

## **CHAPTER II**

### **LITERATURE REVIEW**

This chapter covered about all the dependent and independent variable that will be discussed in this research. Each variable will be reviewed based on its definitions and theories related to it. Furthermore, the previous research that support the development of hypothesis also being describes to gain support of argument. The last part of this chapter will show the research model that used in this research.

#### **2.1 Literature Review**

##### **2.1.1 Bandwagon Effect**

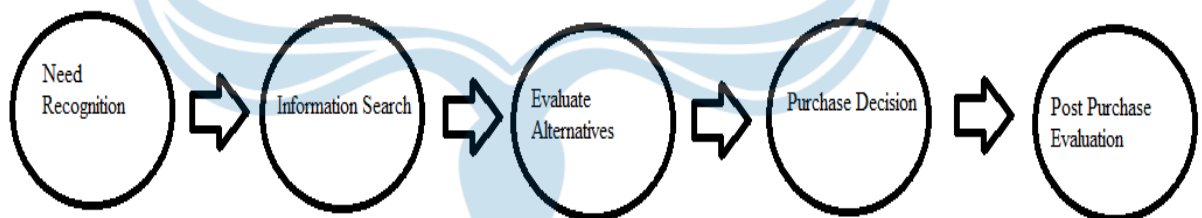
Bandwagon effect is a phenomenon of decision making by a person who is influenced by the decisions taken from the majority (Hong and Konrad, 1998). The effect of the bandwagon is not only in terms of the majority vote or a person's habits, but also because of a request or invitation by a person to an individual. This research will replicate the concept of research.

Kastanakis & Balabanis (2012), where it is stated that the research is oriented to psychological factors that influence a person in seeing the bandwagon effect. The consumer psychology factors in question such as the consumer's self-concept which will later affect the characteristics of the consumer himself in responding to the consumption of luxury goods. These consumer characteristics such as sensitivity to normative influences, having high consumption status, need for uniqueness and its impact on bandwagon luxury consumption behavior. In this study, it has a slight difference with the research of Kastanakis and Balabanis (2012) where this study only examines the extent to which a person responds to the effects of the bandwagon luxury consumption behavior.

### 2.1.2. Purchase Intention

According to Peter and Olsen (2000) intention is a plan Influence of innovation to engage in a specific behavior in order to achieve the goal. Meanwhile, according to Peter and Olsen (2000) intention is a plan to be involved in a specific behavior in order to achieve a goal. According to Eagly (2019) in the journal (Bimantari, 2019: 198) argues, intentions with consumer motivation are feelings or conscious plans to take certain behavioral actions. According to Vranesevic and Stanandccaronec (2019) in the journal (Widjanarko, 2019: 23), Purchase intention is a personal intention to buy a selected brand choice for themselves after completing the evaluation. According to Shah et al in the journal (Widjanarko, 2019: 23) Purchase intention is a decision taken by consumers on the grounds that consumers buy the product.

According to Kotler (2012: 89) in the process of making a decision to buy a product, consumers usually go through the following stages: need control, information search, evaluation, alternative, purchase decision and selling behavior. There is a thought that consumers are the target market of the product. If the product according to the consumer can afford to meet needs, consumers will buy product and vice versa if the product is considered cannot meet needs, consumers will not buy it.



Source: Kotler (2012)

**Figure 2.2**

**5 step-in decision-making process**

According to Kotler (2011: 208) states that in carrying out purchase intentions, consumers can determine five sub-purchasing decisions, which are as follows: The brand decision is that the consumer must make a decision about which brand to buy. The supplier's decision is that the consumer must make a decision on where a product will be purchased, in character A, shop B, or other figures.

### **2.1.3. Conspicuous Value**

Conspicuous consumption can be referred as “the act of buying a lot of things, especially expensive things that are not necessary, in a way that people notice” (Longman American Dictionary, 2000, p. 296). Perceived conspicuous value measures how conscious consumers are of luxury brands. Bearden and Etzel in Vigneron and Johnson (1999) conclude that people will be more aware of luxury goods that are used by the public than luxury goods that are used for private purposes. Consumer awareness of the use of luxury goods is perceived to show wealth so that those who use well-known luxury brands assume that they have dominated the consumer group who are aware of luxury brands. Conspicuous value is “derived from the consumption process which is solely focused on the display of wealth” (Shukla, 2012, p. 578). Consumer preferences for many products that are purchased or consumed in the public are shaped by conspicuous consumption (Wiedmann, et al., 2009).

