

CHAPTER III

RESEARCH METHOD

3.1. Type of Study

This research aims to examine the influence of perceived price and country of origin on repurchase intention, with customer satisfaction as the mediating variable. The researcher used quantitative research method in examining the relationship between perceived price, country of origin, customer satisfaction, and repurchase intention. Quantitative method emphasizes objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys by manipulating pre-existing statistical data using computational techniques (Babbie, 2010). Quantitative method was also used to quantify attitudes, opinions, behaviours, and other defined variables and to generalize results from a larger sample population. The type of source of information used in this research are primary data. Primary data are information collected by the researcher directly through instruments such as surveys, interviews, focus groups or observation. Or in another word, primary data are observed and collected directly from first-hand experience. The researcher used questionnaire to obtain primary data and used Five-Point Likert scale as the itemized rating scale in order to measure data from the respondents.

3.2. Population and Sample

3.2.1. Population

According to Sekaran and Bougie (2016), the population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. It is the group of people, events, or things of interest for which the researcher wants to make inferences (based on sample statistics). Since the research is regarding repurchase intention of South Korean beauty products in Indonesia, the population of this research is Indonesian people who are customers of South Korean beauty products.

3.2.2. Sample

The sampling technique chosen for this research was convenience sampling, which is a part of non-probability sampling. Convenience sampling refers to the collection of the information from members of the population who are conveniently available to provide it (Sekaran and Bougie, 2016). The reason why researcher chose this sampling technique is because convenience sampling is said to be the best way of getting some basic information quickly and efficiently. As the researcher conducted this research for the thesis, it seemed appropriate to choose this sampling technique since it is easier to get access of the respondents in a limited time by choosing this sampling technique. By choosing this sample technique, the sample of this research would be Indonesian Korean beauty products customers who were available at the time this researcher was conducted. The information obtained from the samples becomes the basic data and trends regarding the problem

which is Indonesian customers repurchase intention of South Korean beauty products.

3.2.3. Sample Size

Determining appropriate sample size is considered as a critical issue in SEM, regrettably, there is no consensus in the literature in terms of what would be the appropriate sample size for SEM (Wang and Wang, 2012). Wang and Wang (2012) however, stated that there is some evidence that prove simple SEM models could be meaningfully tested even if sample size is quite small, but commonly, $N = 100-150$ is considered as the minimum sample size for conducting SEM. With that in mind, researcher concluded that 150 sample size is set to be the minimum size required for this research. The initial number of respondents in this research was 235 respondents, however, the total valid respondents that can be used in this research 166. The reason is because those 166 respondents have actually purchased South Korean beauty products before.

3.3. Data Collection Method

The method to collect data used in this study was survey data collection method. Survey is a very well-known form of data collection, especially when gathering information from large groups, where standardization is important. Surveys consist of two components, the first one is questions and the second one is responses.

The type of questionnaire used by researcher was online questionnaire. The researcher used google form to create the questionnaire, spread questionnaire, and obtain responses. The researcher spread questions and obtained responses by distributing questionnaires on the internet and social media. The researcher managed to gather 166 respondents that are valid for this research.

The first part of the questionnaire consisted of demographics and other general information about the respondents such as gender, which part of Indonesia they are living in, age, education, how much money they spend in a month, and whether they have bought any South Korean beauty products before (be it offline or online).

In the second part, the respondents were asked to answer the questions by indicating their perceptions in accordance to the importance of each question based on a five-point Likert scale of 1 through 5. 1 acts as the lowest point meaning that the respondent “strongly disagrees”, 2 means the respondent “disagrees”, 3 means the respondent feels “neutral” about the question/statement, 4 means the respondent “agrees”, and 5 is indicated as the highest point meaning that the respondents “strongly agrees”. There were 27 questions in the questionnaire with 6 items intended to measure variable perceived price, 7 items intended to measure variable country of origin, 6 items intended to measure variable Customer Satisfaction, and 8 items intended to measure variable Repurchase Intention. The questionnaire was also in Bahasa Indonesia as the respondents needed by the researcher is Indonesians.

