the other department stores based on department stores category in Indonesia.

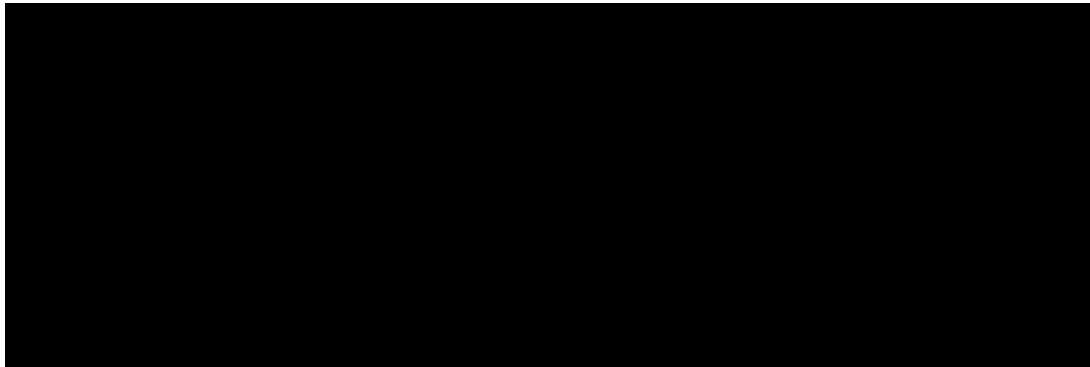
The phenomenon of retail competition in Padang also showed the same phenomenon with retail competition in Indonesia. It is characterized by the increasing number of modern retail stand in Padang. In the last ten years, the average growth of modern retail has increased from the previous year. But the last three years which is from 2011 until 2013 is increasing rapidly. This growth increased sharply as shown in the graph 1:

Table 2. Top Brand Index from 2013-2015 For Retail Category

Retail Name	Year		
	2013	2014	2015
MatahariDepartement Store	56%	55,30%	50,40%
RamayanaDepartement Store	18,60%	16,50%	15,50%
ToserbaYogya	6,90%	7,60%	5,30%
Sogo	6,90%	4,90%	6,30%

Source: *www.topbrand-award.com*, accessed on 7th April 2016

Competition among retail happens because each retailer seeks to favor themselves to attract the consumer buyer. Retail elections which will be visited by consumers cannot be separated from the process of making a decision made by consumers. There are several components that may affect consumer decisions such as the components of marketing efforts undertaken by the retail itself, socio-cultural environment, and components of consumer psychology (Schiffman and Kanuk, 2010: 483). In the component of marketing efforts undertaken by the manufacturer, there is a price component (Sullivan and Adcock, 2002:103). It means prices can influence consumers in making purchase decisions. Therefore, many retailers in Indonesia got into a price fight to influence consumer decisions, especially department stores and supermarkets.



Source: Department of Industry Trade Mining and Energy in Padang

Figure 1. Growth Chart of Modern Retail in Padang

Some strategies that may be carried by retailers in pricing is the pricing low and high, low prices every day, leader pricing (selling below cost of capital), price lining (limited offer for a price), as well as the odd pricing or using odd numbers for each price offered (Levy and Weitz, 2009: 435-436). Pricing strategies above are done by the retailer allows the formation of price image of its retail (Coulter, 2002).

Price image is a component contained in the formation of the price offered by the retailer. Price image is the general perception of the price level which is associated by consumers in one particular retailer (Hamilton & Chernev, 2013). As an example, A consumer considers the goods in a retail store generally has a low price.

In addition, price image could help retailers to save costs in providing information to the consumer. Instead of giving information the price of each product specifically, price image gives general perspective to consumers (Shin, 2005). Seeing how important the role of price image as revealed by several studies above, the depth research on price image is very necessary.

Research about price image have been done before. As research conducted by Hamilton and Chernev (2013) which revealed that there are various factors that make up

the price image. These factors consist of factor price and non-price factors. Almost similar research conducted by some researchers say that the price factor could affect the price image (Biswas et al., 2002; Desai and Talukdar, 2003). Besides price factors, there is non-price factors exist could affect the price image (Estelami, Grewal, Roggeven, 2007).

Among many research studies conducted on the price image, most of these studies only outline price factor and non-price factors that make up the price image without outlining the extent of these factors affect the price image.

II. Teoritical Framework

Prices Factors

As described in the definition that price image is the result of the involvement of pricing and other attributes by the manufacturer as well as the interpretation of the perception by consumers (Zielke, 2010), the factors of forming price image involves determining factors price image of the retailer and factors price image of consumers. The following factors affect price image described by Hamilton and Chernev (2013) and supported by the other articles that are relevant.

