Value Perception in Luxury Goods Towards Purchase Intention Moderated By Disposable Income

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ABSTRACT

Purpose – This paper seeks to introduce a fresh dimension to the concept of luxury perception, drawing from a synthesis of previous research frameworks. Consequently, the study underscores the importance of assessing the reliability and validity of variables within a culturally diverse environment, particularly within Indonesia's context. The chance of a business opportunity based on changes in the dynamics of the bicycle market that has occurred since the COVID-19 outbreak is the reason for researchers to investigate consumer buying interest, especially purchasing bicycles.. **Methodology/approach –** A survey that included information on Luxury Value Perception towards purchase intention that moderated by Disposable income was used to collect data from 414 respondents, whom since the Pandemic outbreak searching and seeking info about buying a bicycle. **Findings – It** was found that hedonic value, social value, and uniqueness value towards purchase intention were generally significant predictors while the other value have weak significancy, and the disposable income in general were positively and significantly influence the purchase intention.

INTRODUCTION

The surge in bicycle trends has escalated since the implementation of Large-Scale Social Restrictions (PSBB) policies during the Covid-19 pandemic. Cycling activities have become widespread among the population and emerged as a trend since late May 2020. Prior research has indicated that bicycles were previously perceived as luxury items, as their ownership conveyed prestige, self-confidence, and distinctiveness. The reasons consumers perceive bicycles as luxury goods include underlying personality factors influencing their choice of bicycle type, the influence of reference groups when seeking bicycle information, consideration of product quality during purchase, and motivations such as ideals and self-expression when selecting a bicycle (Gustiawan, 2015).

Perceiving bicycles as luxury goods instills a sense of high self-confidence in their owners, as evidenced by Dekanawati et al. (2020). Consequently, bicycles have become items that enhance the owner's prestigious status within their social circle. The need for distinctiveness stems from social comparison processes, which are essential components of self-formation. When individuals perceive themselves as too similar to others, they may feel their identity is threatened and therefore need to behave in ways that set them apart (Asprilia & Hami, 2021).

The dominant positive factor associated with luxury goods purchases and driving Consumer Behavior towards various utilitarian and psycho-social objectives, as per Nwankwo et al. (2014), is Disposable Income. Starting from 2021, bicycles have been reclassified as assets in the Annual Tax Notification (SPT) after previously being excluded. According to the Fiscal Policy Agency of the Ministry of Finance, Republic of Indonesia, criteria for luxury goods subject to PPnBM (Luxury Goods Sales Tax) include: items that are not essential, consumed by specific groups, consumed by high-income individuals, and consumed to display social status.

Table 1. Society classification based on Expenditure

Society Classification	Expnditure Total
Kelas Atas	> Rp. 6.000.00
Kelas Menengah	Rp. 1.200.000 - Rp. 5.999.999
Menuju Kelas Menengah	Rp. 532.000 - Rp. 1.299.999
Rentan	Rp. 354.000 - Rp.532.999
Miskin	< Rp. 354.999

Source : *The World Bank, 2020.*

The dynamics of the bicycle market shift prompted by the Covid-19 outbreak inadvertently created business opportunities. This has motivated researchers to investigate bicycle purchase intent, particularly consumers' interest in purchasing bicycles. The popularity of brand-related search data since the implementation of PSBB policies has also provided a reason to explore bicycle purchase intent. In this study, bicycle purchase intent is the dependent variable.

Considering previous research (Jain, 2019) which predominantly focused on conceptual work regarding perceived value, there is a need for further investigation of empirical models to test the reliability and validity of variables in diverse cultural environments. Based on these reasons, this research serves as a tool to test the reliability and validity of the independent variable, perceived value of luxury goods. Jain (2019) found that gender does not influence bicycle purchase intent. On the other hand, according to Nwankwo et al. (2014), Disposable Income generally serves as a dominant positive factor related to luxury goods purchase, facilitating consumer behavior progress in various utilitarian and psycho-social objectives. Low-income consumers are more susceptible to express a tendency towards luxury consumption to signify their inclusion in a higher social group (Nwankwo et al., 2014).