### **2.1.4. Social Value**

Perceived social value is used to measure perception consumers about the brands they use and how they relate to their social lives. French and Raven in Vigneron and Johnson (1999) also concluded that the bandwagon effect affects a person to feel comfortable when he is in a group that uses a luxury brand rather than being with a group that does not use a non-luxury brand. Social value perceptions are in general outer directed consumption preferences and they are related to the instrumental aspect of impression management (Shukla, 2012). Social value is the quantification of the relative importance that people place on the changes they experience in their lives. Some, but not all of this value is captured in market prices. It is important to consider and measure this social value from the perspective of those affected by an organization’s work.

Social values; are criteria shared by the majority of a society in an ideal sense, all of which led them to the better society. Societal values regulate and organize daily life. Such values as honesty, sedulity, helpfulness, and modesty are some of these societal values. From a sociological perspective, ideally, real values are only unique to one society. Hence, values are original to one group at a single moment in time (Dogan, 2011).

### **2.1.5. Brand Attractiveness**

Brand attractiveness is based on consumers' positive evaluation of the brand. Brand attractiveness will encourage consumers to seek information about the brand. Identification is more likely to occur when consumers find a company or brand to be attractive, and an attractive brand identity can increase consumer self-evaluation (So et al, 2017). Thus, a consumer who perceives a brand's identity as attractive is more likely to identify with the brand and incorporate that identity.

Brand attractiveness manifests in a brand's ability to attract customers and in the customer's willingness to buy. Its level correlates to the brand's success potential. It is, however, independent of the brand's degree of awareness. The brand attractiveness perceived by the customer is expressed in positive associations or in the quality of the brand relationship. It creates conation effects that are beneficial to a company's profitability.

Brand attractiveness is the “extent to which a brand is attractive, favorable, and distinctive” (Sophonsiri & Polyorat, 2009, p. 54). It is important for brand success (Kim, Han, & Park, 2001) since it affects market share positively (Benito et al., 2008). Also, perceived brand attractiveness influences the relationship between consumers and brands. To some extent, the quality of the relationship between consumers and brands appears to be dependent on the brand’s perceived attractiveness (Hayes, Alford, Silver, & York, 2006). Brand personality dimensions and brand associations affect brand attractiveness (Sophonsiri & Polyorat, 2009). And global brands are perceived as more attractive than the domestic brands (Alden et al., 1999).

### **2.1.6. Willingness to pay**

Willingness to pay (WTP) is generally defined as the user's willingness to pay in return (in the form of money) for the services he obtains. Willingness to pay is also defined as the maximum amount that consumers will pay to enjoy quality improvements (Whitehead in Mahali, 2005: 4). To understand the concept of Willingness to Pay (WTP) consumers for an item or service must start from the concept of utility, namely benefits or satisfaction from consuming goods or services at a certain time. Every individual or household always tries to maximize its utility by certain income, and this will determine the amount of demand for goods or services to be consumed. Demand according to Perloff (2004) is defined as the amount of goods or services that consumers want or want to buy or pay (willingness to buy or willingness to pay) at a certain price and at a certain time.

Willingness to pay is the highest price willing to be paid to get a benefit in the form of goods or services, as well as making a benchmark for how big the candidate is consumers value the goods or services. (Amelia, 2016). Willingness to pay is an economic value which is defined as a measurement of the maximum amount a person wishes sacrificing goods and services to obtain goods and services. The concept of wanting to pay someone for goods or services produced by these natural resources and the environment formally referred to as willingness to pay (Kamal, 2014).

Willingness to pay is the maximum price of a goods that consumers want to buy at a certain time (Zhao and Kling, 2005). Willingness to pay is actually a price where the level of consumers reflects the value, namely the value of goods and services and sacrifices to get them (Simonson & Drolet, 2003). Willingness to pay can be interpreted as the public's willingness to accept the burden of payment, according to the predetermined amount. Willingness to pay is important to protect consumers from the dangers of a company monopoly related to prices and the provision of quality products (Grece L. and Njo N., 2014)