3.4. Operational Definition and Measurement of Variable

There are four variables in this research including perceived price, country of origin, customer satisfaction, and repurchase intention. In this research, perceived price act as an independent variable and country of origin is also used as an independent variable. Customer satisfaction act as a mediating variable, while repurchase intention act as the dependent variable. This research used a 5-point Likert scale to measure all variables.

a. Perceived Price

Zeithaml (1988) stated that from the consumers' perspective, price is what is given up or sacrificed in order to obtain a product, and that price consists of three components, which are objective price, perceived nonmonetary price, and sacrifice. This variable is measured by using these items developed by Moslehpour et al., (2017) and Herrmann et al., (2007):

- a. South Korean beauty products charge a reasonable price for what they offer,
- b. South Korean beauty products provide products at competitive price.
- c. South Korean beauty products provide value for the money,
- d. South Korean beauty products provide quality for the price,
- e. The price of South Korean beauty products meets my expectation, and
- f. The price of South Korean beauty products is appropriate relative to its performance.

b. Country of Origin

Han and Terpstra (1988) referred the term country of origin effect to a consumer's dependency upon country of origin when forming opinion on quality of a product. This variable is measured by using these items developed by Moslehpour et al., (2017) and Parvin et al., (2006):

- a. South Korea has excellent international reputation,
- b. South Korea is fashionable,
- c. South Korea offers products with reliable ingredients,
- d. South Korea is acceptable as International standard,
- e. You will get good results from using beauty products made in South Korea,
- f. Beauty products made in South Korea are very reliable, and
- g. You can depend on beauty products made in South Korea.

c. Customer Satisfaction

Ilieska (2009) described customer satisfaction as the customer's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (outcome) in relation to his or her expectation. This variable is measured by using these items developed by Hellier et al., (2003); Herrmann et al., (2007); and Hussein et al., (2018):

- a. I feel good about my decision to purchase South Korean beauty products,
- b. I am pleased that I purchased beauty products from South Korea,

- c. There is no reason to complain when it comes to buying South Korean beauty products,
- d. I am satisfied with the purchase I made on South Korean beauty products,
- e. I have a satisfying experience with South Korean beauty products, and
- f. Commonly, I feel satisfied with the decision to buy South Korean beauty products.

d. Repurchase Intention

Repurchase intention is the individual's decision or judgment in term buying again a designated service from the same company by considering his or her current situation and likely circumstances (Hellier, Geursen, and Carr, 2003). This variable is measured by using these items developed by Moslehpour et al., (2017); Hsu et al., (2006), and Wu et al., (2014):

- a. I would buy South Korean beauty products again next time,
- b. I plan to use more South Korean beauty products in the future,
- c. I would not switch to other country beauty products,
- d. I would consider other country beauty products before buying them,
- e. I intend to continue buying Korean beauty products in the future,
- f. I will continue buying South Korean beauty products in the future,
- g. I will regularly buy South Korean beauty products in the future, and
- h. The probability that I will use South Korean beauty products again is high.

3.5. Validity and Reliability Test of Research Instruments

The researcher performed a validity and reliability test called Pilot test in order to see whether the items in the instruments belong there or not. Reliability test is carried out to know how consistently a measuring instrument measures whatever concept it is measuring while validity test is carried out to find out how well an instrument that is developed measures the particular concept. The Pilot test was done by distributing the questionnaire to 30 respondents.

3.5.1. Validity Test

Validity test is a test that aims to show the validity of an instrument. An instrument can be titled valid if it is able to measure what is desired. The method used to conduct validity test in this research was Pearson's product-moment correlation coefficient or for short, Pearson's correlation. According to Pearson's correlation, if r is close to 0 it means there is no relationship between the variables, if the r is greater than r table and the value of r is positive, then the statement evidence is said to be valid (Ghozali, 2013). In this research, the data can be classified as valid if its Pearson Correlation Sig is 0.05 (≥ 0.05).

