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THE IMPACT OF PRICING AND SERVICE QUALITY ON THE IMAGE OF LP3I MAKASSAR POLYTECHNIC FROM STUDENTS' PERSPECTIVE

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Pricing, Service Quality, Institutional Image, Higher Education

Abstract

This study aims to explore the relationship between pricing, service quality, and institutional image among students at Makassar Polytechnic LP3I. Utilizing a quantitative approach with Structural Equation Modeling (SEM) based on Partial Least Squares (PLS), this research analyzed data from 91 randomly selected students. The results indicate that both pricing and service quality have a significant impact on the institutional image. Clear and rational pricing strategies, as well as high-quality services, positively contribute to the institutional image, enhancing students' perception of the institution's reputation. This study emphasizes the importance of price transparency and quality service in shaping a positive institutional image and attracting prospective students. Furthermore, the study suggests the need for future research to explore the long-term effects of these factors on student satisfaction and loyalty. This research provides practical insights for policymakers and educational administrators to improve the reputation of institutions in the higher education sector in Indonesia, highlighting the crucial role of pricing and service quality in determining institutional image.

INTRODUCTION

In the context of globalization and increasing competition among higher education institutions, institutional image has become a crucial element in attracting and retaining students (Carter & Yeo, 2019). The institutional image, encompassing the reputation and perceived quality accepted by the public, plays a significant role in influencing prospective students' decisions as well as the loyalty of existing students (Nguyen et al., 2020). In Indonesia, the intensity of competition among higher education institutions has been increasing in tandem with the growing public awareness of the

importance of quality education (Pratama & Widiyanti, 2021).

One of the key factors influencing institutional image is the perception of pricing and service quality provided (Zeithaml et al., 2020). In an educational context, pricing encompasses not only tuition fees but also various additional costs associated with the services and facilities offered by educational institutions (Monroe, 2019). Students' perceptions of pricing can significantly impact their decisions to enroll and remain enrolled at an educational institution (Nguyen et al., 2020).

Relevant service quality in the context of higher education encompasses various aspects such as faculty performance, educational facilities, administration, and student services (Zeithaml et al., 2020). High service quality provided by educational institutions can enhance student satisfaction and strengthen the institution's image (Ali et al., 2021). Previous research indicates a significant relationship between service quality and the institutional image in education (Carter & Yeo, 2019).

Understanding the influence of pricing and service quality on institutional image requires consideration of relevant theories such as perceived value and service quality theory. Perceived value, according to Zeithaml (2020), is the overall evaluation of benefits derived from a product or service, based on the comparison between what is received and what is given. In this context, students evaluate whether the costs expended align with the quality of services they receive (Ali et al., 2021).

The service quality theory introduced by Parasuraman et al. (2020) asserts that service quality is the comparison between customer expectations and perceptions of the service received. The SERVQUAL model developed by Parasuraman et al. (2020) identifies five dimensions of service quality: reliability, responsiveness, assurance, empathy, and tangibles.

Furthermore, the price fairness theory is also relevant in this context. This theory posits that consumer perceptions of price fairness can influence their overall perceived value of an institution or product (Xia et al., 2021). In the context of higher education, if students perceive that the price charged is commensurate with the quality of service received, they are likely to hold a positive view of the institution. Research by Xia et al. (2021) indicates that perceptions of price fairness not only affect customer satisfaction but also their loyalty to a specific institution or brand.

Moreover, perceived quality theory emphasizes that perceived quality is a subjective assessment influenced by individuals' experiences, expectations, and

information received (Dodds et al., 2020). In an educational context, students often evaluate service quality based on their experiences with facilities, interactions with faculty, and the efficiency of administrative services. Research by Dodds et al. (2020) confirms that perceived quality directly impacts the formation of institutional image and customer loyalty.

Although numerous studies have explored the separate effects of pricing and service quality on institutional image (Ali et al., 2021; Zeithaml et al., 2020), research examining the combined influence of these factors on institutional image remains limited, particularly in the context of higher education in Indonesia. Furthermore, there has been limited in-depth exploration from the perspective of students, who are the primary stakeholders in educational institutions (Nguyen et al., 2021).

Existing studies often focus on service quality aspects without considering how pricing perceptions can be a key factor influencing institutional image (Ali et al., 2021). For example, research by Xia et al. (2021) predominantly examines price perceptions in retail contexts and lacks discussion on how this factor interacts with service quality in shaping the institutional image of educational institutions. Zeithaml et al. (2020) also indicate that while service quality is crucial in shaping image, the integrated influence of pricing as a factor has been underexplored in higher education contexts.