## 2.2 Previous Research

**Table 2.2**  
**Previous Research**

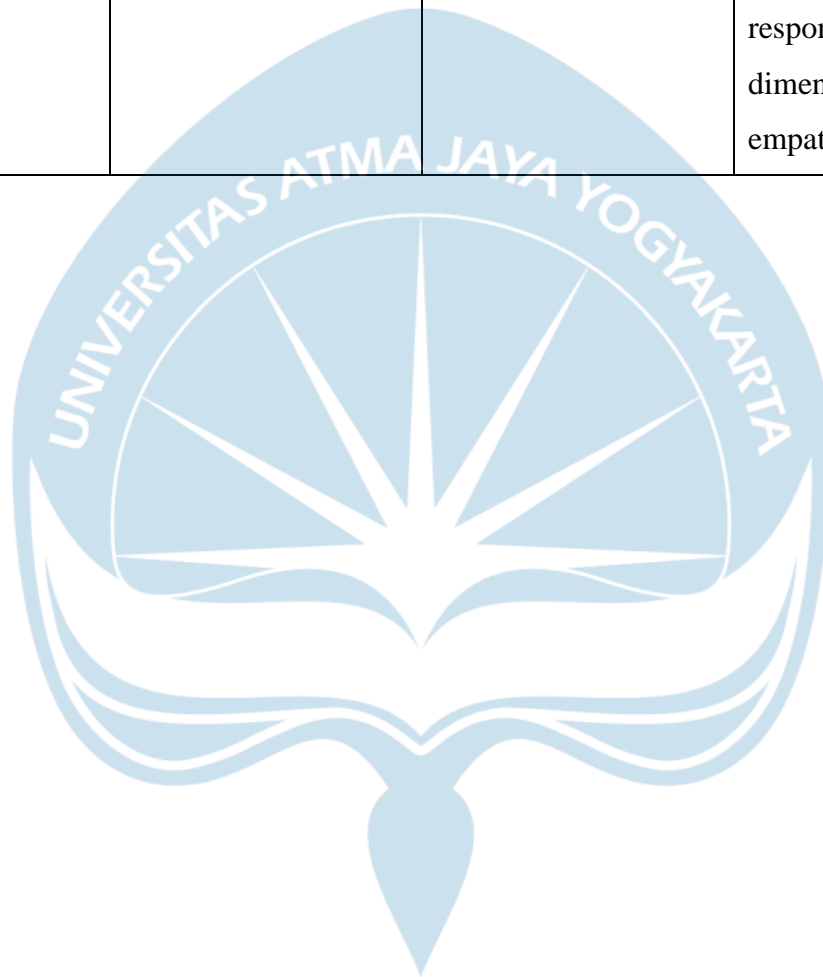
Title & Author	Variables	Research Method	Result
Attractiveness, Purchase Intention, and Willingness to Pay More for Global Brands: Evidence from Turkish Market <b>Author: Ulun            Akturan &amp; Zehra            Bozbay</b> <b>Year: 2017</b>	Brand attractiveness, purchase intention, willingness to pay more, bandwagon consumption, social value, conspicuous value	Quantitative research, Descriptive research, instrument used are SEM	The results provide strong support for the conceptual model in figure 2.1.
An experimental study of the bandwagon effect in conspicuous consumption <b>Author: Malgorzata            Niesiobedzka</b> <b>Year: 2015</b>	Bandwagon effect, conspicuous consumption, willingness to pay more	Descriptive research, instrument used are SPSS	The activation of the idea of the aspirational group enhances willingness to pay more for luxury product.
Willingness to pay for environmentally linked clothes at event <b>Author: Wayne W.            Smith</b> <b>Year: 2016</b>	Willingness to pay	Quantitative research, instrument used are CVM	Results indicate that both product designs significantly increased willingness to pay for the clothes as described

<p>The relationship between brand attractiveness and the intent to apply for job</p> <p><b>Author: Joana Santiago</b></p> <p><b>Year: 2019</b></p>	<p>Brand attractiveness, employer brand</p>	<p>Qualitative and quantitative research, Instrument used are Qualtrics platform</p>	<p>The needs, skills and knowledge of the employees are part of an organization's competitive advantage and it is thus fundamental that all the employees of an organization have the opportunity to understand the organization's brand, as the brand is intrinsically linked to their job functions and thus employees can be the brand's drivers.</p>
<p>The role of social value creation in business model formulation at the bottom of the pyramid</p> <p><b>Author: Noemi Sinkovics, Rudolf Sinkovics, Mo Yamin</b></p> <p><b>Year: 2014</b></p>	<p>Social value</p>	<p>Qualitative research, instrument used are SPSS</p>	<p>social value creation forms an organic part of all five business models.</p>
<p>Determination factors of purchase intention on green products</p>	<p>Purchase intention, green product, attitude</p>	<p>Quantitative research, instrument used are SPSS</p>	<p>attitude toward a green</p>

