THE EFFECT OF ELECTRONIC WORD OF MOUTH ON CONSUMER BUYING DECISION IN LAZADA

PENGARUH DARI ELECTRONIC WORD OF MOUTH TERHADAP KEPUTUSAN PEMBELIAN KONSUMEN DI LAZADA

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Abstract: These past few decades, the internet has developed into a vast global market place for the trading of goods and services. People are doing business online and it has become more easy and fast due to internet development. Online shopping has grown in popularity, mainly because people find it convenient and easy to shop anytime and anywhere. These new technologies also altered our way to communicate and to interconnect with people. Internet advancement has developed and transformed Word-of-Mouth into something much more influential and fast-spreading, Electronic Word of Mouth (E-WOM). This research is conducted in order to analyze the influence of E-WOM using experience, perceived credibility, and customer susceptibility to interpersonal influence on consumer buying decision. The sample of this research is people who have been shopped in Lazada online shop as many as 60 respondents of purposive sampling. The result of this research reveals that experience is the only variable that has a significant influence on consumer buying decision. This research suggests that the e-business firms should further expose the reviews section to users.

Keywords: electronic, word-of-mouth, experience, credibility, susceptibility, buying decision


Kata kunci: electronic, word-of-mouth, pengalaman, kredibilitas, kerentanan, keputusan membeli
INTRODUCTION

Research Background

The internet has developed into a vast global market place for the trading of goods and services. People are now doing business online and it has become more easy and fast due to internet development. In many developed countries, the Internet has been adopted as an important medium, offering variety of products in wide area coverage. This phenomenon leads firms to promote and enhance images of their product and services through website. Online shopping is an activity of buying goods and services over the internet using web browser. Online shopping has grown in popularity over the years, mainly because people find it convenient and easy to shop anytime and anywhere.

Easier access to computers and the increasing of the utilization of smartphones has given people the opportunity to use the internet more frequently. According to The Statistic Portal, in 2015, the number of people who were accessing the internet in Indonesia reached 93.4 million. This figure is projected to grow to 123 million in 2018. With over 93 million internet users, Indonesia is one of the biggest online markets worldwide. The latest survey from 2014, up to 76% of Internet users in Indonesia shopped online and spent Rp. 5.5 million annually on average (Firdaus, 2014). One of the top and trusted online retailer in Indonesia is Lazada. Lazada is known as an online shopping center that offers a lot of product variety related to electronic, books, toys and baby supplies, medical equipment, beauty products, household appliances, and traveling and sport accessories.

Traditional word-of-mouth (WOM) has been recognized as an effective marketing instrument that has significant influence on customer behavior. It has been a very common and essential promotion tool. Word of mouth is a communication among consumers, which consists comments related to products and services (Arndt, 1967).

At present, new technologies are all over the place around us. These new technologies altered our way to communicate and to interconnect with people. The internet has changed the traditional way of communication. Internet advancement has developed and transformed Word-of-Mouth into something much more influential and fast-spreading, Electronic Word of Mouth (E-WOM). The arrival and expansion of internet has extended consumers’ options for gathering product information by including other consumers’ comments, posted on the internet, and has provided consumers opportunities to offer their own consumption-related advice by engaging in electronic word of mouth (Hennig-Thurau et al., 2004).

For better understanding this new consumer behavior, it is important to recognize the underlying factors behind why consumers using E-WOM. There have been quite many studies to determine E-WOM factors and its impact to consumer purchase decision-making as can be seen above. However, there are only few studies about E-WOM on online shopping, especially in Manado. As online shop become popular over the past few years, it is important to understand what consumers discuss about the products and even their opinion about the company’s service performance. According to the explanation above, it can be concluded that E-WOM can be an effective way to promote and market products and services, E-WOM has a growing influence on purchase decision. The problem of this research is to find out if the factors of E-WOM affect consumer purchase decision making on online shopping. The independent variables of this research are adopted from the previous research conducted by Park et al. (2011), which are experience of EWOM, perceived credibility and customer susceptibility to interpersonal influence. This research is conducted in order to analyze the influence of electronic word of mouth on consumer buying decisions on Lazada.