Additionally, there is a lack of exploration from the perspective of students as the primary consumers of higher education services (Dodds et al., 2020). In this context, students have different expectations and perceptions compared to consumers in other sectors. Students' perceptions of pricing and service quality can be influenced by various factors such as socioeconomic background, access to information, and personal experiences (Nguyen et al., 2020). Therefore, this study aims to fill this gap by examining how pricing and service quality together influence the institutional image of higher education institutions from the perspective of students at Makassar Polytechnic LP3I.

Previous research often employs qualitative approaches or case studies, which, while providing in-depth insights, may not offer strong generalizability or representativeness (Carter & Yeo, 2019). This study will employ a quantitative approach with a broader sample to generate findings that are more generalizable and applicable to wider contexts (Nguyen et al., 2020).

This research is of high urgency because Makassar Polytechnic LP3I, as one of

the vocational higher education institutions in Indonesia, strives to enhance competitiveness and positive image amidst increasing competition (Pratama & Widyanti, 2021). Understanding how pricing and service quality jointly influence institutional image from the perspective of students can provide valuable insights for administrators to formulate more effective strategies in improving quality and attracting prospective students (Ali et al., 2021).

The author has a deep interest in researching this topic because educational institutions are key determinants of their operational success and sustainability (Carter & Yeo, 2019). The combined approach of pricing and service quality offers a more holistic perspective in understanding the factors influencing institutional image in education (Nguyen et al., 2021).

The aim of this study is to investigate the combined influence of pricing and service quality on the institutional image of higher education institutions, focusing on the perspective of students at Makassar Polytechnic LP3I. This research aims to fill gaps in the literature by examining how students' perceptions of pricing and service quality interact in shaping the institutional image of higher education. Thus, this study is expected to provide a more comprehensive and applicable insight for educational institution managers in designing more effective marketing and quality management strategies.

This research is expected to make a significant contribution by providing a deeper understanding of the combined influence of pricing and service quality on the institutional image of higher education institutions. The findings of this study are expected to serve as a basis for developing more effective marketing and quality management strategies at Makassar Polytechnic LP3I and other higher education institutions in Indonesia (Ali et al., 2021).

RESEARCH METHODS

This study employs a quantitative approach to examine the relationships among price, service quality, and institutional image at Makassar Polytechnic LP3I. The research population comprises all 1,200 active students, with a random sample of 91 students selected using the Slovin's formula with a 10% margin of error (Hair et al., 2019). Data collection utilized a questionnaire designed to measure students' perceptions regarding price, service quality, and institutional image. Each statement in

the questionnaire employed a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5), allowing respondents to subjectively but quantitatively assess the variables under investigation (Rahmawati et al., 2020).

Data analysis employed Structural Equation Modeling (SEM) using Partial Least Squares (PLS). SEM-PLS was chosen due to its capability to handle latent variables and non-normally distributed data complexities (Hair et al., 2020). The analysis stages included measurement model validation, ensuring convergent and discriminant validity of the indicators used to measure latent variables. Convergent validity was assessed with loading factors exceeding 0.7 and Average Variance Extracted (AVE) above 0.5 (Henseler et al., 2019). Discriminant validity was tested to ensure that latent variables correlated more highly with their own indicators than with indicators of other latent variables (Hair et al., 2019).

Following measurement model validation, the next step involved estimating the structural model to test formulated hypotheses. Testing was conducted by examining path coefficients indicating direct influences among latent variables, with significance tested using bootstrapping to obtain t-statistics and p-values (Henseler et al., 2020). This technique enabled evaluation of whether price and service quality significantly influence institutional image. Additionally, R-square values were used to assess how much variation in the dependent variable, institutional image, could be explained by the independent variables (Sarstedt et al., 2021).

To evaluate overall model fit, Goodness of Fit (GoF) was employed, measuring the quality of the model in representing the data. High GoF values indicate good model fit. Common GoF criteria include 0.10 (small GoF), 0.25 (medium GoF), and 0.36 (large GoF) (Tenenhaus et al., 2005; Wetzels et al., 2009). In this study, the GoF value is expected to demonstrate that the constructed model adequately represents the relationships among price, service quality, and institutional image (Chin, 2010).