Validity test result:

Table 3.1 Validity Test Result



Indicators	Pearson Correlation	Pearson Correlation Sig	Status
Perceived Price			
South Korean beauty products charge a reasonable price for what they offer	0,837	0,000	Valid
South Korean beauty products provide products at competitive price	0,703	0,000	Valid
South Korean beauty products provide value for the money	0,783	0,000	Valid
South Korean beauty products provide quality for the price	0,854	0,000	Valid
The price of South Korean beauty products meets my expectation	0,716	0,000	Valid
The price of South Korean beauty products is appropriate relative to its performance	0,844	0,000	Valid
Country of Origin			
South Korea has excellent international reputation	0,757	0,000	Valid
South Korea is fashionable	0,528	0,000	Valid
South Korea offers products with reliable ingredients	0,812	0,000	Valid
South Korea is acceptable as International standard	0,731	0,000	Valid
You will get good results from using beauty products made in South Korea	0,762	0,000	Valid
Beauty products made in South Korea are very reliable	0,857	0,000	Valid

You can depend on beauty products made in South Korea	0,847	0,000	Valid
Customer Satisfaction			
I feel good about my decision to purchase South Korean beauty products	0,868	0,000	Valid
I am pleased that I purchased beauty products from South Korea	0,854	0,000	Valid
There is no reason to complain when it comes to buying South Korean beauty products	0,642	0,000	Valid
I am satisfied with the purchase I made on South Korean beauty products	0,897	0,000	Valid
I have a satisfying experience with South Korean beauty products	0,878	0,000	Valid
Commonly, I feel satisfied with the decision to buy South Korean beauty products	0,894	0,000	Valid
Repurchase Intention			
I would buy South Korean beauty products again next time	0,687	0,000	Valid
I plan to use more South Korean beauty products in the future	0,815	0,000	Valid
I would not switch to other country beauty products	0,565	0,000	Valid
I would consider other country beauty products before buying them	0,641	0,000	Valid
I intend to continue buying South Korean beauty products in the future	0,856	0,000	Valid

I will continue buying South Korean beauty products in the future	0,820	0,000	Valid
I will regularly buy South Korean beauty products in the future	0,825	0,000	Valid
The probability that I will use South Korean beauty products again is high	0,826	0,000	Valid

Sources: *Primary Data (Processed), 2019*

3.5.2. Reliability Test

According to Sekaran and Bougie (2016), the reliability of a measure indicates the extent to which it is without bias or error free, and hence ensures consistent measurement across time and across the various items in the instrument. Reliable questionnaire is a questionnaire which, if tried repeatedly to the same group, will produce the same data, assuming that there is no psychological change in the respondents (Ghozali, 2013). The researcher used *Cronbach's Alpha*, α (coefficient alpha) to measure the reliability of the instruments in this research. The instrument is classified as reliable if its *Cronbach's Alpha* is > 0.6 (≥ 0.60).

Reliability test result:

Table 3.2 Reliability Test Result

Instrument/Variable	Cronbach's Alpha	Minimal Score	Status
Perceived Price	0.877	0,6	Reliable
Country of Origin	0.878	0,6	Reliable
Customer Satisfaction	0.916	0,6	Reliable
Repurchase Intention	0.698	0,6	Reliable

Sources: Primary Data (Processed), 2019

Based on a summary of the reliability test results that is shown in the table above, it can be seen that the Cronbach's Alpha coefficient number for all variables/instruments is greater than 0.6. Thus, all the questions used to measure each instrument were declared reliable and can be used in further research.

3.6. Analysis Technique

Several software programs were used in this research such as SPSS version 16 and AMOS (Analysis of Moment Structure) version 24. SPSS (Statistical Package for the social science) version 16 was used to conduct a Pilot test for the purpose of find out the validity of the instruments' indicators and the reliability of each of the instruments. Whereas AMOS version 23 was used to test hypotheses, outliers, normality, validity, reliability, confirmatory analysis, and to analyse model of fitness. AMOS was used also because it is said to be a powerful and easy-to-use

structural equation modelling (SEM) software. With Amos, a model is specified, estimated, assessed and presented in an intuitive path diagram to show hypothesised relationships amongst variables (Malhotra & Birks, 2007).

