

The Influence of Brand Image and Price on Customer Purchasing Power of MSMEs in Palopo City

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Abstract

This study aims to analyze the influence of brand image and price on customer purchasing power of MSMEs in Palopo City. MSMEs play a vital role in the local economy, yet face challenges in attracting and retaining consumers. This study employs a quantitative method with data collection through questionnaires distributed to MSME customers in Palopo City with a sample size of 100 using incidental sampling technique. Data analysis technique uses multiple linear regression to test research hypotheses. The results show that brand image and price simultaneously have a significant effect on customer purchasing power of MSMEs in Palopo City. Partially, brand image has a significant effect and has a more dominant influence compared to price on customer purchasing power. Price is also proven to have a significant effect on customer purchasing power. Both variables provide substantial contribution in explaining variations in customer purchasing power. This study provides practical implications for MSME actors to pay attention to building a strong brand image and competitive pricing in order to increase customer purchasing power and competitiveness in the local market.

Keywords: Brand_image; Price; Customer_purchasing_power; MSMEs; Palopo_City

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economic development. The contribution of MSMEs to Gross Domestic Product (GDP) and job creation cannot be overlooked. According to data from the Ministry of Cooperatives and SMEs, in 2022, MSMEs contributed more than 60% to national GDP and more than 90% to total employment [1]. In the regional context, such as Palopo City, MSMEs play an important role in driving the local economy through various business sectors, ranging from trade, services, to creative industries.

However, despite their significant role, MSMEs in Palopo City face increasingly complex challenges, especially in attracting and retaining consumers. One important aspect that needs to be considered by MSMEs is brand image. Brand image becomes a key element in differentiating MSME products from competitors, especially in an increasingly crowded market. A positive brand image can create consumer loyalty, increase trust, and ultimately drive purchasing decisions [2].

Brand image is formed from consumer perceptions based on associations with the brand, which can be functional, symbolic, or emotional benefits [3]. In the context of MSMEs, a consistently built brand image will increase consumer purchasing power because they are more likely to buy products from brands that are trusted and have a good image in the eyes of society.

Besides brand image, price is an important factor affecting customer purchasing power. In fluctuating economic situations, consumers tend to be more sensitive to prices, especially for products that are not considered primary needs. Appropriate pricing will not only attract new consumers but also retain existing customers [3]. Price is one of the main elements in the marketing mix that influences consumer perception of the value of a product.

Several previous studies have examined the influence of brand image and price on consumer purchase intention and purchasing decisions. Matika (2021) found that brand image significantly influences consumer purchase intention [4]. Djaharuddin et al. (2019) also found that brand image has a significant influence on consumer purchase intention [5]. Meanwhile, [6] showed that brand image has a significant influence on purchasing decisions.

However, specific research analyzing the influence of brand image and price on customer purchasing power of MSMEs in Palopo City is still limited. Yet, the condition of MSMEs in Palopo City has unique characteristics different from other regions. According to data from the Palopo City Cooperatives and SME Office, MSMEs in this city have experienced significant growth, but challenges in building a strong brand image and setting competitive prices remain major obstacles.

Therefore, this study aims to analyze the influence of brand image and price on customer purchasing power of MSMEs in Palopo City. This research is expected to provide significant contributions in developing MSME marketing strategies, particularly regarding how to build a strong brand image and set competitive prices to increase customer purchasing power. The specific objectives of this study are: (1) to determine the simultaneous effect of brand image and price on customer purchasing power of MSMEs in Palopo City; (2) to determine the partial effect of brand image on customer purchasing power of MSMEs in Palopo City; and (3) to determine the partial effect of price on customer purchasing power of MSMEs in Palopo City.

2. Methodology

2.1. Research Design

This study uses a quantitative approach with survey method. The research design is descriptive and verification, which describes the characteristics of research variables and tests hypotheses about the influence of brand image and price on customer purchasing power.

2.2. Research Location and Time

The research was conducted in Palopo City, South Sulawesi, Indonesia, during August-September 2025. The selection of this location was adjusted to the research focus on MSMEs operating in the Palopo City area.

2.3. Population and Sample

The population in this study consists of MSME actors in Palopo City totaling 14,804 MSMEs based on data from the Palopo City Trade Office. The sampling technique uses non-probability sampling with purposive sampling method. Sample criteria include: (1) MSME actors residing in Palopo City; (2) male or female; and (3) willing to become research respondents.

The sample size was determined using the Slovin formula with an error rate (e) of 10%:

$$n = N / (1 + N(e)^2) = 14,804 / (1 + 14,804(0.1)^2) = 14,804 / 149.04 \approx 100$$

Thus, the sample size in this study is 100 respondents.

