

How Does Electronic Word of Mouth (E-WoM) and Price Affect Purchasing Decisions?

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Abstract

This study aims to determine the electronic word of mouth that becomes a purchase decision for Shopee application users, by involving price variables that affect purchase decisions in Shopee application users. With a sample size of 284, the sampling method uses probability sampling. Utilizing questionnaires that have undergone validity and reliability testing, data gathering approaches. Partial and multiple regression analysis is the data analysis method used to determine the validity of the hypothesis. Electronic word of mouth influences purchasing decisions, price affects purchasing decisions. The indicator in the price variable that most influences the purchase decision is the competitive price indicator. The decision to visit customers will also increase with improved or higher electronic word-of-mouth, and vice versa. The decision to visit consumers will be less likely if there is less electronic word of mouth. The amount of sales for the company will rise if the company can foster favorable electronic word of mouth among the general population. Price also influences whether customers choose to buy things from Shopee's online store.

Keywords: Electronic Word of Mouth, Price, Purchase Decision

Introduction

The trend of consumer behavior in Indonesian society is currently shifting towards an increased consumption of both goods and services. This shift is accompanied by notable changes in people's lifestyles and consumption patterns (Pitaloka & Avianti, 2023; Sulistyan et al, 2022). One platform that has gained significant traction in facilitating this trend is Shopee, an online shopping application that operates on a consumer-to-consumer system (Amin et al., 2022; Yatminiwati et al., 2021; Ummat & Hayuningstias, 2022). This shift towards digital platforms like Shopee is indicative of the evolving consumer behavior in response to the changing landscape of shopping and purchasing.

One interesting phenomenon in this context is the emergence of electronic Word of Mouth (e-WOM), which represents a transformation of traditional Word of Mouth. While Word of Mouth used to occur through interpersonal face-to-face communication, e-WOM now takes place through various internet-mediated communication channels (Amin et al., 2022). This shift highlights the increasing importance of online reviews, ratings, and opinions in influencing consumer decision-making processes. Consumers today are more likely to rely on feedback and recommendations from their peers on the internet before making purchasing decisions (Kirana et al., 2023).

The concept of price also holds significant meaning in consumer behavior (Maulana et al., 2019). Price is not just a monetary value; it carries a deep perceptual meaning for consumers (Ummat & Hayuningstias, 2022). How consumers perceive the value of a product in relation to its price can greatly influence their decision-making process (Dewi & Iswari, 2022). This perception is influenced by factors such as brand image, quality, and the overall value proposition offered by the product.

Before finalizing a purchase, consumers consider several factors. Two significant factors mentioned in your text are the influence of reviews and opinions from previous users and the comparison of the same product from different sellers at varying prices. In the digital age, online

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reviews and ratings have become critical influencers of consumer decisions (Setiyowati et al., 2019). Consumer confidence can be increased by positive evaluations, whilst negative ratings may discourage them from making a purchase. Additionally, the ability to easily compare the same product across different sellers and price points allows consumers to make informed decisions and find the best deal.

In the process of making purchase decisions, consumers engage in the evaluation stage. This is where they form preferences between different brands and products, ultimately leading to the selection of their preferred choice (Kotler & Keller, 2020). This process involves comparing different options, considering factors like quality, features, and benefits offered by each brand.

The context of student usage of various e-commerce platforms, such as Shopee, Lazada, and Tokopedia, provides a specific lens to analyze these concepts. With a majority of students (70.6%) using the Shopee platform, it becomes a relevant and interesting subject for research. Exploring how students' consumption patterns, buying behavior, and preferences are influenced by the factors mentioned above within the context of Shopee could provide valuable insights into the broader shifts in Indonesian consumer behavior and e-commerce trends.

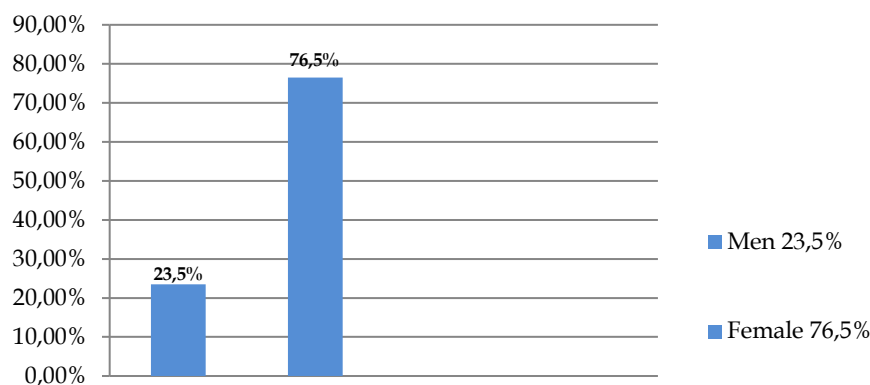


Figure 1. Most Users on
Source: STIE Wibawa Karta Raharja Student (2023)

The survey from figure 1, results show that 76.5% of female shoppers have bought products on Shopee e-commerce. While 23.5% of male online shoppers stated that they had bought products on Shopee. The percentage of consumers who shop online has been dominated by women compared to men. This study aims to determine the electronic word of mouth that becomes a purchase decision for Shopee application users, by involving price variables that affect purchase decisions in Shopee application users.

