THE EFFECT OF PRODUCT DIFFERENTIATION AND PRICE ON PURCHASING DECISIONS TO FACTORY OUTLETS (FO) IN BANDUNG CITY (CASE STUDY OF HERITAGE THE FACTORY OUTLET)

Mariana Rachmawati¹, Sendy Narulita, Moch. Ilham Sidik NH²
Widyatama University, Bandung, Indonesia
¹Corresponding Email: mariana.rachmawati@widyatama.ac.id

ABSTRACT

The initial concept of FO that provides branded products with good quality and low prices can be used because FO business actors find their products do not pass the quality or standard test in the destination country so it is often said that FO goods are leftover goods for export or reject goods. This is what gave birth to the idea of providing an opportunity for the middle class kebahwah to be able to consume clothing with high-end brands. However, this research target is intended to find out data and information relating to product differentiation, price and purchase decisions through the influence of each variable. The samples studied were 111 respondents from Heritage Factory Outlet Bandung. The research method used is multiple linear regression and hypothesis testing. The results showed that price has the most significant effect when compared to product differentiation which affects consumer purchasing decisions. This is because the prices set by the Heritage Factory Outlet are seen as cheap and affordable for consumers, but for product differentiation efforts, it is still necessary to improve their strategies to improve consumer purchasing decisions.

Keywords: Product Differentiation, Price, Purchase Decisions

I. INTRODUCTION

In the recent unstable economic conditions with fluctuating changes in the rupiah exchange rate against the dollar, plus the increase in toll rates as of 1 November 2015 is one of the factors causing delays and even decreasing the ability of the community to spend money on fulfilling needs in the fashion sector.

As an alternative, consumers will adjust their spending, especially in terms of price, in general consumers will look for prices that are affordable compared to its competitors, even though the main concept of Factory Outlets is “defective goods” that are offered at factory prices, quality problems cannot be underestimated, consumers will carefully researching the items to be bought, if consumers feel disappointed with the products being marketed, it will have a major impact on Heritage Factory Outlet products.

In facing its competitors, Heritage Factory Outlet must have the right strategy. Product differentiation is one of the strategies that can be used to win the market. This is expected to have an impact on consumer purchasing decisions.

Figure 1. Factory Outlet Bandung City

It is not easy for Heritage Factory Outlet to provide its goods, as a company engaged in the Heritage fashion industry must always follow the prevailing trends and analyze consumer behavior in order to find out what the needs and desires of its consumers. In a simple case, during the period of August-November 2015 Bandung experienced very extreme weather changes where in the morning to noon there will be hot air but in the afternoon...
it will rain with light to moderate intensity which encourages consumers to adjust what clothes should be worn during the conditions. Like this. As a pioneer of fashion, Bandung Heritage is required to move quickly in dealing with this problem.

In addition, changes in clothing and accessories trends that change rapidly encourage Heritage to always update its fashion collections for women, men and children, not only updating the collections to be able to win the fierce competition Heritage also has to determine product differentiation and prices. can influence consumer purchasing decisions.

If other factory outlets only provide clothing or fashion products, Heritage Factory Outlet provides many alternative choices to meet the needs of consumers, including Heritage providing household needs such as bad covers, knick-knacks for birthdays and handicrafts, special places for batik and kebaya, toys for children.

Heritage Factory Outlet products have an attractive shape, even though they are engaged in clothing, the Heritage Factory Outlet can display a design that can attract the attention of its consumers, the models offered follow current trends, especially for clothing for children and adult women. The pictures displayed on children's clothes are very interesting by presenting cartoon characters that are popular with children, for example Frozen, Cars, Barbie cartoons, and other characters, besides that there is a special room for consumers who have large bodies, because there are also clothes with a large size so that it adds to the uniqueness of the Heritage Factory Outlet.

Heritage Factory Outlet as a pioneer of FO in Bandung is always required to maintain the quality of its products and pay attention to the durability of each product so that consumers feel confident and have a guarantee for the products they buy. In addition, through a careful design regarding its products the Heritage Factory Outlet can adapt its products to consumer needs. The quality that Heritage Factory Outlet wants to maintain is inseparable from the price that must be paid by its consumers. Price is the amount of money charged on a product or service or the amount of value that consumers exchange for the benefits of owning or using the service product being exchanged.

