

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter, author will describe the theoretical background of this research. The author will explain the explanation about packaging design, perceived value, price sensitivity, and purchase intention. Then, the previous study, research hypothesis and conceptual framework of this research will be explained in this chapter.

#### **2.2 Theoretical Background**

##### **2.2.1 Packaging**

Every company cannot sell the product without something that covers the product. Not just for safety purpose, the covers of the product that we call it as packaging, can attract people to buy the product. A good packaging also will help the customers to identify and differentiate the product from the other brand (Ahmed *et al.* 2014). The importance of packaging on perishable foods is to informs consumers about allergy, nutritional preferences, also the freshness of the product, it can be read-out from the information that provided in the packaging. (Dekker, Bartels & Van Boekel, 2014 cited in Mohebbi, B., 2014).

Packaging plays a crucial role in product success, especially in the fast moving consumer goods industry and exercises a significant effect on consumer's buying decision. (Simms and Trott, 2010 cited in Mohebbi, B., 2014). On table 2.1 Simms and Trott (2014) cited in Mohebbi, B. (2014) summarized the key roles and function of packaging.

**Table 2.1.**  
**The Key Roles and Functions of Packaging**

<b>Key Roles and Functions</b>	<b>Elements of Packaging's Role</b>
Protection	<ul style="list-style-type: none"> <li>- Effects on the supply chain</li> <li>- Tamperproof</li> <li>- Role in transportation and logistics</li> <li>- Product safety and quality</li> </ul>
Containment	<ul style="list-style-type: none"> <li>- Protection from hazards: mechanical, chemical, environmental, climatic, bacteriological</li> <li>- Quantity/amount</li> <li>- Affect on quality</li> </ul>
Identification	<ul style="list-style-type: none"> <li>- Product identification</li> <li>- Labeling (effective)</li> <li>- Information: copy/illustrations on use</li> </ul>
Marketing communication	<ul style="list-style-type: none"> <li>- Supporting marketing communications</li> <li>- Supporting promotion of other products</li> <li>- Sales/marketing</li> <li>- Positioning</li> </ul>
Cost	<ul style="list-style-type: none"> <li>- Transport and storage costs</li> <li>- Process cost implications</li> </ul>
User convenience	<ul style="list-style-type: none"> <li>- Openability/access</li> </ul>

	<ul style="list-style-type: none"> <li>- Reclosability</li> <li>- Carrying</li> </ul>
Market appeal	<ul style="list-style-type: none"> <li>- Suitable quantity/format</li> <li>- Consumer and market appeal</li> <li>- Branding</li> </ul>
Innovation	<ul style="list-style-type: none"> <li>- Facilitating commercialization</li> <li>- Innovation and technology</li> </ul>

Source: adapted from Simms and Trott, 2014 cited in Mohebbi, B., 2014

### 2.2.2. Perceived Value

Based on Ulaga and Eggert (2005, p. 75) cited in Chen 2013, they already survey the literature about value concept and finally concluded that there are four characteristics:

1. Customer value is a subjective concept,
2. It is conceptualized as a trade-off between benefits and sacrifices,
3. Benefit and sacrifices can be multi-faceted,
4. Value perception are relative to competition.

According to Mayr *et al* (2011) perceived value involves a trade-off between what the customer gets such as quality, benefits, and utilities and what they give up such as prices, sacrifices, and time to buy and consume a product. In this purchase value two different perspective are identifiable, the first is unidimensional, and the second is multidimensional.

In the unidimensional conceptualization, perceived value is based on the “give versus get” or “benefits versus sacrifices” trade-off concept. This approach

stated that perceived value is not defined by, but depends on, benefits that the consumers received (economics, social relationship) and sacrifices made (monetary, such as price or non monetary such as time, effort, and risk). According to Roig *et al* (2006), the value of multidimensional conceptualization incorporates, as well as the functional dimension, an affective dimension that captures emotional and social aspects of the individual, examining more closely subject relating to consumer's purchasing behaviour.

### **2.2.3 Price Sensitivity**

According to Goldsmith *et al.*, (2005) price sensitivity is how consumers react to price levels and to price changes. Price sensitive consumers search the low prices and they are less likely to buy when the price of the product rise. It is different with price intensive consumers, they are willing to pay higher prices for the same goods than are price sensitive consumers and they are more willing to buy if prices go up (Foxall & James, 2003 cited in Goldsmith *et al* 2005).