The researcher chose to use SEM (also known as Structural Equation Modelling) due to the construct of this research's conceptual model, which consists of two independent variables, one mediating variable, and one independent variable. SEM is a family of statistical models that seek to explain the relationships among multiple variables by examining the structure of interrelationships expressed in a series of equations, similar to a series of multiple regression equations (Hair, Black, Babin, and Anderson; 2013).

3.6.1. Respondents' Characteristics

This segment was aimed to give a depiction of the characters of the respondents in this research regarding some things they have in common, their basic information and the like in order to know their attitude towards this research since characteristics of people are varied and may have different effect on how they feel about a product or service. In this segment the researcher would explain the demographic characteristics of the respondents. Some things that were included as demographic characteristics are gender, age, where do they live, education, and their monthly expenditures.

3.6.2. Descriptive Analysis

Descriptive analysis was used to summarise and explain data that are able to represent the entire sample or population. It was also used to discover and describe each instrument and indicator's average responses in the questionnaire. In another word, descriptive analysis could be used to describe the basic features of a study's data.

3.6.3. SEM Analysis Technique

The researcher used Hair et al.'s (1995) seven step stages of SEM to analyse the data obtained in this research. The seven stages of SEM consist of:

3.6.3.1. Stage 1: Developing a theoretically based model

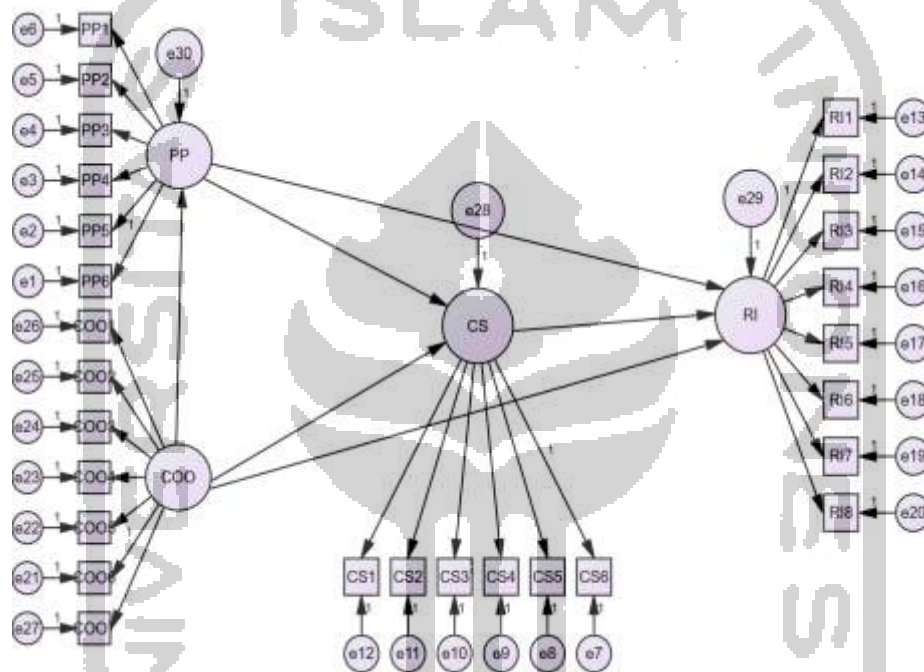
The development of the model in this study is based on the concept of data analysis, previous theoretical development, and prior experience that support the development of this study's model. Those data analysis, previous theoretical development and prior experience that are related to this study's model have all been explained on chapter two. Generally, the model consists of two exogenous variables namely perceived price and country of origin, and two endogenous variables namely customer satisfaction and repurchase intention.