2.4. Research Variables and Operational Definitions

This study uses three main variables:

- a. Brand Image (X_1) is the perception or belief that lives in consumers' minds about a brand. Brand image indicators according to Biel in [7] include: (1) Corporate image - perception of the company; (2) Product image - perception of the product; and (3) User image - perception of product users [7].

- b. Price (X_2) is the monetary value set for a product or service. Price indicators according to [8] include: (1) Price affordability; (2) Price compatibility with product quality; (3) Price competitiveness; (4) Price compatibility with product benefits; (5) Price influences consumer purchasing power; and (6) Price influences consumers in making decisions [8].
- c. Customer Purchasing Power (Y) is the ability of consumers to buy goods or services with a certain amount of money at a certain price level and time period. Customer purchasing power indicators according to Kotler (2000) include: (1) Income; (2) Taste; and (3) Optimism [9].

2.5. Data Collection Techniques

Data were collected through several techniques:

- a. Questionnaire: The main instrument in the form of structured statements using a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).
- b. Observation: Direct observation of MSME behavior to obtain relevant information.
- c. In-depth interviews: Conducted with several key informants to enrich data.
- d. Documentation: Collection of secondary data from related reports and documents.

Questionnaires were distributed in two ways: (1) direct distribution in several areas in Palopo City; and (2) distribution through social media such as Instagram and WhatsApp.

2.6. Data Analysis Techniques

Data analysis was performed with SPSS version 25 software through several stages:

- a. Descriptive Analysis: Presenting respondent characteristics and description of respondent answers to each variable using frequency distribution and average score.
- b. Validity and Reliability Tests: Validity test uses Pearson Product Moment correlation with criteria $r\text{-calculated} > r\text{-table}$ (0.361). Reliability test uses Cronbach's Alpha with criteria value > 0.60 .
- c. Multiple Linear Regression Analysis: To test the influence of independent variables on the dependent variable with the equation:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where:

Y = Customer Purchasing Power

a = Constant

b_1, b_2 = Regression coefficients

X_1 = Brand Image

X_2 = Price

e = Error term

- d. Hypothesis Testing:
 1. F test (simultaneous): Testing the influence of independent variables together on the dependent variable with criteria $F\text{-calculated} > F\text{-table}$ or $\text{sig.} < 0.05$.
 2. t test (partial): Testing the influence of each independent variable on the dependent variable with criteria $t\text{-calculated} > t\text{-table}$ or $\text{sig.} < 0.05$.
- e. Coefficient of Determination (R^2): Measuring how much variation in the dependent variable can be explained by independent variables, with values ranging from 0 to 1.

3. Results and Discussion

3.1. Research Results

3.1.1. Respondent Characteristics

Based on data obtained from 100 MSME customer respondents in Palopo City, respondent characteristics by gender are presented in Table 1.

Table 1. Respondent Characteristics by Gender

Gender	Number (Person)	Percentage (%)
Female	56	56
Male	44	44
Total	100	100

Source: Processed data (2025)

Table 1 shows that the majority of respondents are female, totaling 56 people (56%), while males total 44 people (44%). This indicates that MSME customers in Palopo City are dominated by women, which is possibly due to women's more active role in shopping activities and selection of local products.

3.1.2. Descriptive Analysis of Brand Image Variable

The results of descriptive analysis of the brand image variable based on three main indicators are presented in Table 2.

Table 2. Recapitulation of Respondent Responses to Brand Image Variable

No	Indicator	Average Score	Description
1	Corporate Image	3.90	Agree
2	Product Image	4.02	Agree
3	User Image	3.96	Agree
	Average	3.96	Agree

Source: Processed data (2025)

Table 2 shows that overall respondents gave "Agree" responses to the brand image variable with an average score of 3.96. The highest indicator is product image (4.02), which indicates that customers consider MSME products to have a positive image with unique innovation and good quality despite affordable prices.

3.1.3. Descriptive Analysis of Price Variable

The results of descriptive analysis of the price variable based on six indicators are presented in Table 3.

Table 3. Recapitulation of Respondent Responses to Price Variable

No	Indicator	Average Score	Description
1	Price Affordability	3.94	Agree
2	Price and Quality Compatibility	3.93	Agree
3	Price Competitiveness	3.93	Agree
4	Price and Benefit Compatibility	4.03	Agree
5	Price Influences Consumer Purchasing Power	3.99	Agree
6	Price Influences Consumer Decision Making	4.14	Agree
	Average	3.99	Agree

Source: Processed data (2025)

Table 3 shows that overall respondents gave "Agree" responses to the price variable with an average score of 3.99. The highest indicator is "Price Influences Consumer Decision Making" (4.14), which shows that price is a crucial factor in the customer purchasing decision process for MSMEs.

3.1.4. Descriptive Analysis of Customer Purchasing Power Variable

The results of descriptive analysis of the customer purchasing power variable based on three indicators are presented in Table 4.