Firstly, the price factor can be seen from the five elements, namely dispersion of prices, price dynamics, price-related policies, price-based communications, and average price level (Hamilton and Chernev, 2013). Dispersion of prices means how retailers list the price for each product in their retail. For example, one retailer may price all of its items at a fairly consistent discount relative to the market average, whereas another retailer could price some items higher than the market average and offer lower prices on other items.

Even though these two retailers might have comparable average prices across all product categories, the resulting price image formed in consumers' minds is likely to be different, meaning that consumers may form category-specific price image impressions in addition to a retailer's overall price image. Consistent with this line of reasoning, prior research has shown that consumers tend to be sensitive to the dispersion of prices within a store's assortment rather than just to the overall price level (Alba *et al.* 1994).

Next, price dynamics means how often price changes occur in the retail. These price changes included raising prices or lowering prices within a specific time. Some retailers present consumers with prices that are relatively static over time, a strategy commonly referred to as EDLP, whereas others are marked by dynamic prices that can change frequently and/or dramatically. Price dynamics often occurs on retail who use EDLP (Everyday Low Price) as their strategy (Van Heerde et al, 2008).

Price-related policies relating to three aspects, (1) competitive price match guarantees; (2) low price guarantees; (3) payment policies. Competitive price match is a variety of signals to indicate that retail have the cheapest price. This sign can be shown in slogan and advertisement to convince consumers that retail has the cheapest price comparing other retails (Hsin-Hui Lin, 2005).

Low price guarantees are a variety of signals to indicate that retail have the cheapest price by giving guarantees. Anderson and Simester (2009) have further argued that lowest price guarantees offering protection against future discounts by the same retailer are relatively more effective than competitive price match guarantees.

Payment policies are payment form policies, such as the acceptance of various types of credit cards, personal checks, and cash, can also influence a retailer's price image (Lindquist 1974; Mazursky and Jacoby 1986). These policies can affect price image by revealing possible additional costs that the retailer incurs.

Price-Based Communications can gather information about prices not only through observation of the sale price but also observe the level of retail communication about pricing information through advertising, social media and public activities. It is like

advertising is one direct way to describe retail's price image to consumers and also influence consumers to evaluate the price (Compeau and Grewal, 1998)

Average Price Level is the average price level consists of the overall price of each product in a retail when compared to the overall price of each product in other retail and known as price fairness (Shu and Kai 2014). The average price level is important because consumers could not remember the exact nominal of price for each product so that they tend to rely on general perception about average price level (Desai and Talukdar, 2003).

Based on previous studies that the price factors effecton the price image (Lindquist 1974; Mazursky and Jacoby 1986; Compeau and Grewal, 1998; Hamilton and Chernev, 2013; Shu and Kai 2014). Therefore, in this study the authors formulated the following hypotheses:

H₁: There is a significant influence of price factors on price image

Non-Price Factors

Non-price factors can be seen from several aspects, namely physical attributes, service level, non-price policies. Firstly, physical attributes owned by retails such as the shape of the building, good lightning and others. Thus, a central location, exquisite decor, and nicer amenities are often associated with higher retailer costs and, consequently, higher price image. Empirical investigations have found that stores with expensive, fashionable interiors and pleasant music tend to have higher price image impressions, whereas stores that are shabby and untidy tend to have lower price images (Baker et al. 2002; Brown 1969).

Secondly, service level is an extra service owned by retail compared to another retails. This service level can be extra services like free packing, shopping shuttle service, and others. In line with the notion that consumers use service to evaluate the attractiveness of an individual price, research has suggested that consumers also use the level of service the retailer offers to infer a store-level price image such that higher levels of service tend to lead to higher price image evaluations, even when controlling for objective price levels (Brown 1969).

Finally, non-price policies associated with the store service policies in order to build relationship with consumers. A retailer's nonprice policies, such as the leniency of its return policy and its social responsibility policy, can have a significant impact on its price image. In general, nonprice policies tend to influence price image by affecting consumers' perceptions of the retailer's costs: policies associated with higher perceived costs for the retailer will likely lead to a higher price image, whereas policies that are perceived to reduce retailer costs are likely to lead to a lower price image (Hamilton and Chernev, 2013).

Based on earlier studies that the non-price factors effecton the price image (Lindquist 1974; Baker et al. 2002; Brown 1969; Hamilton and Chernev, 2013). Therefore, in this research the authors formulated the following hypotheses:

H₂: There is a significant influence of non-price factors on price image

III. Research Methods

The method used for this research is survey. This research conducted in Padang with population of residents which living in Padang and who has been shopped in Ramayana Department Store. The sampling method used in this study is a non-probability sampling, because of the number and identity of population is unknown. This research used purposive sampling as sampling technique. Data collection used mall-intercept. Data analysis techniques in this study using multiple regression with SPSS software version 20.