RESULTS AND DISCUSSION

Results

1. Measurement Model

The measurement model is a crucial component in Structural Equation Modeling (SEM), particularly in studies employing Partial Least Squares (PLS) SEM. The measurement model is used to identify how latent variables or constructs that

cannot be directly measured are represented by directly measurable indicators or observed variables (Hair et al., 2019). The measurement model is analyzed using the PLS Algorithm with the following model:

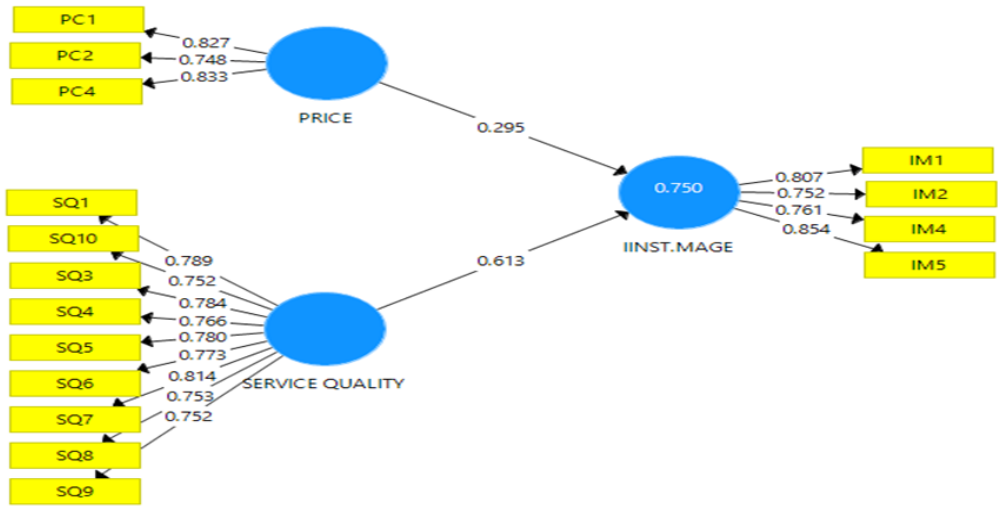

Figure 2. Algorithm Model

Figure 2 above illustrates the Structural Equation Modeling (SEM) model using the Partial Least Squares (PLS) approach. This model depicts the relationships among three latent constructs: Price (Harga), Service Quality (Kualitas Pelayanan), and Institution Image (Citra Lembaga). Each construct is measured by several indicators with their respective outer loadings listed alongside. Outer loading indicates the strength of the relationship between each indicator and the latent construct being measured. A value higher than 0.70 indicates that the indicators significantly and validly represent the respective latent construct (Hair et al., 2020; Henseler et al., 2021). For instance, for the Price construct, indicator PC1 has an outer loading of 0.827, indicating a strong contribution in measuring students' perceptions of price. Indicator PC4 is even higher with a value of 0.833, showing it is the most significant indicator in measuring price (Gonzales-Rodriguez et al., 2022). Similarly, for the Service Quality construct, indicator SQ7 has the highest outer loading of 0.814, indicating it is highly representative in measuring the service quality perceived by students (Sharma et al., 2021).

The model also depicts the relationships among constructs through path coefficients. For example, the path from Price to Institution Image has a coefficient of 0.295, indicating that rational and transparent price perceptions positively influence institutional image, albeit to a moderate extent (Nguyen & LeBlanc, 2021). Meanwhile,

the path from Service Quality to Institution Image has a coefficient of 0.613, indicating that good service quality significantly influences positive perceptions of the educational institution (Parasuraman et al., 2020). The obtained R-squared value is 0.750, indicating that 75% of the variability in institutional image can be explained by these two constructs, highlighting that price and service quality are crucial factors in shaping students' perceptions of the institution (Sarstedt et al., 2021). Overall, this model underscores the importance of competitive pricing and high service quality in creating a positive educational institution.

Convergent Validity

Test Convergent validity is a measure that indicates whether indicators designed to measure a latent construct indeed reflect that construct strongly. In other words, these indicators should have high correlations with each other, indicating that together they define the measured construct (Hair et al., 2020). Convergent validity measurement uses Average Variance Extracted (AVE). AVE is a metric used to assess convergent validity, and a construct is considered to have adequate convergent validity if its AVE value is greater than 0.50, which means that the variance of the indicators can be explained by the construct (Fornell & Larcker, 1981; Henseler et al., 2021).

Outer loading is the correlation coefficient between an indicator and its construct. To meet the criteria of convergent validity, the outer loading value for each indicator should ideally be greater than 0.70 (Hair et al., 2021). If the outer loading value is between 0.40 and 0.70, consideration should be given to removing indicators to improve AVE and construct reliability (Sarstedt et al., 2021).