Based on Goldsmit and Newell (1997), a consumer high in price sensitivity will manifest much less demand as price goes up or higher demand as price goes down. Consumers that low in price sensitivity will not react as strongly to a price change.

#### **2.2.4 Purchase Intention**

Dodds, et al, (cited in Wu, 2015) indicated that purchase intention means the possibility that consumers have the intention to purchase the products. Engel, et al, (cited in Wu and Tsai, 2013) suggested that purchase behavior is the psychological decision making. In order to satisfy the needs, consumers will search for the related information according to their experience and external environment. After the information is accumulated, consumers start the evaluation and consideration. Upon comparison and judgement, they make purchase decision. Shan et al, (cited Wu and Tsai, 2013) suggested that purchase intention could be measured by intention to purchase the products advertised or consumption in the stores.

Every managers need customer's purchase intention because purchase intention can give forecasting about the demand of product of company (Tsotsou, 2006). It helps the company to always be up to date about newest condition and situation of the market and to be able to increase the quality of the company in producing and serving their product. That is why to form a consumer's purchase intention, the company has to be dynamic in new-to-market offering. (Johnson et al., 2006)

## 2.3 Previous studies

There are some journals from previous researchers that are used by researcher to reinforce the theoretical background in this study. Here are the list of those journals:

**Table 2.2**

Previous Study about The Perceived Value, Price Sensitivity, and Purchase Intention

NO	Title	Variable	Method	Findings
1	<i>The Relationship Between Package Redesign and Purchase Intention</i>  Ya-Fang Wu, Chao-Sen Wu, Cheng-Jong Lee, Li-Fen Tsai (2014)	1. Perceived value 2. Price sensitivity 3. Purchase Intention	Multiple Regression Analysis	Among factors of perceived value, quality value of commodity and monetary value of commodity have a significant and positive impact on consumer purchase intention. Regarding commodity goodwill value, it has a significant negative impact on consumer purchase intention. On the other hand, price sensitivity has a significant moderating impact on consumer's quality value of commodity and purchase intention. The research would provide the value for the enterprises to make different pricing policies.
2	<i>Development of Multi-Dimensional Scale for Measuring the Perceived Value of a Service</i>  James F. Petrick, Ph.D (2002)	1. Perceptions of service quality 2. Purchase of service 3. Service experience 4. Perceived value	Formal tool for perceived value of a service, use comparisons of service quality with SERVQUAL scale and SERVPERF scale.	Result of the study showed that perceived quality leads to perceived value, which leads to purchase intentions.

		5. Repurchase intention and word of mouth		
3	<p><i>Situational Price Sensitivity: The Role of Consumption Occasion, Sosial Context, and Income</i></p> <p>Kirk L. Wakefield, J. Jeffrey Inman (2003)</p>	<ol style="list-style-type: none"> <li>1. Consumption occasion (hedonic)</li> <li>2. Social setting (social)</li> <li>3. Price sensitivity</li> </ol>	Multiple Regression Analysis	Our results suggest that consumers are less price sensitive when making a hedonic purchase or in a social context. Study one shows that consumers are relatively less sensitive to price for hedonic products than for functional products. Study two examines consumption occasion effects in a broader context and suggests that income moderates the consumption occasion effect, as income does in our subsequent study. Study three examines actual price paid and replicates our earlier findings by revealing lower price paid when pizza is being purchased for a functional occasion or when it was intended for private consumption
4	<p><i>The Relationship Between Customer Satisfaction and Loyalty: Cross-Industry Differences</i></p> <p>Lars Grondholdt, Anne Martensen, Kai Kristensen (2000)</p>	<ol style="list-style-type: none"> <li>1. Image</li> <li>2. Expectations</li> <li>3. Perceived quality of "hard ware"</li> <li>4. Perceived quality of "human ware"</li> <li>5. Perceived value</li> <li>6. Customer satisfaction</li> <li>7. Customer loyalty</li> </ol>	ECSI pilot study	The newly developed methodology behind Pan-European customer satidfaction measurement instrument ECSI has been applied in Denmark, and there are interesting result provising insight about how customer satisfaction affect customer loyalty and differences across industries have been investigated. The model fits well and seems to be sufficiently flexible for different industries.
5	<p><i>Impact Of Product Packaging On Consumer's Buying Behaviour</i></p>	<ol style="list-style-type: none"> <li>1. Packaging Color</li> <li>2. Packaging Metrial</li> </ol>	Measures the central tendency, dispersion, descriptive analysis, and correlation.	The research has found that different packaging cuses impact and how a product is perceived. It is also concluded that most

