

Which is More Influential in Online Purchasing Decisions: Price or Trust?

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Abstract: This paper is about the effect of price and trust in online purchase decisions of students of Faculty of Economics, Universitas Negeri Medan. The sample is one hundred and sixty two respondents. Data collected by questionnaires using Likert scale and statistically analyzed by multiple regression analysis. The results showed that the price and trust simultaneously significantly influence the purchase decision. Partially price and trust influencing on purchase decisions. It can be concluded that online purchase decision effected by price and trust positive and significantly on the students of Faculty of Economics, Universitas Negeri Medan. Therefore, online marketers should concern on those two variables (price and trust) in determining the factors that influencing purchase decision. The implication of this study is the formation of appropriate strategies by online entrepreneurs so that students are more interested in shopping online.

1 INTRODUCTION

1.1 Research Background

The rapid development of information technology including the internet has brought great impact in various aspects, no exception for the development of the business world and marketing. High human mobility requires the business world is able to provide services and goods quickly according to consumer demand. To overcome these problems, now emerging transactions using the internet media to connect producers and consumers. The trend of online shopping is in great demand because the online shopping decision process is not as complicated as offline shopping decisions. Shopping online is easy and cost saving compared to the traditional shopping.

The phenomenon of the evolution of online shopping trend is now strengthened by the survey conducted by Nielsen. Nielsen found that more than 85% of the internet users have made purchases online. In Indonesia, half of online shoppers use Facebook (50%) and other social networks (49.2%)

to buy items like fashion, electronics, books to home appliances.

Nowadays purchasing decisions are important variables for marketers. The purchase decision is the consumer's understanding of the wants and needs of a product. Purchasing decisions are made by setting purchasing objectives, assessing from existing sources, identifying alternatives, deciding on purchases and ultimately post-purchase behavior (Swastha and Irawan, 2008). According to Mujiyana et al. (2012), the process of online shopping decisions is the search for information, comparing existing alternatives and decision making whether to buy the goods or not. At the information search stage, consumers will look for references about the online store through the opinions of others who already use the product.

One of the factors that influence and become an attraction for consumers to decide the purchase of products is price. Price greatly influences online consumer purchasing decisions (Ristania and Justianto, 2013). Availability of price information in an online store is very helpful for consumers to know and compare it to another online stores.

In addition to price, trust also greatly influences online purchasing decisions. Trust is a key factor in online consumer purchasing decisions (Wardani and Saino, 2013). The success of a marketer in influencing consumers to make purchasing decisions is strongly influenced by efforts to foster consumer confidence. Consumer confidence is an invaluable asset for a marketer because it is the basis in the relationship between producer and consumer. Based on the previous description, then the purpose of this article is to identify the effect of price and trust on online purchase decision of student in Faculty of Economics, Universitas Negeri Medan.

1.2 Research Purposes

- Identifying the effect of price and trust to online purchase decision for college students in Universitas Negeri Medan;
- Specifies the most influential factors on online purchase decision for college students in Universitas Negeri Medan.

1.3 Research Contributions

Online entrepreneurs can take advantage these results to evaluate the business strategy and create a strategy that is more appropriate to current condition of online consumers.

2 LITERATURE REVIEW

2.1 Online Purchase Decision

2.1.1 Meaning of Online Purchase Decision

Online purchasing decisions are likely to give consumers the potential to produce better quality decisions compared to conventional purchases (Peterson and Merino, 2003; Darley et al., 2010; Horrigan, 2008). Häubl and Murray (2005); Häubl and Trifts (2000) found that easy searching through online purchases has resulted in better consumer decisions. Online purchases provide consumers with a wide selection of information about products and prices that are easy to find online (Butler and Peppard, 1998). Shopping online gives customers more satisfaction as it is easy and time saving. Moreover, the success of online business is because of one stop shopping service (Yu and Wu, 2007).