Table 4. Recapitulation of Respondent Responses to Customer Purchasing Power Variable

No	Indicator	Average Score	Description
1	Income	3.87	Agree
2	Taste	4.12	Agree
3	Optimism	4.22	Strongly Agree
	Average	4.07	Agree

Source: Processed data (2025)

Table 4 shows that overall respondents gave "Agree" responses to the customer purchasing power variable with an average score of 4.07. The highest indicator is optimism (4.22), which shows that customers have a positive view of economic conditions and MSME product quality based on the prices offered.

3.1.5. Validity and Reliability Tests

The validity test results show that all statement items on the three variables have r-calculated values > r-table (0.361), so all items are declared valid. The reliability test results using Cronbach's Alpha yielded a value of 0.942 > 0.60, which means the research instrument is very reliable and consistent for measuring the variables in this study.

3.1.6. Multiple Linear Regression Analysis

The results of multiple linear regression analysis are presented in Table 5.

Table 5. Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-1.643	2.581	-	-0.636	0.525
Brand Image (X_1)	0.673	0.073	0.510	9.180	0.000
Price (X_2)	0.406	0.083	0.273	4.915	0.000

Source: Processed data (2025)

Based on Table 5, the multiple linear regression equation formed is:

$$Y = -1.643 + 0.673X_1 + 0.406X_2$$

Interpretation of the equation:

- A constant of -1.643 indicates that if brand image and price are zero, then customer purchasing power will be negative, which is practically irrelevant because both independent variables have significant influence.
- The brand image coefficient of 0.673 indicates that each one-unit increase in brand image will increase customer purchasing power by 0.673 units, assuming the price variable is constant.
- The price coefficient of 0.406 indicates that each one-unit increase in price will increase customer purchasing power by 0.406 units, assuming the brand image variable is constant.

3.1.7. Hypothesis Testing

a. F Test (Simultaneous)

The F test results are presented in Table 6.

Table 6. F Test Results (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	7716.628	2	3858.314	168.643	0.000 ^b
Residual	6863.596	300	22.879		
Total	14580.224	302			

a. Dependent Variable: Y

b. Predictors: (Constant), X_2 , X_1

Source: Processed data (2025)

Table 6 shows an F-calculated value of 168.643 with a significance level of $0.000 < 0.05$. Thus, the first hypothesis (H_1) is accepted, which means brand image and price simultaneously have a significant effect on customer purchasing power of MSMEs in Palopo City.

b. t Test (Partial)

Based on Table 5, the t test results show:

- Brand image has a t-calculated value of 9.180 > t-table (1.984) with significance of 0.000 < 0.05, so the second hypothesis (H₂) is accepted, which means brand image partially has a significant effect on customer purchasing power.
- Price has a t-calculated value of 4.915 > t-table (1.984) with significance of 0.000 < 0.05, so the third hypothesis (H₃) is accepted, which means price partially has a significant effect on customer purchasing power.

3.1.8. Coefficient of Determination (R²)

The coefficient of determination test results are presented in Table 7.

Table 7. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.727 ^a	0.529	0.526	4.783

a. Predictors: (Constant), X₂, X₁
 Source: Processed data (2025)

Table 7 shows an R Square value of 0.529 or 52.9%. This means that 52.9% of the variation in customer purchasing power can be explained by brand image and price, while the remaining 47.1% is influenced by other variables not examined in this study, such as product quality, promotion, distribution, customer service, and other factors.

3.2. Discussion

3.2.1. The Simultaneous Effect of Brand Image and Price on Customer Purchasing Power

The research results show that brand image and price simultaneously have a significant effect on customer purchasing power of MSMEs in Palopo City. This finding is consistent with research conducted by [4] which revealed that brand image and location have a significant impact on customer purchase intention [4]. Furthermore, this study strengthens evidence that positive perceptions of brands and appropriate pricing can increase consumer purchasing power, especially in the context of MSMEs in the region.

Brand image plays an important role in forming customer perceptions of the quality, trust, and reputation of products or services offered by MSMEs. When customers have positive perceptions of a brand, they tend to feel more confident and comfortable making purchases, even if there are similar alternative products from competitors [3]. This shows that investment in building a strong brand image through attractive packaging, consistent service, and clear brand communication can be an effective strategy to increase the competitiveness of MSMEs in Palopo City.

Meanwhile, the price variable has also been proven to play an important role in influencing consumer purchasing decisions. Prices that are appropriate to the value perceived by customers (perceived value) will encourage purchases because they are considered commensurate with the product quality received [3]. In the context of MSMEs, pricing must consider local economic conditions, community purchasing power, and product position in the market. Prices that are too high can reduce purchase intention, while prices that are too low can create negative perceptions of product quality.