Table 1. Convergent Validity Test Results with AVE

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Institution Image	0,804	0,811	0,872	0,631
Price	0,726	0,733	0,845	0,646
Service Quality	0,916	0,917	0,931	0,599

Source : SEM PLS Output: 2024

In Table 2, in the AVE column, it can be explained that all constructs obtained values greater than 0.50. These results indicate that the constructs have good convergent validity. This means that more than 50% of the indicator variance can be explained by the latent constructs, and it can be said that these constructs are valid in measuring what

is intended (Hair et al., 2020; Henseler et al., 2021).

Table 2. Outer Loading

Item	Inst.Image	Price	Service Quality
IM1	0,807		
IM2	0,752		
IM4	0,761		
IM5	0,854		
PC1		0,827	
PC2		0,748	
PC4		0,833	
SQ1			0,789
SQ10			0,752
SQ3			0,784
SQ4			0,766
SQ5			0,780
SQ6			0,773
SQ7			0,814
SQ8			0,753
SQ9			0,752

Source: Output SEM-PLS:2024

Overall, the outer loading values in Table 2 indicate that all indicators are good measures for their respective constructs, with outer loading values above 0.7 considered valid and reliable. This demonstrates that all indicators significantly contribute to measuring latent variables such as institutional image, price, and service quality.

The convergence validity tests, consisting of AVE and Outer Loading, have shown good convergence validity. This means that the constructs used in the study reflect the measured reality consistently and accurately. This provides confidence that the constructed model can be used for valid predictions and explanations regarding the relationships among constructs in the study (Hair et al., 2021).

Discriminant Validity Testing

There are several methods to measure discriminant validity, including the Fornell-Larcker criterion, Cross-Loadings, and Heterotrait-Monotrait (HTMT) criterion. Discriminant validity testing based on the Fornell-Larcker criterion requires that the Average Variance Extracted (AVE) for each construct is greater than the squared correlation between that construct and any other constructs (Sarstedt et al., 2022).

Table 3. Fornell-Larcker Criterion

	Institution Image	Price	Service Quality
Institution Image	0,795		

Price	0,782	0,804	
Service Quality	0,847	0,794	0,774

Source: Output SEM PLS:2024

Generally, price demonstrates good discriminant validity against other constructs, while institution image and service quality exhibit less discriminant validity against each other because their correlation exceeds the square root of their respective AVEs. To strengthen the conclusion regarding discriminant validity, additional analysis such as the Heterotrait-Monotrait (HTMT) ratio is needed, as shown in the following table.

Table 5. HTMT

	Institution Image	Price	Service Quality
Institution Image			
Price	1,017		
Service Quality	0,981	0,969	

Source: Output SEM PLS:2024

Table 6. Cross Loading

	Institution Image	Price	Service Quality
IM1	0,807	0,680	0,615
IM2	0,752	0,581	0,621
IM4	0,761	0,544	0,685
IM5	0,854	0,675	0,762
PC1	0,696	0,827	0,687
PC2	0,577	0,748	0,571
PC4	0,602	0,833	0,649
SQ1	0,672	0,666	0,789
SQ10	0,616	0,546	0,752
SQ3	0,709	0,627	0,784
SQ4	0,624	0,588	0,766
SQ5	0,616	0,553	0,780
SQ6	0,655	0,683	0,773
SQ7	0,655	0,638	0,814
SQ8	0,616	0,631	0,753
SQ9	0,718	0,590	0,752

Source : Output SEM PLS:2024

The general conclusion from this cross-loading table is that the indicators generally provide good information or capture latent variables that align well with the desired concepts. The strong correlation between latent variables and observational variables indicates that these observational variables can be used to represent latent variables in further analyses, such as factor analysis or structural modeling.

Reliability Testing

Reliability testing is conducted by calculating Cronbach's Alpha and Composite Reliability. Both values should exceed 0.7 to indicate adequate internal consistency (Sarstedt et al., 2021).

Table 7. Reliability Test with Cronbach's Alpha and Composite Reliability

	Cronbach's Alpha	Composite Reliability
Institution Image	0,804	0,872
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2. Measurement Model