Online purchases behavior is different from traditional purchases. There is a different

understanding in studying consumer behavior in shopping electronically (Dennis et al., 2009). Online purchasing decisions are more complex than traditional purchases. Consumers do not follow standard procedures thereby leading to more unstructured online purchasing decisions. The consumer selection behavior in buying over the internet is more dynamic and the election is interrelated. Marketers are instrumental in shaping consumer purchase decisions. Consumers assess the behavior of marketers in each purchase and will be the basis for the decision for future purchases (Bucklin and Lattin, 2002). Online consumer purchasing decisions have been calculated and analyzed in Sam and Chatwin (2015) study. They found a new model of online consumer style inventory in e-commerce environments. Sproule and Kendall (1986) states some of the elements that marketers and consumers need to pay attention in e-commerce activities that is security and consumer safety (Leggatt, 2012), easy-to-use websites (Boyd, 2007), social networking sites (Ramsey, 2010), customer testimony (Siwicki, 2009). Smith and Rupp (2003) also suggests several factors that can affect consumers in making online purchases that is marketing efforts, socio-cultural, psychological, the consumer's self, behavior after decision and experience.

2.1.2 Factors Influencing Online Purchasing Decision

Yoon (2002) states that the trust and satisfaction of the website is a factor that affects the intention of consumers buying online. Xu-ming and Chong-rui (2013) also added that product name, brand, price, quality and quantity of information influence the consumer's final decision to buy online. In addition, (Punj, 2010) states that the quality of consumer interaction with computer technology greatly affects the quality of online buying decisions. The better the consumer knowledge about a particular online store, the better the quality of online purchase decision.

2.1.3 Indicators of Consumer Purchase Decision

Indicators of online purchasing decisions according to (Karimi, 2013) are emotional motives, rational motives and social factors.

2.2 Price

2.2.1 Meaning of Price

Price is the amount of money needed to get a combination of goods and services (Swastha, 2002). Price is a monetary unit or other measure (including other goods and services) exchanged in order to get the right of ownership or use of a good or service. Price is a component that directly affects the company's profits (Tjiptono, 2005). Price is the only marketing element that produces revenue; the others produce costs. Pricing decisions have become more challenging in a changing economic and technological environment. Companies usually set a pricing structure that reflects variations in geographical demand and costs, marketsegment requirements, purchase timing, order levels, and other factors. Several price-adaptation strategies are available: (1) geographical pricing, (2) price and other factors. Several price-adaptation strategies are available: (1) geographical pricing, (2) price discounts and allowances, (3) promotional pricing, and (4) discriminatory pricing. Companies must anticipate competitor price changes and prepare contingent responses, including maintaining or changing price or quality (Kotler and Keller, 2016). Price is one of the important attributes evaluated by consumers so that companies need to really understand the role in influencing consumer attitudes. Price as an attribute can be interpreted as a concept of diversity that has different meanings for each consumer, based on consumer characteristics, situation and product (Mowen and Minor, 2000).

In service businesses, price is referred to in many ways. Hospitals refer to *charges*; consultants, lawyers, physicians, and accountants to *fees*; airlines to *fares*; hotels to *rates*; and colleges and universities to *tuition*. Price is often perceived by consumers as a possible indicator of the quality of the service. Price influences perceptions of the quality of services. Pricing of services goes beyond the traditional tasks of setting the selling price. When customers buy a service, they also consider nonmonetary costs, such as the mental and physical efforts required to consume the service. Service marketers must try to minimize the effort required to purchase and use the service (Kerin and Hartley, 2017).

2.2.2 Factors Affecting Consumer Sensitivity On Price

Purnama (2001) states there are several factors that affect customer satisfaction with the price, that is unique-value effect, substitusi-awaerness effect, total-expansiture effect, final benefits-effect, shared-cost effect, price-quality effect, inventory effect.

2.2.3 Indicators of Price

Indicators of price are affordability, price conformity with product quality, price competitiveness, price conformity with benefits (Stanton, 2008).

2.3 Trust

2.3.1 Meaning of Trust

(Kotler, 2005) argued that belief is a person's description about the image of the certain object or idea that is a favorable or not and long lasting in a person. Trust is the one-party belief in the reliability, durability, and integrity of others in the relationship and the belief that the actions are in the best interest and will produce positive results for the trustworthy (Peppers and Rogers, 2011). Trust is the expectation that the person holds that the other person's statement is reliable (Morgan and Hunt, 1994). Trust should be a fundamental component of a marketing strategy to create a good customer relationship. Companies must be able to create an impression for customers that the company is reliable and trustworthy. Thus will create a loyal customer.