3.6.3.2. Stage 2 and 3: Constructing a path diagram of casual relationships and concerting the path diagram into a set of structural equations and measurement equation

The next step was to assemble causality relationships with a path diagram and to arrange structural equations. There were two things that need to be done in

this step: the first is to construct a structural model by connecting between latent constructs, both endogenous and exogenous; and the second one is constructing and determining the model by connecting endogenous or exogenous latent constructs with indicator variable or manifest variable.

Figure 3.1 Path Diagram and Structural Link



Sources: Primary Data (Processed), 2019

3.6.3.3. Stage 4: choosing the input diagram type and estimating the proposed model of structural fit

Structural equation modelling (SEM) technique analysis is quite different from other multivariate technique analysis. SEM technique analysis only uses input data in the form of variance or covariance matrices or correlation metrics. The estimated model used is the maximum likelihood (ML) estimation that has been met with the following assumptions:

a. Sample Size

Sample size refers to the number of data samples that must be met in a study. As the researcher referred to Wang and Wang (2012) research regarding the normal sample size for a SEM technique analysis, which is $N = 100-150$, the researcher set the minimum sample size of 150. The researcher managed to obtain 166 respondents for this study.

b. Normality Test

According to Hair et al., (2013) normality is the degree to which the distribution of the sample data corresponds to a normal distribution. The normality of data must first be fulfilled so that the data can be further processed for SEM modelling. This normality testing through univariate was done by observing the value of skewness and kurtosis data would be used. If the value of CR on skewness and CR on kurtosis data are in the range of ± 2.58 , then the research data can be said to be normal.

c. Outlier Test

Outliers are observations or data that have unique characteristics that look different from other observations and appear in the form of extreme numbers, both for a variable or for variable combinations. Another description of outlier is that it is an observation that is substantially different from the other observations (i.e., has an extreme value) on one or more characteristics (variables) (Hair et al., 2013). Outliers can be evaluated by using multivariate outliers analysis seen from the Mahalanobis Distance number.

d. Confirmatory Analysis

Confirmatory analysis was used to test concepts that were built, by using several measurable indicators. In confirmatory analysis, a model was tested by using *Goodness of Fit* evaluation. *Goodness of Fit* evaluation consists of Chi-Square (χ^2), probability, RMSEA, GFI, AGFI, CFI, TLI and CMIN/DF. All of the explanations regarding Goodness of Fit criteria below were derived from López, Abad, and Sousa (2013) study: Chi-Square (χ^2) was used to test the hypotheses to evaluate the significance of a SEM. RMSEA or Root Mean Square Error of Approximation, displays the error approximation in the population. If the value is ≤ 0.05 it indicates good model fit whereas if the value is ≤ 0.08 it indicates adequate model. GFI or *Goodness of Fit Index* is the percent of explained observed covariance compared with the prediction of the covariance in the model. Value of ≥ 0.90 indicates good fit. AGFI or Adjusted Goodness-of-fit Index compares the hypothesized model with predicted model through adjusting the number of degrees of freedom in the specified model. Value of ≥ 0.90 indicates good fit. Comparative fit Index (CFI) is the comparison of hypothesized model to the predicted model which measures complete covariation in the data. Value of ≥ 0.90 indicates good fit. Tucker-Lewis Index (TLI) compares index between proposed and predicted models. Value of ≥ 0.90 indicates good fit. CMIN/DF measures the relationship of the goodness of fit

model and the number of estimated coefficients that are expected to reach a level of conformity. Value of ≤ 2.00 indicates good fit.

3.6.3.4. Stage 5: validating the structural equations and measurement of equations of the proposed model

Some ways to see whether there is an identification problem is by looking at the estimation results. SEM analysis can only be done if the model identification results show that the model is included in the over identified category. This identification is done by looking at the df value of the created model.

3.5.3.5. Stage 6 and 7: evaluating the goodness-of-fit for the proposed model and making modifications to the proposed model

In this step, the researcher assessed the overall model fit with one or more *Goodness of Fit* measures.