Methods

The data generated by this quantitative study will take the form of numerical data (Garson, 2016). Utilizing SPSS 25, analysis was done on the data that was obtained. The purpose of this study is to examine how pricing and e-WOM impact Shopee purchases. With the purpose based, data was collected with questionnaires as many as 284 respondents who had made online purchases targeting STIE Wibawa Karta Raharja Purwakarta students. The distribution of questionnaires was carried out behind closed doors using a Likert scale of 1-5. This study uses 2 independent variables consisting of e-WOM and price and the dependent variable is purchasing decision. The questionnaire made with the variables studied had an average of 3 question items.

Results and Discussion

Statistics Description of Answers from Respondents Overall

Based on the table below, it is explained that, in the e-WOM variable, the minimum answer of respondents is 30 and the maximum is 43, with an average total answer of 39.69 and a standard division of 1.999.

Table 1. Statistics Description of Respondents' Answers Overall

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
e-WOM	284	30	43	39,69	1,999
Price	284	35	90	45,27	3,835
Purchase decision	284	36,00	57,00	49,7430	2,94726
Valid N (listwise)	284				

Source: Data Processed (2023)

The variable price of respondents' minimum answers was 35 and the maximum was 90, with an average total answer of 45,27 and a standard division of 3.835. And in the variable purchase decision the respondent's minimum answer was 36,00 and the maximum was 57,00 with an average total answer of 49,7430 and a standard division of 2,94726.

Reliability Test

Table 2. Reliability Test Results

No.	Variable	Alpha Cronbach	Information
1.	e-WOM	0,695	Reliable
2.	Price	0,732	Reliable
3.	Purchase decision	0,750	Reliable

Source: Data Processed (2023)

From table 3, it can be seen that each variable indicator of e-WOM, price and purchase decision turned out to be obtained Cronbach Alpha value > 0.60 . Thus the variables in this study are declared reliable.

Normality Test

Table 3. Normality Test Results

		Unstandardized Residual	
N		284	
Normal Parameters ^{a,b}	Mean	0,0000000	
	Std. Deviation	2,83142607	
Most Extreme Differences	Absolute	0,059	
	Positive	0,041	
	Negative	-0,059	
Test Statistic		0,059	
Asymp. Sig. (2-tailed)		0,019 ^c	
Monte Carlo Sig. (2-tailed)	Sig.	0,272 ^d	
	99% Confidence Interval	Lower Bound	0,261
		Upper Bound	0,284

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. Based on 10000 sampled tables with starting seed 2000000.

Source: Data Processed (2023)

The results of the Kolmogorov-Smirnov normalcy test are shown in table 4. that the significance value for the static test is 0.19 and the test value is 0.59. The significance value of 0.19 is thus greater than 0.05, demonstrating this. Therefore, it can be said that the regression model used in this study has a normal distribution.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2,945	2,384		1,235	0,218
e-WOM	-0,003	0,057	0,003	0,049	0,961
Price	-0,016	0,030	0,032	0,529	0,597

Source: Data Processed (2023)

That the significance value in the glacier test of each independent variable has a significant value of > 0.05 so that it can be concluded if with the glacier test this study there is no heteroscedasticity.

The test results are known to be e-WOM of $0.528 > 0.05$ and Price of $0.582 > 0.05$. So it can be concluded that there is a linear relationship between e-WOM price and purchase decision. Autocorrelation test shows that the Durbin-Watson value is 2.091. The value is still between 1.5-2.5 which means that the data in this study did not autocorlate.

Multiple Linear Regression Analysis

$$Y = 9,534 + 0,363 X_1 + 0,772 X_2$$

The constant value (α) is 9.534. Value means that if the dependent variable (purchase decision) is influenced by both independent variables (e-WOM and Price). The value of the regression coefficient (β_1) is 0.363 and the value of the regression coefficient (β_2) is 0.772. It can be said that every increase of 1 unit of price (assuming the variable does not change) will increase the purchase decision.

Correlation Coefficient Test

From e-WOM of 0.274 and price of 0.106 enter at intervals of 0.80-1.00. So it can be concluded that the level of strength of the relationship between e-WOM and price to purchasing decisions has a very strong level of relationship.