2.3.2 Factors Affecting Trust

(Kidane and Sharma, 2016) suggests the three factors affecting consumer trust that is experienced, quality of work, intelligence.

2.3.3 Indicators of Trust

Al-Nasser et al. (2014) found the three indicators of consumer trust that is integrity, credibility, competence.

3 METHODOLOGY

This study was held at Faculty of Economics, Universitas Negeri Medan. This study involved 162 college students who had made an online purchase with purposive sampling as a sampling technique. Data were collected through interviews and questionnaires. Validity and reliability test is performed to test the feasibility of research instrument. Multiple linear regression analysis is a data analysis technique that has been used in this research. Hypothesis testing is implemented by using t and F test. The coefficient of determination (R²) test is also carried to find out the strength of the contribution of independent variables (price and

trust) to the dependent variable (online purchase decision).

4 RESULTS AND DISCUSSIONS

4.1 Results

- The regression equation $Y = 9.568 + 0.325X_1 + 0.503X_2$ explained that if the price (X_1) and trust (X_2) does not exist or zero, means the purchase decision (Y) is 9.568. The $0.325X_1$ means that any increase in price will affect purchase decision of 0.325 with the assumption of other factors constant. The $0.503X_2$ means that every increase of one unit of trust will affect purchase decision of 0.503 with the assumption that other factors are constant;
- The result of t test of price is 6,275, means that price has a positive and significant effect on purchasing decisions;
- The result of t test of trust is 9.725, means that trust has a positive and significant effect on purchasing decisions;
- The result of F test is 70.606, means that simultaneously price and trust positive and significant effect on purchasing decisions;
- The coefficient determination (R^2) is 0.470, means 47% independent variables (price and trust) are able to explain dependent variable (online purchase decision) on university students. While the rest of 53% explained by others outside this study.

4.2 Discussions

The results indicate that the price and trust positively and significantly influenced the online purchase decision. These results support the research of Faryabi et al. (2012) which has proven that price discounts have a positive effect on store image and subsequently store image positively affects consumers' intentions of online shopping. They say that online marketers need to build effective marketing plans and improve the promotional price approach to establish a positive store image, as it will attract more consumers to shop and further increase store sales. Consumers have a more positive perception of products that are marked promoted than those not. These will create the value in consumer's mind and that influence purchasing decisions. Price promotion will notify consumers the

price before and after promotion. Price promotion is an important marketing tool that marketers consider in online business as it is one of the factors that can influence consumer purchasing decisions (Hsu and Liu, 1998; Oliver, 2003). This statement is in accordance with the opinion of (Park and Lennon, 2009). They found that students at the Midwestern University in USA would consider price reduction and brands in online apparel purchasing.

According to Zendejdel et al. (2011), consumer intention in buying online is influenced by consumer trust. This is confirmed by Gefen et al. (2012). Consumer purchases are caused by consumer trust in online stores that are influenced by consumer acceptance of internet technology, benefits and easy to use. Another supporting study is (Verhagen et al., 2006). The online purchase behavior is influenced by consumer trust to the seller, as well trust to middleman, intermediary risk and seller risk.

5 CONCLUSIONS

5.1 Implications

- Online entrepreneurs may improve their business strategy through the results of this study;
- Online entrepreneurs should pay more attention to the price of products and consumer trust in order to make consumers more interested to buy online.

5.2 Limitations

This study only limits on price and trust in exploring online purchase decision, a short study period, the number of respondents considered inadequate.

5.3 Recommendations

- Online entrepreneurs should set affordable product prices for consumers and offer unique and varied products;
- The next study is expected to include other variables such as promotion, product diversity, delivery system and so on in order to get better results and more useful for knowledge in the field of marketing, especially online purchasing decisions;
- Using more precise method of research, increasing the number of respondents and also

extending the study period to get maximum results.

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