Research Objectives

There are some objectives that would be achieved through this research, they are:
1. To find out if experience of E-WOM, perceived credibility, and customer susceptibility to interpersonal influence (CSII) affect consumers’ buying decision at Lazada simultaneously.
2. To find out if experience of E-WOM affect consumers’ buying decision at Lazada partially.
3. To find out if perceived credibility affect consumers’ buying decision at Lazada partially.
4. To find out if customer susceptibility to interpersonal influence affect consumers’ buying decision at Lazada partially.
THEORETICAL FRAMEWORK

Consumer Buying Decision

Kotler (2002:87) defined that the study of how and why people purchase goods and services are terms consumer buying decision behavior. The term covers the decision-making processes from those that precede the purchase of goods or services to the final experience of using the product or service. According to Kotler et al. (2011:144), consumer purchases are influenced strongly by cultural, social, personal, and psychological characteristics. Kotler et al. (2011:162) also explained buyer decision making process consists of five stages which are need recognition, information search, evaluation of alternatives, purchase decision and post-purchase decision. When people are buying something, they go through a few stages weighing up options and looking at alternatives before they come to the decision to make a purchase. A buying decision process is the process a customer goes through when buying a product.

Experience of E-WOM

Park et al. (2011) defined there are three factors influencing E-WOM that affect consumer buying decision. One of the factors is experience of E-WOM. Park et al. (2011) stated in parallel with Media Dependency Theory that, the individuals who make online shopping by referring frequently to the online reviews are more willing to use and spread the online review. Online customer review has come to be used refer to the customer-generated information and recommendations presented online about a product by customers (Bae & Lee, 2011). Added to this definition, this information contains customers’ experiences, evaluations and opinions (Park et al., 2007). Consumers who have experience using online review are more willing to rely on online review when their make decision to buy products.

Perceived Credibility

Flanagin and Metzger (2008) defined the term “credibility” as the believability of a source or message. Credibility is made up of two primary dimensions, which are trustworthiness and expertise. Source credibility refers to the perception that the source of a message is both expert and trustworthy (Sternthal et al., 1978). Source credibility is not just an inherent characteristic of a message source but rather an element of communication that is influenced by the interaction between message senders and their audience (Perloff, 2008).

Customer Susceptibility to Interpersonal Influence

Iqbal and Ismail (2011) stated, customer susceptibility to interpersonal influence is the need to identify or enhance one’s image with significant others through the acquisition and use of products and brands, the willingness to confirm to the expectation of the others regarding purchase decision, and services by observing others or seek information from others. Consumers often use social information when making their decisions, especially in uncertain situations (Mitchell and McGoldrick 1996). Social information affects consumers’ decision depends on their susceptibility to interpersonal influence.

Conceptual Framework

![Conceptual Framework Diagram](image-url)

Figure 1. Conceptual Framework

Source: Data Processed, 2016
Research Hypothesis

Hypothesis is proportion of knowledge, which is based on theoretical framework, and as the temporary answer of research problem, which can be tested its truth based on empirical facts using statistical techniques.

H₁: Experience of E-WOM, perceived credibility, and customer susceptibility to interpersonal influence (CSII) affect simultaneously consumers’ buying decision on Lazada.

H₂: Experience of E-WOM affects partially consumers’ buying decision on Lazada.

H₃: Perceived credibility affects partially consumers’ buying decision on Lazada.

H₄: Customer susceptibility to interpersonal influence affects partially consumers buying decision on Lazada.

RESEARCH METHOD

Type of Research

This research is causal type of research that is conducted to investigate the effect of variables on consumer buying decision. The data required in this research is quantitative data. This research used Multiple Regression Method to analyze the data.