The necessity for novelty in research and the identification of suitable moderation variables in the study of luxury goods led the researcher to select disposable income as a moderation variable. Additionally, functional value was added as an indicator perceiving an item as a luxury good. The inclusion of functional value in this study, previously investigated by Chattalas & Shukla (2015), who also measured the impact of perceived value on luxury consumption purchase intention, focusing on the two largest luxury goods markets significantly influencing consumers worldwide, i.e., the United Kingdom and the United States. Findings demonstrated that functional value perception drove luxury consumption purchase intention in both countries. Given that Jain (2019) did not incorporate functional value, it is necessary to include this indicator in the present study framework.

METHOD

In (Indrawati, 2015), the research objective is a statement of what the researcher aims to achieve in their study. The research objective must be related to the research question. The first research objective corresponds to the first research statement, and similarly for the subsequent objectives. This study is based on the Analytical Descriptive method, where descriptive research, according to Sugiyono (2019),

is used to analyze data by describing or portraying the collected data as they are, without intending to draw general conclusions or generalizations. According to Widoyoko (2020), causality is an asymmetric relationship or functional relationship, representing a cause-and-effect relationship, where the state of one variable is caused, determined, or influenced by one or more other variables. Using 414 samples and purposive sampling techniques.

Drawing from this explanation and the information in the introduction, the conceptual framework of the study is as depicted in the diagram below:
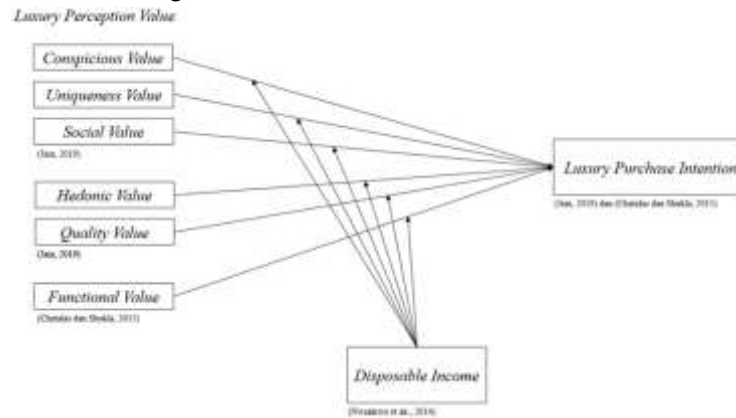

Figure 1. Research Design

RESULT AND DISCUSSION

The analyzing data using SmartPLS version 4. The validity and reability were measured by score of outer loading and composite reability. The minimum score for Outer loadings were 0.7 and composite reabilty were 0.6

Table 2. The operational variable and validity realibility test

Variable	Dimension	Item	No. Item	Scale	Outer loadings	Composite reliability (rho_a)
Perceived Value of Luxury	Conspicuous value	I feel noticed (aware of its presence), when I have a bicycle	CV 1	Ordinal	0.752	
		Having a bicycle will make me feel admired	CV 2	Ordinal	0.839	0.778
		If I had a bicycle, I would show it off (show off)	CV 3	Ordinal	0.88	
	Social Value	In order for me to be accepted into a certain group, I need to have a bicycle	SV 1	Ordinal	0.767	
		the symbol of success, in my opinion, is to have a bicycle	SV 2	Ordinal	0.78	0.719
		I think owning a bicycle earns me respect	SV 3	Ordinal	0.824	

		I think someone who uses a bicycle is considered as part of the upper social class	SV 4	Ordinal	0.839	
Uniquenes s Value		I think owning a bicycle makes me feel unique	UV 1	Ordinal	0.841	0.692
		I avoid buying a bike that a lot of people have	UV 2	Ordinal	0.718	
Hedonic Value		Owning a bicycle is what gives me pleasure	HV 1	Ordinal	0.831	0.759
		By owning a bicycle, my mood improves	HV 2	Ordinal	0.784	
Quality Value		I want to own a bike because of its durability	QV 1	Ordinal	0.768	
		I want to have a bike because the performance is reliable	QV 2	Ordinal	0.799	0.724
		I want to have a bicycle because the model is up to date (up to date)	QV 3	Ordinal	0.889	
Functional value		I want to have a bicycle because a bicycle is an easy form of transportation	FV 1	Ordinal	0.877	
		I use a bicycle as a means of transportation	FV 2	Ordinal	0.763	0.82
		I use a bicycle as a means of exercise	FV 3	Ordinal	0.74	
Purchase Intention		I will buy 1 bicycle	MB 1	Ordinal	0.813	0.685
		Most likely next year, I will buy a bicycle	MB 2	Ordinal	0.797	