<p><b>Author: Ida Aryati</b>  <b>Diah, Toni Wijaya</b>  <b>Year: 2017</b></p>			<p>product, subjective norm, purchase behavior control, healthy consumption life style and man-nature orientation has significant effect toward purchase intention of green product.</p>
<p>Role of conspicuous value in luxury purchase intention  <b>Author: Sheetal Jain</b>  <b>Year: 2020</b></p>	<p>Conspicuous value, purchase intention</p>	<p>Quantitative and Qualitative Research, instrument used is SPSS</p>	<p>Attitude and subjective norm partially mediated the relationship between conspicuous value and purchase intention. mediation effect significantly differs between consumers with low and high need for status as well as consumers with low and high need for uniqueness.</p>
<p>Consumer's Purchase Intention: Influencing Factors Unveiled at Korean Thematic Café</p>	<p>Purchase intention, Service Quality,</p>	<p>Quantitative and qualitative research, instrument used are SPSS</p>	<p>The strongest factor influencing purchase intention in</p>



<p><b>Author: Harimukti Wandebori, Vinon Wijaya Year: 2017</b></p>			<p>Korean thematic café is tangible dimension. It is followed by food quality, reliability dimension, atmosphere, responsiveness dimension, and empathy dimension</p>
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## **2.3. Hypothesis development**

### **2.3.1. The effect of bandwagon consumption toward purchase intention**

There is positive effect between bandwagon consumption toward purchase intention. Bandwagon consumption explains most of the variance in brand attractiveness, purchase intention and willingness to pay more for global brands compared to effects of social and conspicuous value. Echoing the studies of Batra, Ramaswamy, Alden, Steenkamp, and Ramachander (2000) and Holt, Quelch, and Taylor (2004) on the consumption of global brands for aspirational reasons, and studies of Steenkamp, Batra, and Alden (2003) on being a part of global culture, this research reveals that consumers in emerging countries are influenced by the desire to own the brand that is recognized, chosen and used by many people. In addition to affecting consumers' attitude, bandwagon consumption also affects the perception of brand attractiveness in EMs. Previous studies put forward that brand attractiveness is a result of brand personality dimensions and brand associations (Sophonsiri & Polyorat, 2009). Moreover, Alden, Steenkamp, and Batra (1999) highlighted that global brands are perceived as more attractive than domestic brands. In addition to those studies, this study exposes that bandwagon consumption—a form of non-functional demand—affects consumers to perceive global brands more attractive. Therefore, the hypothesis one of this research is:

H1: bandwagon consumption has a positive effect toward purchase intention

### **2.3.2 The effect of bandwagon consumption toward willingness to pay more**

There is positive effect between bandwagon consumption toward willingness to pay more. The consumer behavior literature highlights that the products and brands are not only purchased for utilitarian reasons but also non-utilitarian reasons such as symbolic acquisitions and status that has its roots in the concept of conspicuous consumption, which states that “people with adequate means tend to consume highly visible goods to display their wealth and gain social status” (Truong and McColl, 2011 p.556). A bandwagon good is sold at an increasing price to a large portion of the population (Corneo & Jeanne, 1997). In the case of demand, optimal sales are small for a snobbish good, while it is close or equal to the whole market for a bandwagon good. And in the long-run price is higher for snobbish case, because restricting the market enhances its reputational value. On the contrary, for the bandwagon case, when the number of consumers exceeds a large

critical value, the good becomes more desirable (Corneo & Jeanne,1997). For bandwagon consumers, price is less important as an indicator of prestige, but the effect they make on others has a greater significance for them (Husic & Cicic, 2009). Therefore, the hypothesis 1b for this research is:

H1b: bandwagon consumption has a positive effect toward willingness to pay more

### **2.3.3. The effect of bandwagon consumption toward brand attractiveness**

There is positive effect between bandwagon consumption toward brand attractiveness. Brand attractiveness is the “extent to which a brand is attractive, favorable, and distinctive” (Sophonsiri & Polyorat, 2009, p. 54). It is important for brand success (Kim, Han, & Park, 2001) since it affects market share positively (Gonzalez-Benito, et al., 2008). Also, perceived brand attractiveness influences the relationship between consumers and brands. To some extent, the quality of the relationship between consumers and brands appears to be dependent on the brand’s perceived attractiveness (Hayes, Alford, Silver, & York, 2006). Brand personality dimensions and brand associations affect brand attractiveness (Sophonsiri & Polyorat, 2009). And global brands are perceived as more attractive than the domestic brands (Alden, Steenkamp, & Batra, 1999). Therefore, the hypotheses 1c of this research is:

H1c: bandwagon consumption has a positive effect toward brand attractiveness

### **2.3.4. The effect of conspicuous value toward purchase intention**

There is a positive effect between conspicuous value toward purchase intention. Vigneron and Johnson (1999) defined the motivation relying under the conspicuous value as Veblenian, while for the social value as Bandwagon. The consumption of prestige brands is viewed as a signal of status and wealth, and whose price, expensive by normal standards, enhances the value of such a signal and therefore, is a result of perceived conspicuous value. However, the role-playing aspects and the social value of prestige brands can be instrumental in the decision to buy (perceived social value). Consumers believe that global brands connote better quality, provide status and prestige, and a way to become part of global consumer culture (Steenkamp, Batra, &

Alden, 2003). The empirical evidence generally suggests that foreign brands are associated with a higher level of quality and status than domestic brands (Chen, Chen, & Lin, 2013; Ponte & Gibbon, 2005; Wang and Chen, 2004). Therefore, the hypotheses two for this research is:

H2: Conspicuous value has a positive effect toward purchase intention

### **2.3.5. The effect of conspicuous value toward willingness to pay more**

There is a positive effect between conspicuous value toward willingness to pay more. Complementing previous research on the effects of consumers' perceptions of global brands in EMs (Alden, Steenkamp, & Batra, 1999; Batra, Ramaswamy, Alden, Steenkamp, & Ramachander, 2000; Ger, Belk, & Lascu, 1993), this research displays also how the desire to “be in the same wagon” can be relevant to global marketing in emerging countries. This article advanced three main hypotheses, which were supported. In sum, willingness to pay more for global brands in emerging countries are influenced by conspicuous value. Consistent with the literature (Batra, Ramaswamy, et al.2000); Holt, Quelch, & Taylor, 2004) the effect of conspicuous value on willingness to pay more for global brands turned out to play a significant role. The consumption of global brands is viewed as a signal of status and wealth that enhances the purchasing intention and willingness to pay more. Therefore, the hypotheses 2b for this research is:

H2b: conspicuous value has a positive effect toward willingness to pay more

### **2.3.6. The effect of conspicuous value toward brand attractiveness**

There is a positive effect between conspicuous value toward brand attractiveness. According to evolutionary psychology, conspicuous value may represent a means of competition in mate attraction. Some seemingly useless or disadvantageous biological characteristics actually attract the opposite sex and thereby promote reproductive success (e.g., a peacock's tail); these are called conspicuous characteristics (Miller, 2009). The similarity between conspicuous consumption and conspicuous characteristics has motivated research aiming to explain conspicuous consumption in terms of evolutionary psychology and particularly in terms of mate attraction (e.g., Griskevicius et al., 2007). Previous research on this topic has typically examined

men, assuming that conspicuous value more strongly promotes mate attraction among men (e.g., Griskevicius et al., 2007; Janssens et al., 2011; Sundie et al., 2011). Therefore, conspicuous value helps men attract mates (Hennighausen, Hudders, Lange, & Fink, 2016; Li & Kenrick, 2006). Priming men with mate-attraction goals increases their consumption of luxury and status products (Janssens et al., 2011). Therefore, the hypotheses 2c for this research is:

H2c: conspicuous value has a positive effect toward brand attractiveness

### **2.3.7. The effect of social value toward purchase intention**

There is a positive effect between social value toward purchase intention. According to hu et al (2015) he found that online social value significantly affects user satisfaction toward social media. Hsu and lin 2015) noted that social value has a significant effect on purchase intention. Kim et al (2013), showed that social value significantly effects consumers intention to purchase. The perception of social value such as acquiring social approval and feeling of acceptable may develop satisfaction and form purchase intention. Therefore, the hypotheses three for this research is:

H3: social value has a positive effect toward purchase intention

### **2.3.8. The effect social value toward willingness to pay more**

There is a positive effect between social value toward willingness to pay more. Social value is defined as the perception of social self-concept derived from using social commerce sites (Sweeney and Soutar, 2001). Sweeney and Soutar (2001) argued that users evaluate products and services not only by hedonic and utilitarian values like enjoyment and functional performance, but also by social value like social consequences. Social value is realized through the enhancement of status and self-esteem (Rintamaki et al., 2006). Sharing shopping experience and interacting with others enable users to acquire more sense of self-identification from social commerce sites (Analysys, 2016). High level of social value increases user satisfaction toward social commerce sites and strengthens their willingness to pay more. Therefore, the hypotheses 3b for this research is:

H3b: social value has a positive effect toward willingness to pay more

### **2.3.9. The effect of social value toward brand attractiveness**

There is a positive effect between social value toward brand attractiveness. Another study conducted by Wahyuningsih (2004:10) explains that there are 3 components of value, namely functional values, social values and emotional values. Consumers will directly or indirectly give an assessment of the product/service to buy or have ever consumed. Evaluation is carried out based on an overall assessment between what is received and experienced compared to what is received expected. Consumers who are attracted by the brand will buy branded goods, and they believe that these goods can make them more accepted in society. The existence of branded goods is also considered to be able to impress others with the wearer (Park, Rabolt and Sook, 2008) (Sangkhawasi and Johri, 2007). This social value motivates a person to be willing to pay very high prices for branded goods. In this case, consumers want to impress others with their ability to pay high prices for a product prestigious product (Prendergast and Wong, 2003). Therefore, the hypotheses 3c for this research is:

H3c: social value has a positive effect toward brand attractiveness

## 2.4 Research model

The model of this research is descriptive research which shows the influence of bandwagon consumption towards purchase intention.

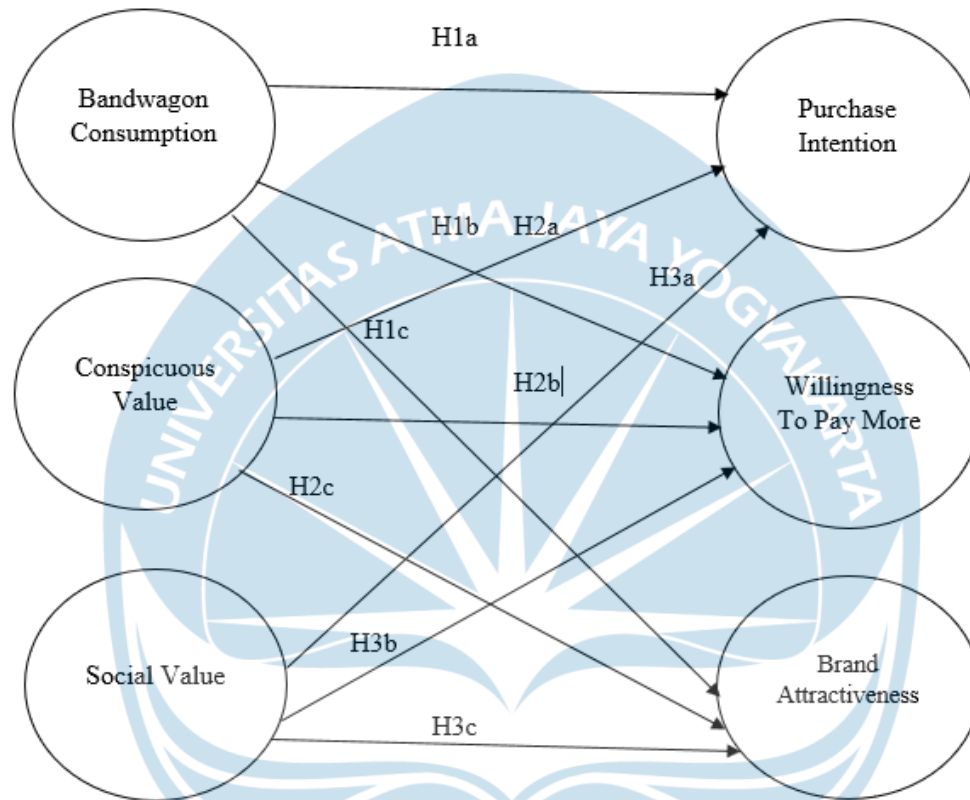


Figure 2.3

### Research Framework

Source: Akturan and Bozbay (2017)