T Test

Showing e-WOM is known tcalculate (4.298), $>$ ttabel (1.650) and Sig. (0.016) and tcalculate price (2.277), $>$ ttable (1.650) and Sig. (0.024) $<$ 0.05. So e-WOM and price have a positive effect on purchasing decisions.

Test F

In this study, a calculated F value of 11.991 was obtained with a significance number (P value) of 0.000 ($p < 0.05$), so it can be concluded that the regression used in the study is a good model and can be used to determine predictions.

Coefficient of Determination Test R²

R² is 0.535. This means that 53.5% of the variation in purchasing decision variables can be explained by independent variables in the form of e-WOM and price. The remaining 46.5% was explained by other factors that were not studied or outside the model. As done by Indriani and Pasharibu (2020) that price affects purchasing decisions. Stating that the main reason consumers on online shopping is to get cheaper prices than other online shopping. This means that consumers want to save money to buy the desired product because consumers can compare freely if buying at Shopee online shopping. This can also be proven by the results of respondents' answers that the majority of respondents consider the prices on products at Shopee cheaper than other online shopping.

1. The Influence of e-WOM on Purchasing Decisions

The statement asserts that electronic word of mouth (e-WOM) significantly affects purchasing decisions, supported by a noteworthy p-value of 0.016, lower than the accepted threshold of 0.05. This indicates a substantial impact of e-WOM on consumer choices. The implication is that by enhancing e-WOM, particularly positive reviews, businesses can potentially elevate purchasing decisions, as consumers are influenced by favorable online feedback. The indicator of positive reviews stands out

as the most influential factor, with a high average score of 4.47 based on respondents' input, underscoring the significant role these reviews play in shaping consumer behavior and fostering purchase confidence. In summary, the statement highlights the statistical significance of e-WOM in impacting purchasing decisions, suggesting a potential for businesses to leverage positive online reviews to enhance consumer choices

2. The Effect of Price on Purchasing Decisions

The statement underscores the notable impact of price on purchasing decisions, supported by a significant p-value of 0.024, which is below the conventional threshold of 0.05. This indicates a statistically significant relationship between price and consumer purchasing choices. In light of this, it can be deduced that the price factor significantly influences the decisions consumers make when buying products. Particularly for students, who often manage tight budgets due to their numerous academic and personal needs, price holds great significance in their decision-making process. Given their financial constraints, students tend to be highly conscientious about the costs associated with their purchases. They engage in meticulous price comparisons between different options, seeking products that align with their budgets. As prices decrease, students' propensity to make a purchase generally increases, highlighting the pivotal role of price in shaping their buying decisions.

Within the context of price, the indicator that stands out as the most influential in driving purchase decisions is the competitive price indicator. This observation is based on the analysis of respondents' feedback, which yielded the highest average score of 4.23 for this particular indicator. This finding underscores the importance of offering products at competitive prices to attract student consumers. Businesses that can provide products at prices that resonate with students' budget constraints are more likely to see an increase in purchase decisions, as the competitive price factor plays a pivotal role in influencing student buying behavior.

3. The Effect of e-WOM and Price on Purchasing Decisions

The study's results show that pricing and electronic word of mouth together have a considerable and advantageous influence on purchasing decisions. The combined influence of both elements is estimated to be 53.5%, meaning that the interaction between pricing and electronic word of mouth accounts for more than half of the variability in purchase decisions on the Shopee platform. This implies that when consumers encounter positive electronic word of mouth, such as favorable online reviews, along with competitive pricing, they are more inclined to make purchase decisions on Shopee (Anam et al., 2021). It is worth noting that this cumulative influence demonstrates the interplay between online recommendations and cost considerations in shaping consumer behavior on the platform.

In light of these results, the conclusion drawn is that the combined effect of electronic word of mouth and price significantly impacts purchasing decisions on Shopee, constituting 53.5% of the variability. However, the remaining 46.5% of purchasing decisions are influenced by other variables not accounted for in this particular study. This underscores the complexity of consumer behavior and the multitude of factors that contribute to purchase decisions beyond the scope of the examined variables. It also emphasizes the need for further research to comprehensively understand the entire spectrum of influences affecting consumer choices on Shopee and other similar e-commerce platforms.

Conclusion

The findings of this study demonstrate that pricing and electronic word-of-mouth are two elements that affect consumers' decisions to buy. If the company is able to create positive electronic word of mouth among the public, it will increase the number of purchases for the company. Likewise, price affects purchasing decisions in deciding to buy products at Shopee online shopping. Consumers will consider prices on Shopee products that are affordable for consumers. Consumers are more interested in products that match consumer purchasing power. If the product is priced according to what consumers want, consumers will easily decide on purchases on Shopee online shopping. This is evidenced by the results of respondents' answers that the majority of respondents consider the price of products on Shopee affordable.

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