Questionnaire used Likert scale with five points alternative answers where positive statements with scale Strongly Agree (SS) = 5, Agree (S) = 4, Neutral (N) = 3, Disagree

(TS) = 2, Strongly Disagree (STS) = 1. While the negative statements with scale Strongly Disagree (STS) = 5, Disagree (TS) = 4, Neutral (N) = 3, Agree (S) = 2 and Strongly Agree (SS) = 1.

Operationally, the definition of the price factors are the cost incurred by the consumer in nominal form when buying products in Ramayana. While, non-price factors are factors of non-money issued by the company when consumers shop at Ramayana. And price image is the general perception of the price level which is associated by consumers in one specific retail.

The indicator of price factors consists of five variables which is dispersion of price adapted questions item from Zielke (2006), price dynamics adapted questions item from Alba, Mela, Shim, Urbani (1999), price related policies adapted questions item from Estelami, Grewal, Roggeven (2007), price based communication adapted questions item from Amara and Bouslama (2011) and average price level adapted questions item from Zielke (2010).

While, the indicator of non-price factors consists of three variables which is Physical Attributes adapted questions item from Baker and Grewal (1994), Service Level adapted questions item from Estelami, Grewal, Roggeven (2007) and Non-price Policies adapted questions item from Shu and Kai (2014). And for price image adapted questions item from Zielke (2010).

IV. Results and Discussion

From the questionnaires results to 277 respondents, around 28.8% of respondents aged 21-25 years and around 55.2% are mostly female respondents. Around 50.9% respondents' level education are bachelor of degree. Private employees are mostly in this research around 35.5%. And around 30% their average income is $>Rp2.000.000$ s.d $\leq Rp3.500.000$.

The results of the relationship between the constructs indicate that the price factors have positive influence on price image by 0.359 and significant at 0.05 (P values 0.000). It can also be proved by looking T Statistics at 4.859 that has a value greater than T table (T count 4.859 > T Table 1.96). Thus, Hypothesis 1 (one) in this study is **accepted**.

The results of the relationship between the constructs indicate that non-price factors have a positive value to the price image of 0.011 and is not significant at 0.05 (P values 0.854) It can also be proved by looking T Statistics at 0.184 which has a smaller value than the T Table (T Count 0.184 > T Table 1.96). Thus, Hypothesis 2 (two) in this study is **rejected**.

The influence of price factors toward price image

Based on the results of hypothesis testing found that there are significantly influence of price factors toward price image. The results obtained indicate that price factors have an important role in determining the retail's price image. By the influential it gained, then Ramayana must keep aspects of the price factor in order to create the good retail's price image.

The research result indicates that price factor has the highest positive regression coefficient at 0.359. It is means that price factors are the most influential factor and had a large portion in order to forming price image of Ramayana. These results are aligned with what has been written by Hamilton and Chernev (2013). According to Hamilton and Chernev (2013), to create a good price image, there are several factors that should be adjusted such as dispersion of price, price dynamics, price related policies, price based communication, and average price level.

The influence of non-price factors toward price image

Based on the results of hypothesis testing found that there is no influence of non-price factors toward price image of Ramayana department store in Padang. The results obtained indicate that non-price factors had no influence in determining retail's price image. The research result indicates that there is no influence of facilities, services and other policies that not related to price could changes a price image. This means that good physical attributes, good services and high of non-price policies given does not always create high retail's price image.

These result are aligned with what has been written by Grewal *et al* (1994) which stated that non-price factors such as physical attributes, service level and non-price policies have a weak influence on the relevance with price image. In other word, Grewal *et al* (1994) showed in his study that non-price factors will only affect the retail image itself.

V. Conclusions

Based on the research results and discussion that has been done on influence of price factors and non-price factors toward price image of the modern retails in Padang, it can be concluded as follows:

Price factors significantly influence price image of Ramayana Department Store in Padang. According to the results obtained in this study, generally Ramayana in Padang implement good price factors causing the high price image. The price factor applied include good dispersion of price, often do price communications and promotions, there are often a discounts, refunds ease bureaucracy, and equal price level. Those things are causing consumers to assume that in general Ramayana in Padang have high price image.

Non-price factors had no influence on price image of Ramayana Department Store in Padang. According to the results obtained in the study, generally Ramayana in Padang implement non-price factors that are not good. Ramayana has an interior design that is unstructured, services level are unsatisfactory, as well as non-price policies that are unsatisfactory. However, these things actually cause consumers think that the price image of Ramayana compatible with the services provided, uninteresting of layout design as well as poor non-price policies.

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