Place and Time of Research

The study is conducted in Manado, between February to March 2016.

Population and Sample

Sekaran and Bougie (2010:262) stated population is the entire group of people, events or things of interest that researcher wishes to investigate. The population in this research refers to the people who have been shopping on Lazada. According to Sekaran and Bougie (2010:263), sample is a subset of the population. The sampling method for this research is purposive sampling technique. The purposive sampling was applied in this research regarding to obtain information from the people who have been shopping on Lazada only. The number of sample of this research is 60 respondents.

Data Collection Method

Primary data is data originated by the researcher specifically to address the research problem. The researcher gets primary data from the result of questionnaires, that are distributed directly to respondents and distributed online through the internet.

Operational Definition of Research Variables

X₁: Experience of E-WOM refers to the previous involvement of customers using electronic word of mouth (online review) on Lazada.

X₂: Perceived Credibility refers to the customer’s believability of a source or message of E-WOM of products in Lazada.

X₃: Customer Susceptibility to Interpersonal Influence refers to the level of sensitivity to the reference of others of Lazada products.

Y: Consumer Buying Decision refers to consumer’s decision to purchase a product or service based on those variables.

Data Analysis Method Validity and Reliability Tests

To analyze the validity of questionnaire, Pearson Product Moment is used. An instrument measure is valid if the instrument measure what ought to be measured. The validity test is the degree to which a test procedure accurately measures what it was designed to measure. To analyze the reliability of questionnaire, Cronbach’s Alpha is used. Reliability test is established by testing for both consistency and stability of the answer of questions.
Multiple Linear Regressions

Cooper and Schindler (2001:767) stated that multiple regression analysis is a technique to observed value more than one X to estimate or predict corresponding Y value. Multiple regression is a descriptive tool used to develop a self-weighting estimating equation by which to predict values for a dependent variables, to control confounding variables to better evaluate the contribution of other variables, or to test and explain a causal theory. The equation model of multiple regression analysis which used in this research can formulate as shown below:

Whereas: \[ Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e \]

\( Y \) = Consumer Buying Decision
\( a \) = Intercept
\( b_1, b_2, b_3 \) = The regression coefficient of each variable
\( X_1 \) = Experience of E-WOM
\( X_2 \) = Perceived Credibility
\( X_3 \) = Susceptibility to Interpersonal Influence
\( e \) = Error

Validity Test

The result shows that the correlation of variable experience of E-WOM, perceived credibility, and customer susceptibility to interpersonal influence are greater than 0.3 and below the significance level of 5% therefore the data is considered as valid.

Reliability Test

The result shows that Cronbach’s Alpha of each variables of this research are greater than the acceptance limit of 0.6 and it indicates that the data is acceptable or indicates good internal consistency. Therefore the research instrument is reliable.

Multiple Linear Regression

Table 1. Multiple Linear Regression Output

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig.</th>
<th>Correlations Zero-order</th>
<th>Partial</th>
<th>Part</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>6.932</td>
<td>3.487</td>
<td>1.988</td>
<td>.052</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Experience of E-WOM</td>
<td>.427</td>
<td>.192</td>
<td>.323</td>
<td>2.222</td>
<td>.030</td>
</tr>
<tr>
<td></td>
<td>Perceived Credibility</td>
<td>-.014</td>
<td>.176</td>
<td>-.012</td>
<td>-.082</td>
<td>.935</td>
</tr>
<tr>
<td></td>
<td>Customer Susceptibility to Interpersonal Influence</td>
<td>.174</td>
<td>.187</td>
<td>.143</td>
<td>.928</td>
<td>.357</td>
</tr>
</tbody>
</table>

Source: Data Processed, 2016

The result in Table 1 can be written in equation below:
\[ Y = 6.932 + 0.427X_1 + (-0.014X_2) + 0.174X_3 \]

In the equation, the constant = 6.932 shows that in a condition where all independent variables are zero, consumer buying decision (Y) as dependent variable is 6.932. Coefficient value of 0.427 means that if there is one unit increase in experience of E-WOM (X_1) then the consumer buying decision (Y) will increase 0.427 assuming that other variables are constant. Coefficient value of -0.014 means that if there is one unit increase in perceived credibility (X_2) then the consumer buying decision (Y) will decrease 0.014 assuming that other variables are constant. Coefficient value of 0.174 means that if there is one unit increase in customer susceptibility to interpersonal influence (X_3) then the consumer buying decision (Y) will increase 0.174 assuming that other variables are constant.