Price is also a factor that can influence purchasing decisions, affordability, competitiveness, and price discounts help determine consumer purchasing decisions for increased sales. The products offered by the Heritage Factory Outlet have affordable prices for children's clothes, priced starting from Rp.30,000, and can bring cute t-shirts. For adult women, the price starting from Rp. 50,000 is no less competitive than its competitors.

II. LITERATURE REVIEW

Product Differentiation

Product Differentiation is all the efforts made by the company to create a difference between competitors with the aim of providing the best value for consumers. Kotller and Armstrong (2012) stated that, "A company can differentiate its market offering according to five dimensions, namely, product, service, channel, personnel, and image". To explore the elements that exist in product differentiation, it can be seen from the dimensions of product differentiation. According to Kotler and Armstrong (2012), product differentiation includes; Shape, features, performance quality, reliability, easy repair, style, design (design), durability, uniqueness

Price

"Price is the amount of money billed for a product and service or the amount of value that is exchanged by customers to obtain benefits from owning or using a product or service" explained that price is the only element that can bring income to the company. Price has an important role in the success of the product and the survival of the company, in making purchasing decisions the price has a very big role, namely the price can be a factor of comparison when a consumer will buy a product or service. Before a company destroys its price, it must know very well what is the objective of its pricing. According to Stanton (2009), there are four indicators that characterize prices, namely: affordability, price compatibility with product quality, price competitiveness, price compatibility with benefits. According to Kotler and Armstrong (2009), the buyer's decision:

Purchase Decision

The purchase decision is the stage in the buyer's decision-making process where the consumer actually buys the product, purchase decision is a process where consumers first learn about a product before making a purchase. Purchasing decisions are an alternative for consumers to make choices. Tjiptono (2012) argues that: “Consumer
purchasing decisions are actions of individuals who are directly or indirectly involved in obtaining and using a product or service that is needed. So, the purchase decision is a process where consumers first learn about a product before making a purchase. Purchasing decisions are an alternative for consumers to make choices.

III. FRAMEWORK AND HYPOTHESIS

Figure 2. Relationship Flow Framework between Latent Variables

\[ X_{1.1} = \text{Product Differentiation (exogenous latent variable)} \]

\[ X_{1.2} = \text{Price (exogenous latent variable)} \]

\[ Y = \text{Purchase Decision (endogenous latent variables)} \]

\[ \zeta = \text{Residue factor} \]

**Hypothesis**

\[ H_1: \text{There is an influence between product differentiation on purchasing decisions to the Heritage Factory Outlet Bandung City.} \]

\[ H_2: \text{There is an influence between price on purchasing decisions to the Heritage Factory Outlet Bandung City.} \]

IV. RESEARCH METHODOLOGY

The object of research in the preparation of this find out how much influence product differentiation and price on purchasing decisions at the Heritage Factory Outlet Bandung City. with the variables examined are the Customer Factory Outlet and Heritage Factory Outlet in Bandung City the design research used in this research is exploratory, descriptive, verificative, and causal, which aims to find views or insights into the problem in general, to clarify emerging phenomena and to clarify the priority of the problem in research. descriptive research is research that aims to obtain variable characteristics or provide a more accurate description of the variable or segment. hypothesis testing with multiple linear regression analysis, so in determining the research sample 100 is carried out by using probability sampling techniques.

V. RESULTS AND DISCUSSION

The results of the calculation of test statistics on hypothesis testing:

Table 2. T-test results for variable differentiation of the product

<table>
<thead>
<tr>
<th>hypothesis</th>
<th>( T_{count} )</th>
<th>Sig (p)</th>
<th>( t_{table} )</th>
<th>( \alpha )</th>
<th>Purchase Decision</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>( H_0 : \beta_1 = 0 )</td>
<td>4.008</td>
<td>0.000</td>
<td>1.659</td>
<td>10%</td>
<td>( H_0 ) rejected</td>
<td>Significant</td>
</tr>
</tbody>
</table>

So, it can be concluded that there is a significant (meaningful) effect of product differentiation on Purchasing Decisions at the Heritage Factory Outlet Bandung.

Table 3. T-test results for variable Price
So, it can be concluded that there is a significant (meaningful) effect of Price on Purchasing Decisions at the Heritage Factory Outlet Bandung.