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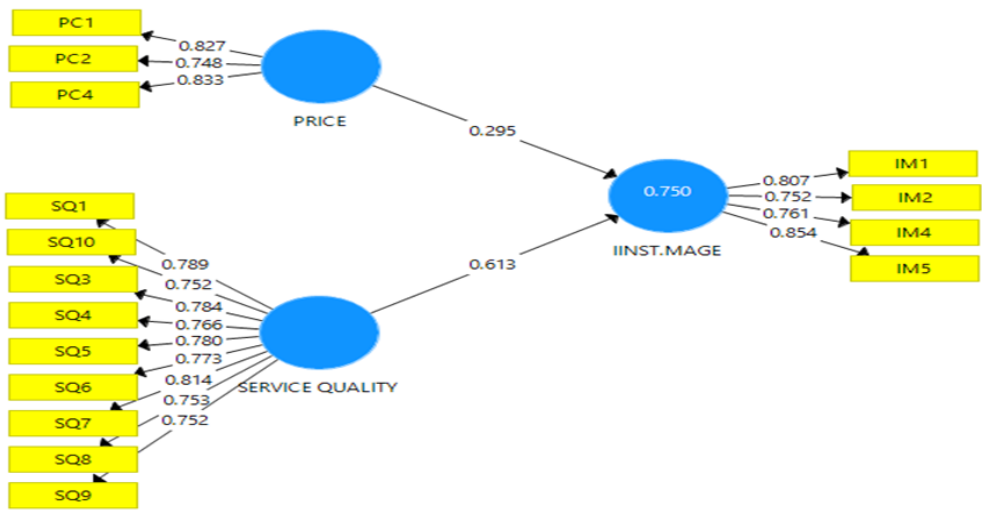

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SQ8			0,753
SQ9			0,752

Source: Output SEM-PLS:2024

Overall, the outer loading values in Table 2 indicate that all indicators are good measures for their respective constructs, with outer loading values above 0.7 considered valid and reliable. This demonstrates that all indicators significantly contribute to

measuring latent variables such as institutional image, price, and service quality.

The convergence validity tests, consisting of AVE and Outer Loading, have shown good convergence validity. This means that the constructs used in the study reflect the measured reality consistently and accurately. This provides confidence that the constructed model can be used for valid predictions and explanations regarding the relationships among constructs in the study (Hair et al., 2021).

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Generally, price demonstrates good discriminant validity against other constructs, while institution image and service quality exhibit less discriminant validity against each other because their correlation exceeds the square root of their respective AVEs. To strengthen the conclusion regarding discriminant validity, additional analysis such as the Heterotrait-Monotrait (HTMT) ratio is needed, as shown in the following table.

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The general conclusion from this cross-loading table is that the indicators generally provide good information or capture latent variables that align well with the desired concepts. The strong correlation between latent variables and observational variables indicates that these observational variables can be used to represent latent variables in further analyses, such as factor analysis or structural modeling.

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Overall, price demonstrates good discriminant validity from the other constructs, while institution image and service quality exhibit less discriminant validity from each other because their correlation is greater than the square root of each construct's AVE. To strengthen conclusions regarding discriminant validity, additional analysis such as the Heterotrait-Monotrait (HTMT) ratio is needed, as shown in the following table.

Evaluation of Goodness of Fit (GoF)

Based on the overall GoF calculation for the model, it is 0.599. From the calculation above, it can be explained that GoF provides an indication of how well the model explains the data overall. A GoF value of approximately 0.599 indicates that this

model is reasonably good at explaining the relationships between the latent variables. Further model fitness using SRMR from the SEM PLS results can be seen in Table 8 below.

Table 8. Model Fit Evaluation

	Saturated Model	Estimated Model
SRMR	0,077	0,077
d_ULS	0,800	0,800
d_G	0,536	0,536
Chi-Square	256,308	256,308
NFI	0,746	0,746

Source: Output SEM PLS:2024

The SRMR value of 0.077 indicates that the tested model fits reasonably well with the observed data. This means that the difference between the observed covariance matrix and the one predicted by the model is small. An SRMR < 0.08 indicates adequate model fit. In other words, the tested model accurately reflects the observed covariance matrix, with minimal difference between the observed and predicted data.

Structural Model Estimation

Determining the proposed causal relationships between latent variables. This involves identifying the path proposed from predictor variables to response variables.