Source : Data Processing result, 2023

And for the examination of perception towads purchase intention moderated by disposable income were using SEM (Structural Equation Model) in the same apps which is SmartPLS version 4.

Table 3. Findings 1

Variable Latent	Path coefficients	f-square
Conspicuous Value -> Purchase Intention	0.119	0.046
Functional Value -> Purchase Intention	0.095	0.004
Hedonic Value -> Purchase Intention	0.152	0.065
Quality Value -> Purchase Intention	0.118	0.027
Social Value -> Purchase Intention	0.215	0.069
Unique Value -> Purchase Intention	0.278	0.051

Source : Data Processing result, 2023

As a table 4 showing us the result of apps calculation, path coefficients were used for analyzing the role of moderating variables which in this research is disposable income. The research results indicate that by referring to the path coefficient estimates, researchers can assess the significance of the moderating variable in each dimension of the luxury goods perception variables. An estimated value greater than 0 signifies the model's significance, while an estimated path value less than 0 indicates that the model

lacks significance (Ghozali, 2014:41-42). The estimated path coefficient value for perception of luxury goods towards the purchase intent of bicycles moderated by disposable income are mostly greater than 0. Therefore, the moderating variable significantly influences the perception of luxury goods' value on purchase intent, only the functional value that does not meet the standard, it might be caused by the culture of Indonesia society itself for only buying things, not thinking further the used of the product.

For f^2, as we can observe, values below 0.02 or up to 0.15 are within a range indicating the weak influence of luxury goods perception directly on purchase intention. This may caused by anything, but mostly to the fact that Indonesia is still a developing country where the majority of the population is not accustomed to using/purchasing luxury goods. However, when they have disposable income, people are not hesitant to fulfill their basic needs to feel "appreciated" within their surroundings.

Table 4. Findings 2

	R-square	R-square adjusted
Purchase Intention	0.782	0.768

Source : Data Processing result, 2023

As table 4 showing us, the R-square for purchase intention were "good" model even though only two items that mentioned in questionnaire.

DISCUSSION:

The findings highlight the importance of hedonic, social, and uniqueness values in shaping consumers' purchase intentions. Products and marketing strategies that appeal to these aspects are more likely to resonate with consumers, leading to increased purchase behavior. On the other hand, disposable income serves as an enabling factor, allowing consumers with higher financial resources to act on their intentions. Marketers should focus on strategies that enhance the perceived enjoyment, social connection, and uniqueness associated with their products. Simultaneously, understanding the target audience's disposable income levels can help in designing pricing strategies and promotional activities that align with their spending power.

CONCLUSION

So, the all hypotheses for moderating variable were positively dan significantly influence di purchase intention, but the perception of luxury product has not yet been an influence toward purchase intention directly. For Practical Recommendations, as outlined earlier among the six perceived luxury values, consumers primarily concentrate on hedonic, social, and uniqueness values. Companies should consider facilitating avenues for bicycle users to fulfill these values. Bicycles are not the primary commuting choice due to Indonesia's tropical climate, so innovative offerings like comfortable seating and automatic umbrellas can enhance their appeal. For theoretical suggestions, This study investigates consumer perceptions of luxury goods, particularly bicycles in Indonesia, influencing purchase intent moderated by disposable income using Structural Equation Modeling (SEM) via SmartPLS version 4. For future research: Diversify cultural contexts for broader applicability due to the substantial impact of culture on consumer values and behaviors (Hofstede, 2021, in Jain, 2019). Expand research objects beyond bicycles to comprehensively explore luxury goods perception theory.

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