The amount of influence jointly product differentiation and price on purchasing decisions at the Heritage Factory Outlet Bandung can be seen the value of the coefficient of determination (R^2). The table below is the calculation result of the coefficient of determination for the regression equation obtained.

Table 4.

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R squared</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.697^a</td>
<td>.486</td>
<td>.476</td>
<td>.47986</td>
</tr>
</tbody>
</table>

^a: (Constant), Price (X2), Purchasing Decisions (X1)

The magnitude of the effect of product differentiation and price on purchase decisions (Y) can be seen from the correlation value and the coefficient of determination (R^2). The results obtained show that product differentiation and price on purchasing decisions at the Heritage Factory Outlet Bandung simultaneously have an effect of 0.486 (48.6%). The effect was quite large. While 100% - 48.6% = 51.4% others are influenced by other factors that are not included in the variables studied in this study.

Meanwhile, to see the magnitude of the influence of each independent variable on the dependent variable, it can be seen by multiplying the beta value by the zero order value as follows:

Table 5.

<table>
<thead>
<tr>
<th>Coefficients^a</th>
<th>Standardized Coefficients</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Z</td>
<td>Beta</td>
</tr>
<tr>
<td>Product Differentiation</td>
<td>.350</td>
<td>.610</td>
</tr>
<tr>
<td>Price</td>
<td>.426</td>
<td>.640</td>
</tr>
</tbody>
</table>

^a Variable: product differentiation (Y)

Based on the table above, the following calculations are made:

The effect of X1 on Y = 0.350 x 0.610 = 0.213 or 21.3%. The effect of X2 on Y = 0.4265 x 0.640 = 0.273 or 27.3%. Based on the above calculations, it is known that of the two independent variables analyzed, it can be seen that Price (X2) has a greater influence on Purchasing Decisions at Heritage Factory Outlet Bandung with the contribution of the influence given by 27.3% and the influence given by the product differentiation variable (X1) of 21.3%.

VI. CONCLUSION

Conclusion

1. In general, the differentiation of the Bandung Heritage Factory Outlet products has been considered good by consumers where visitors see that there are already differences in the Bandung Heritage Factory Outlet products which means to differentiate the Bandung Heritage Factory Outlet product offerings from its competitors' offerings.

2. The prices of Heritage Factory Outlet Bandung products are generally good (appropriate) in consumer assessments. Consumers feel that the money spent on a Bandung Heritage Factory Outlet product and service being exchanged is generally in accordance with the benefits obtained.
In general, consumer purchasing decisions for Heritage Factory Outlet Bandung products are not high (moderate). Individual visitors in obtaining and using the Bandung Heritage Factory Outlet products are still not high (mediocre).

Product differentiation and price affect the Purchase Decision on the Heritage Factory Outlet Bandung products. This is indicated by the p-value (F test significance) obtained is small from 0.05 or 0.000 <0.05 with a percentage of influence of 48.6%

Product differentiation and price have a partial effect on Purchasing Decisions at Heritage Factory Bandung products, which are explained as follows: Product differentiation has an effect on Purchasing Decisions on Heritage Factory Outlet Bandung products. This is indicated by the p-value (test significance) obtained is small from 0.05 or 0.000 <0.05 with a percentage of influence of 21.3%. Price affects the Purchase Decision on the Bandung Heritage Factory Outlet product. This is indicated by the p-value (test significance) obtained is small from 0.05 or 0.000 <0.05 with a percentage of influence of 27.3%.

Suggestions

1. This is supported by the level of product form that is marketed more attractive than other products, the features of Heritage fashion products, the conformity with the quality / uniqueness expected by consumers, the products marketed according to the design and desires of consumers and the products have good durability.

2. Even so, for the product style dimension of the Heritage Factory Outlet Bandung, it still needs to improve in terms of product impressions that are more confident than other Factory Outlets.

3. Increase in terms of product impressions that are more confident than other Factory Outlets. Efforts that can be made are for example by adding more products according to consumer desires and current trends.

4. Increase consumer confidence in the price paid is in accordance with quality because consumers think that the price paid by consumers is still in the good enough category.

5. The Heritage Factory Outlet company is expected to continue to encourage an increase in consumer purchasing decisions by encouraging consumers to continue to seek the most up-to-date information from the Heritage Factory Outlet through print, electronic or other media.

REFERENCES