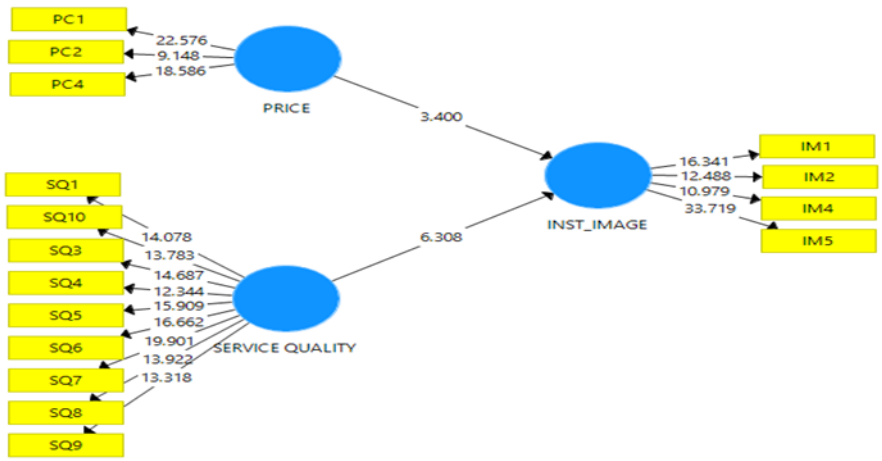

Figure 3. Structural Model Estimation

Path Coefficient Testing

Estimating path coefficients between latent variables using SEM PLS. Path coefficients indicate the strength and direction of causal relationships between variables

Table 9. Path Coefficient and Hypothesis Testing

	T Statistics (|O/STDEV|)	P Values	Explanation

Price -> Inst_Image	3,400	0,001	"Positive and significant: Hypothesis accepted."
Service Quality -> Inst_Image	6,308	0,000	"Positive and significant: Hypothesis accepted."

Source: Output SEM PLS:2024

The relationship between price and institution image shows a strong association with a T-statistic of 3.400 and a P-value of 0.001, indicating that this relationship is statistically significant ($p < 0.05$) and deemed significant. Based on this data, the first hypothesis is accepted.

The relationship between service quality and institution image, with a T-statistic of 6.308, indicates that the association between "service quality" and "institution image" is stronger compared to the previous relationship. The very small P-value (< 0.001) shows that this relationship is highly statistically significant. Therefore, the second hypothesis that "Service Quality" has a significant impact on "institution image" is accepted.

Discussion

The Influence of Price on Institutional Image

Based on research findings, it has been established that price significantly and positively influences institutional image. Theoretical support for this finding comes from signal theory and quantity theory. This theory suggests that price can serve as a quality signal to consumers. Research by Rao and Monroe (2019) indicates that consumers often use price as a direct indicator to gauge the quality of products or services. In the context of institutions, an increase in price sends a signal that the institution offers higher value or quality, thereby enhancing their image in the eyes of consumers.

Research by Kumar and Krishna (2020) highlights the importance of perceived value in shaping brand image. If consumers feel that the price asked is commensurate with the value they receive, it can strengthen a positive image of the institution. This indicates that not only high prices directly, but also the perceived value provided by the price, can influence institutional image.

Furthermore, relevant theories include identity and prestige theory. These theories underscore how price can affect perceptions of brand prestige and identity. For

instance, research by Chen and Jin (2021) found that increasing prices can enhance the prestige image of a brand or institution, as consumers may associate higher prices with exclusivity and higher quality.

Recent studies confirm that price can indeed positively influence institutional image, consistent with these research findings. Lee and Park (2023) discovered that an increase in price accompanied by improved service quality can significantly enhance public perception of higher education institutions, illustrating that higher prices can reinforce the image of being a quality institution.

On the other hand, some studies suggest that the relationship between price and institutional image is not always linear or positive. Research by Smith et al. (2022) found that in some contexts, consumers may interpret high prices as signs of exploitation or unfairness, which can damage the institution's image. Therefore, an increase in price does not always equate to an increase in image if it is not accompanied by an increase in perceived value or quality by consumers.

Overall, research findings stating "price has a significant positive influence on institutional image" are supported by quality signal theory, perceived value theory, and identity or prestige theory. However, it's important to note that context and the implementation of pricing strategies are crucial in determining their impact on institutional image. The studies mentioned demonstrate the complexity of the relationship between price and institutional image, emphasizing the need to consider more than just price in efforts to build and strengthen institutional image.

Service Quality Significantly Influences Institutional Image

This finding indicates that an increase in the quality of services provided by a higher education institution is closely related to enhancing its positive image among students or the public. In this context, "service quality" encompasses aspects such as responsiveness, reliability, empathy, and the institution's ability to meet or exceed consumer expectations. Meanwhile, "institutional image" includes the perception and general reputation held by consumers towards the institution, including trust, credibility, and overall reputation.

The theories and concepts that support this are service quality theory. According to this theory, good service quality is fundamental in building strong relationships with consumers, ultimately strengthening the institution's image. This theory is illustrated by the SERVQUAL model developed by Parasuraman, Zeithaml,

and Berry, which identifies five key dimensions of service quality: reliability, assurance, responsiveness, empathy, and tangibles (Zeithaml et al., 2020).