Overall, the results of this study confirm that the two variables, brand image and price, cannot be viewed separately, but rather complement each other in influencing customer

purchasing power. The combination of a good brand image and competitive price creates optimal value in the eyes of consumers, which ultimately increases the likelihood of repeat purchases. The coefficient of determination value shows that these two variables provide substantial contribution to customer purchasing power, although there are still other factors that also influence.

3.2.2. The Partial Effect of Brand Image on Customer Purchasing Power

The partial test results show that brand image has a significant effect on customer purchasing power. This finding is in line with research by [5] which stated that brand image significantly influences consumer purchase intention [5]. This indicates that public perception of a brand's image plays an important role in encouraging purchasing decisions.

Brand image provides influence through associations formed in consumers' minds, such as quality, trust, uniqueness, and reputation. In practice, customers tend to be more interested in products whose brands are easily recognizable, have emotional value, and show consistency in quality. Based on descriptive analysis results, the product image indicator has the highest score, which shows that customers consider MSME products to have unique innovation and good quality.

For MSME actors in Palopo City, building a strong brand image can become a competitive advantage that not only attracts new buyers but also retains existing customers. The brand image regression coefficient value shows that brand image has a greater influence compared to price on customer purchasing power. This confirms the importance of investment in branding aspects, including visual design, brand communication, consistent product quality, and positive customer experience.

In the context of competition among MSMEs in Palopo City, brand image can be a differentiating factor that determines marketing success. Strong brands can attract consumer attention in a short time and create long-term loyalty. Therefore, brand image strengthening strategies should not only be short-term such as temporary promotions, but integrated into all aspects of business, from product quality, service, communication, to digital presence through social media and online platforms.

3.2.3. The Partial Effect of Price on Customer Purchasing Power

The partial test results show that price has a significant effect on customer purchasing power. This finding is in line with research by Adawiyah and Wulandari (2016) which stated that price affects consumer purchasing decisions [6]. This shows that price is one of the main considerations in purchasing decision making, especially in the context of MSMEs whose consumers tend to be sensitive to price changes.

Price is not only viewed as a nominal figure, but also as an indicator of a product's value in the eyes of consumers. In practice, consumers tend to compare prices with similar products before deciding to buy. If an MSME product is considered to offer benefits or quality equivalent to the price paid, then it will encourage consumers to choose that product. Conversely, prices that are considered too high or not commensurate with quality can reduce purchase intention, even if the product's brand image is good.

Based on descriptive analysis results, the indicator "Price Influences Consumer Decision Making" has the highest score, which shows that price is a crucial factor in the customer purchasing decision process for MSMEs. This implies that although brand image is important,

consumers still consider the rational aspect in the form of compatibility between the price paid and the benefits obtained.

For MSMEs in Palopo City, pricing strategies must consider several factors, including: local community purchasing power, regional economic conditions, competitor prices, production cost structure, and product positioning in the market. Prices that are too low can create an impression of low-quality products, while prices that are too high can alienate potential customers. Therefore, it is important for MSME actors to determine competitive prices while still providing reasonable profit margins.

Pricing approaches that can be implemented by MSMEs include: (1) cost-based pricing by adding a certain profit margin; (2) value-based pricing that considers consumer perceptions of product value; and (3) competition-based pricing by paying attention to similar product prices in the market.

Overall, the significant influence of the price variable on customer purchasing power confirms that this aspect is a key element in MSME marketing strategy. Pricing decisions must be made carefully and strategically, because they have a direct impact on customer purchase intention and decisions. MSMEs that can adjust prices to consumer expectations while maintaining product quality will have a better chance of retaining and increasing their target market's purchasing power. Thus, price is not only a competitive tool, but also a representation of the value offered to consumers.

4. Conclusion

This study analyzes the influence of brand image and price on customer purchasing power of MSMEs in Palopo City. Based on the analysis results and discussion, several conclusions can be drawn as follows:

1. Brand image and price simultaneously have a significant effect on customer purchasing power of MSMEs in Palopo City. This indicates that both factors are important elements that need to be considered together in MSME marketing strategy. The combination of a strong brand image and appropriate pricing can create an optimal value proposition for consumers, which ultimately increases customer purchasing power and loyalty.
2. Brand image partially has a significant effect on customer purchasing power of MSMEs in Palopo City. A positive brand image can shape consumer perceptions of the quality, trust, and reputation of MSME products. Customers tend to be more interested in buying products from brands they know and trust. This confirms the importance of investment in building a strong brand image through consistent product quality, effective brand communication, and positive customer experience.
3. Price partially has a significant effect on customer purchasing power of MSMEs in Palopo City. Price is an important factor considered by consumers in the purchasing decision-making process. Pricing that is appropriate to the value perceived by consumers (perceived value) will encourage purchases because it is considered commensurate with the product quality and benefits received. Therefore, pricing strategies must consider local community purchasing power, competitive position, and production cost structure.

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