	Ahmed Rizwan Raheem, Parmar Vishnu, Amin Muhammad Ahmed (2014)	<ul style="list-style-type: none"> <li>3. Design of Wrapper</li> <li>4. Innovation</li> <li>5. Consumer's Buying Behaviour</li> </ul>		consumers like the product quality after their desired package product.
7	<p><i>Perceived Value in Community Supported Agriculture (CSA)</i></p> <p>Weiping Chen (2013)</p>	<ul style="list-style-type: none"> <li>1. Product benefits</li> <li>2. Emotional benefit</li> <li>3. Social Benefits</li> <li>4. Perceived benefits</li> <li>5. Inconvenience</li> <li>6. Risk</li> <li>7. Perceived sacrifices</li> <li>8. Perceived Value</li> <li>9. Loyalty</li> <li>10. Satisfaction</li> </ul>	This research begins by reviewing relevant literature that frames the concept of perceived value in CSA and integrates this construct into a nomological network. Operational measures for each component of perceived value in CSA are then developed. The scale is validated, and then used to test the hypothesized model in a sample of 198 consumers of Beijing's five CSA farms using partial least squares (PLS) as an analytical tool.	Perceived value in CSA is found to be a formative, multi-dimensional, third-order construct. Further, the results suggest that perceived value in CSA has both a direct positive effect on consumer loyalty and an indirect effect mediated through consumer satisfaction.
8	<i>Price Sensitivity and Innovativeness for Fashion Among Korean Consumers</i>	<ul style="list-style-type: none"> <li>1. Fashion price sensitivity</li> <li>2. Fashion Innovativeness</li> </ul>	Confirmatory Factor Analysis (CFA)	The findings indicate the psychometric soundness of the PSS.



	Ronald. E Goldsmith, Daekwan Kim, Leisa R. Flynn (2005)			
9	<i>A Study On Consumers' Attitude Towards Brand Image, Athletes' Endorsment, and Purchase Intention</i>  Chao-Sen Wu (2015)	<ol style="list-style-type: none"> <li>1. Brand Image</li> <li>2. Athlete Endorsement</li> <li>3. Purchase Intention</li> </ol>	SEM analysis method	The research result showed that, consumers' attitude towards brand image indeed has positive influence on purchase intention.
10	<i>The Research on Relationship among Online Game Endorsment, Adolescent Involvement and Game Purchase Intention</i>  Chao-Sen Wu, Li-Fen tsai (2013)	<ol style="list-style-type: none"> <li>1. Endorsement of online games</li> <li>2. Adolescent involvement</li> <li>3. Game purchase intention</li> </ol>	Regression analysis	Attraction of online game endorsement significantly and positively influences internal preference and external stimulus of game purchase intention

## 2.4 Hypothesis Development

Ravald and Grönroos (1996) argued that customer perceived value has become one of the key factors of differentiation and keeping competitive advantages. Customer perceived value is also the most important indicator of repurchase intention (Cronin et al., 2000; Parasuraman and Grewal, 2000; Choi et al., 2004). When the consumer perceived value is higher, it can better stimulate the repurchase intention. Grunert (2005) suggested that when the perceived quality is very high, the consumer will have the intention to repurchase the product. Kontogeorgos and Anastasios (2008) found that, when the product quality is recognized by consumers, it will promote the product sales and enhance profits to affect business performance. Tiziana and Gracia (2008) indicated that the consumer attempts to follow healthy and regular life, and will have positive viewpoints about products before generating purchase intention. Batte, Hooker, Haab and Beaverson (2007) found that product purchase is subject to product purchase intention. Oh (1999) and Chen and Chen (2009) respectively pointed out that customer perceived value has a positive impact on customer satisfaction and repurchase intention. This study proposes the following hypothesis:

**H1a : Perceived value has a significant impact on purchase intention of Pocari Sweat on canned packaging.**

**H1b : Perceived value has a significant impact on purchase intention of Pocari Sweat on bottle packaging.**

Sajeev and Colgate (2001) proposed the integrated model of behavioral intentions, and suggested that the customer value concepts constructed by price and quality are the antecedent variable of customer satisfaction to further affect behavioral intention. Lin and Chen (2006) indicated that purchase intention can be an important indicator to predict purchase behavior. Many studies have confirmed that perceived value will positively affect behavioral intentions (Zeithaml (Sajeev & Mark, 2001), 1998; Fredericks and Salter, 1995; Parasuraman and Grewal, 2000). If the consumer perceived value is higher, the customer's repurchase intention and recommendation intention will be higher accordingly. When the consumer has more knowledge about product and price, the level of price sensitivity will be higher (Huber, Holbrook, & Kahn, 1986). In other words, the consumer's knowledge about the product and consumer price sensitivity is positively correlated (Goldsmith et al., 2005). Wakefield and Iaman (2003) pointed out that, if the consumer makes additional purchase efforts for lower price, it means that the consumer is sensitive about the price. Wakefield and Inman (2003) pointed out that, the price sensitivity of purchasing functional products will be higher than that of entertaining products. Meanwhile, users of trendy products cannot resist the attractiveness of the product and reduce their price sensitivity (Goldsmith et al., 2005). The product knowledge and price knowledge of the consumer will increase the level of price sensitivity (Huber et al., 1986; Rao and Sieben, 1992). If the consumer has a lasting interest or concern about the product, the consumer may accept the product at a relatively higher price (Bloch and Richins, 1983), and it also affects its purchase intention. This study proposes the following hypothesis:

**H2a : With price sensitivity as a moderating variable, the consumer product perceived value has a significant impact on purchase intention of Pocari Sweat on canned packaging**

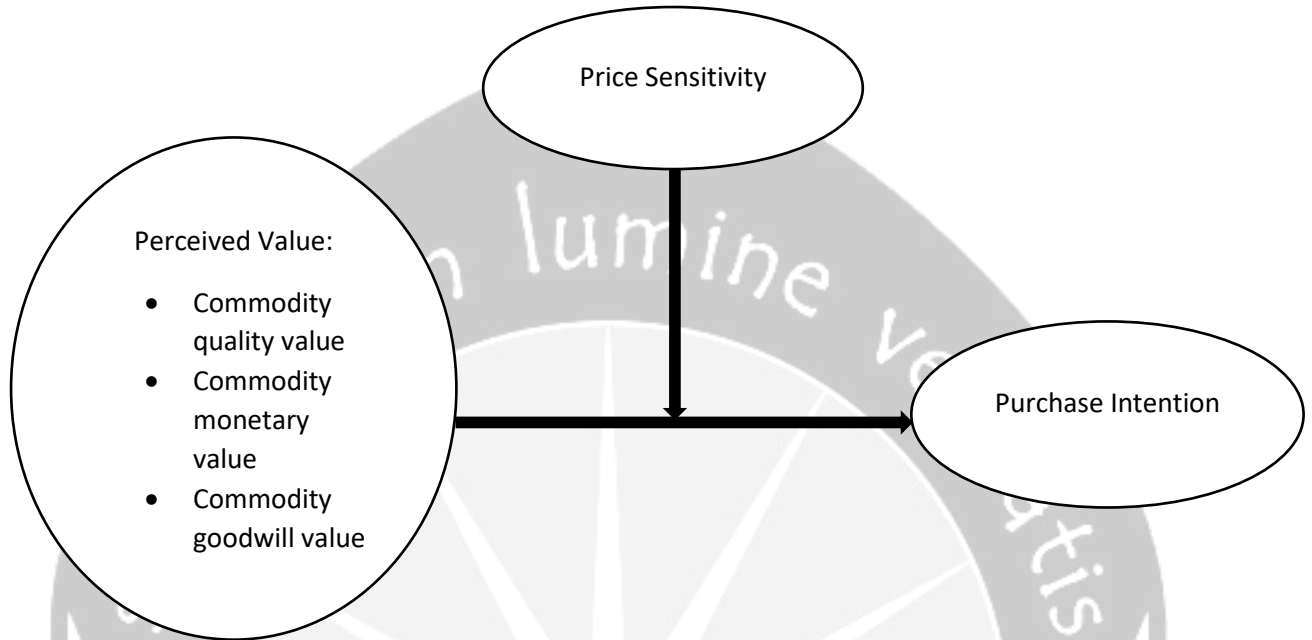
**H2b : With price sensitivity as a moderating variable, the consumer product perceived value has a significant impact on purchase intention of Pocari Sweat on bottle packaging.**

## **2.5 Conceptual Framework**

This research framework below is consist of three variables, which are perceived value as the independent variable, price sensitivity as the moderating variable, and purchase intention as the dependent variable.

**Figure 2.1**

Conceptual Frameworks



Adopted from: Ya-Fang Wu, Chao-Sen Wu, Cheng-Jong Lee, and Li-Fen Tsai (2014)