Additionally, trust and loyalty theories play a role. High service quality enhances consumer trust, a key component in building loyalty and a positive image. Research by Sirdeshmukh et al. (2021) shows that consistent service quality can increase consumer trust in the institution, thereby reinforcing the institution's image as a reliable and professional entity.

Supporting or aligned research includes Lee et al. (2020), which demonstrates that high service quality in the banking sector significantly improves the positive image of banks. Improvements in service quality such as faster responsiveness, staff friendliness, and effective problem-solving have proven to strengthen positive perceptions of banks. Furthermore, research by Kim et al. (2022) finds that service quality in the healthcare sector greatly influences hospital image. Patients receiving fast, efficient, and empathetic service tend to have a positive view of the hospital, thereby enhancing the institution's overall image.

Moreover, research by Wang & Chen (2023) shows that improving service quality in the education sector enhances the university's image among students and the general public. Service aspects such as academic guidance, learning facilities, and good administrative support contribute to a positive perception of the university.

Conversely, research that challenges or does not align with these findings includes Nordin et al. (2021), which suggests that in some cases, high service quality does not always positively impact institutional image, particularly in the public sector where it may require high transparency and accountability to achieve positive effects.

Furthermore, Smith et al. (2024) indicate that in certain cases, consumers can be highly critical of service quality, especially in the technology sector where service quality improvements must be accompanied by continuous innovation and up-to-date offerings to positively impact institutional image.

Overall, good service quality has a significant and positive impact on institutional image. This is supported by theories and research indicating that satisfying services that exceed consumer expectations can enhance positive perceptions and trust in the institution. However, it's crucial to note that context and specific sectors play a vital role in this relationship, and enhancing service quality needs to be accompanied by factors such as transparency, innovation, and adaptation to evolving consumer

expectations to maximize positive impact on institutional image.

Table 8. Model Fit Evaluation

	Saturated Model	Estimated Model
SRMR	0,077	0,077
d_ULS	0,800	0,800
d_G	0,536	0,536
Chi-Square	256,308	256,308
NFI	0,746	0,746

Source: Output SEM PLS:2024

The SRMR value of 0.077 indicates that the tested model fits reasonably well with the observed data. This means that the difference between the observed covariance matrix and the one predicted by the model is small. An SRMR < 0.08 indicates adequate model fit. In other words, the tested model accurately reflects the observed covariance matrix, with minimal difference between the observed and predicted data.

Structural Model Estimation

Determining the proposed causal relationships between latent variables. This involves identifying the path proposed from predictor variables to response variables.

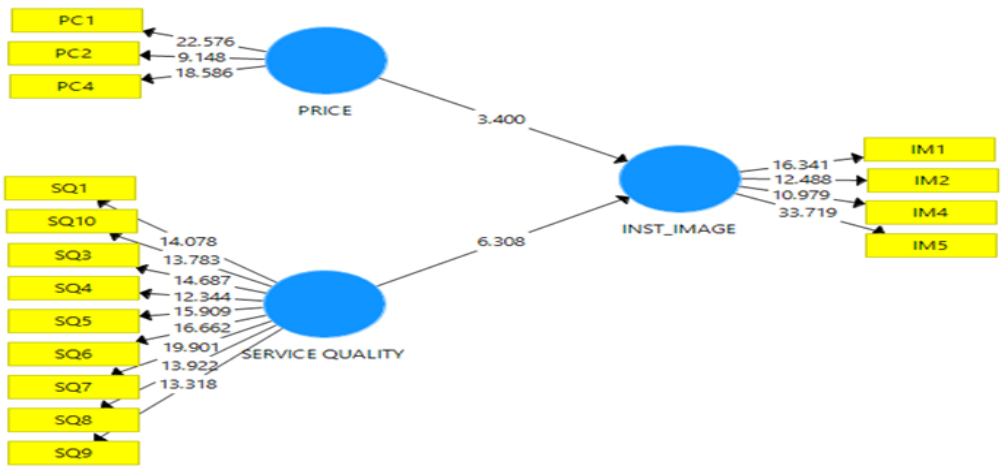

Figure 3. Structural Model Estimation

Path Coefficient Testing

Estimating path coefficients between latent variables using SEM PLS. Path coefficients indicate the strength and direction of causal relationships between variables.

Table 9. Path Coefficient and Hypothesis Testing

	T Statistics (|O/STDEV|)	P Values	Explanation
Price -> Inst_Image	3,400	0,001	"Positive and significant: Hypothesis

			accepted."
Service Quality -> Inst_Image	6,308	0,000	"Positive and significant: Hypothesis accepted."

Source: Output SEM PLS:2024

The relationship between price and institution image shows a strong association with a T-statistic of 3.400 and a P-value of 0.001, indicating that this relationship is statistically significant ($p < 0.05$) and deemed significant. Based on this data, the first hypothesis is accepted.

The relationship between service quality and institution image, with a T-statistic of 6.308, indicates that the association between "service quality" and "institution image" is stronger compared to the previous relationship. The very small P-value (< 0.001) shows that this relationship is highly statistically significant. Therefore, the second hypothesis that "Service Quality" has a significant impact on "institution image" is accepted.

Discussion

The Influence of Price on Institutional Image

Based on research findings, it has been established that price significantly and positively influences institutional image. Theoretical support for this finding comes from signal theory and quantity theory. This theory suggests that price can serve as a quality signal to consumers. Research by Rao and Monroe (2019) indicates that consumers often use price as a direct indicator to gauge the quality of products or services. In the context of institutions, an increase in price sends a signal that the institution offers higher value or quality, thereby enhancing their image in the eyes of consumers.

Research by Kumar and Krishna (2020) highlights the importance of perceived value in shaping brand image. If consumers feel that the price asked is commensurate with the value they receive, it can strengthen a positive image of the institution. This indicates that not only high prices directly, but also the perceived value provided by the price, can influence institutional image.

Furthermore, relevant theories include identity and prestige theory. These theories underscore how price can affect perceptions of brand prestige and identity. For instance, research by Chen and Jin (2021) found that increasing prices can enhance the

prestige image of a brand or institution, as consumers may associate higher prices with exclusivity and higher quality.

Recent studies confirm that price can indeed positively influence institutional image, consistent with these research findings. Lee and Park (2023) discovered that an increase in price accompanied by improved service quality can significantly enhance public perception of higher education institutions, illustrating that higher prices can reinforce the image of being a quality institution.

On the other hand, some studies suggest that the relationship between price and institutional image is not always linear or positive. Research by Smith et al. (2022) found that in some contexts, consumers may interpret high prices as signs of exploitation or unfairness, which can damage the institution's image. Therefore, an increase in price does not always equate to an increase in image if it is not accompanied by an increase in perceived value or quality by consumers.

Overall, research findings stating "price has a significant positive influence on institutional image" are supported by quality signal theory, perceived value theory, and identity or prestige theory. However, it's important to note that context and the implementation of pricing strategies are crucial in determining their impact on institutional image. The studies mentioned demonstrate the complexity of the relationship between price and institutional image, emphasizing the need to consider more than just price in efforts to build and strengthen institutional image.

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CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Research shows that price has a positive and significant impact on institutional image. This finding is supported by quality signal theory and perceived value, indicating that higher prices can be associated with better quality and exclusivity, thereby enhancing the institution's image in the eyes of consumers. However, this relationship depends on specific contexts and consumers' perceptions of the value provided by the institution. Proper pricing that reflects the quality and value perceived by consumers can enhance positive perceptions of the institution. Conversely, if prices are perceived as unfair or not reflective of the value received, it can damage the institution's image.

Good service quality has been proven to significantly influence the enhancement of institutional image. This is supported by service quality theory, which emphasizes the importance of reliability, empathy, and responsiveness in building a positive image. Research indicates that when institutions deliver services that meet or exceed consumer expectations, it significantly reinforces the institution's image as a reliable and professional entity. However, this influence also heavily depends on how consumers interpret service quality and whether it aligns with their expectations and experiences.

Both research findings underscore the importance of appropriate strategies in pricing and improving service quality to build a positive institutional image. Price and service quality, although different in their impact mechanisms, collectively play crucial roles in shaping consumer perceptions of the institution. Proper pricing aligned with the value provided and the delivery of high-quality services can synergistically strengthen the institution's image in the eyes of consumers. Therefore, management must carefully consider both aspects in their marketing and operational strategies to ensure that the institution can achieve and maintain a positive and strong image.

Recommendation

The institution must ensure that the prices they set reflect the perceived value by consumers, taking into account the quality perception associated with those prices, thus giving the impression that the products or services offered provide value commensurate with the cost. Additionally, focusing on improving service quality through reliability, responsiveness, and empathy is crucial to enhancing the overall

consumer experience and strengthening the institution's image positively. By integrating appropriate pricing strategies with consistent service quality improvement, the institution can create strong synergy to reinforce their image, not only helping to achieve a good reputation in the eyes of consumers but also enhancing consumer loyalty towards the institution.

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