**Testing the Goodness of Fit:**

**Coefficient of Multiple Correlations (R) and Coefficient of Determination (R^2)**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.408^a</td>
<td>.166</td>
<td>.122</td>
<td>3.29341</td>
</tr>
</tbody>
</table>

*Source: Data Processed, 2016*

The coefficient of determination (R^2) measures the ability of a model explaining variation of dependent variable. The coefficient of determination (R^2) is 0.166. It shows that the variation of all independent variable explains 16.6% of variation in the Consumer Buying Decision (Y), while the rest 83.4% is explained by other factors outside the model or not discussed in this research.

**Testing of Classical Assumptions**

**Multicollinearity**

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>Constant</td>
<td>.704</td>
</tr>
<tr>
<td>Experience of E-WOM</td>
<td>.674</td>
</tr>
<tr>
<td>Perceived Credibility</td>
<td>.626</td>
</tr>
<tr>
<td>Customer Susceptibility to Interpersonal Influence</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Data Processed, 2016*

Table 3 shows that the value of all variable is more than 0.2. The VIF value of all the variables is less than 10. Therefore, this research is concluded to be free from multicollinearity.

**Heteroscedasticity**
Figure 2 shows that the dots are spreading above and below the number zero (0) in the Y axis. This proves that there is no heteroscedasticity in this regression.

**Normality**

![Image](image_url)

Figure 3 shows that the dots are spreading near to the diagonal line and follow the direction of the diagonal line. Therefore, the normality test is accepted which means the data of this research is normally distributed.

**Hypothesis Testing**

**F-test**

![Image](image_url)

Table 4: Simultaneous Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>121.195</td>
<td>3</td>
<td>40.398</td>
<td>3.725</td>
<td>.016</td>
</tr>
<tr>
<td>Residual</td>
<td>607.405</td>
<td>56</td>
<td>10.847</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>728.600</td>
<td>59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Data Processed, 2016*

Table 4 shows the value of $F_{calculated}$ is 3.725. The value of $F_{table}$ is found on the F Distribution Table by determining the degree of freedom 1 (numerator) is 3 and degree of freedom 2 (denumerator) is 56 with level of significance is 0.05 ($\alpha = 0.05$) and the level of confidence is 95% then $F_{table}$ is 2.79. The result is $F_{calculated} (3.725) > F_{table} (2.79)$. Therefore, since $F_{calculated}$ is greater than $F_{table}$, $H_0$ is rejected and $H_1$ is accepted which means the independent variables simultaneously influence the dependent variable significantly.

**t-Test**

Table 5: Partial Test Result

<table>
<thead>
<tr>
<th>Variable</th>
<th>$t_{calculated}$</th>
<th>$t_{table}$</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience of E-WOM ($X_1$)</td>
<td>2.222</td>
<td>2.021</td>
<td>Accepted</td>
</tr>
<tr>
<td>Perceived Credibility ($X_2$)</td>
<td>-0.082</td>
<td>2.021</td>
<td>Rejected</td>
</tr>
<tr>
<td>Customer Susceptibility to Interpersonal Influence ($X_3$)</td>
<td>0.928</td>
<td>2.021</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

*Source: Data Processed, 2016*

Table 5 shows the value of $t_{calculated}$ and $t_{table}$ of each variables. For the partial influence of experience of E-WOM ($X_1$) on consumer buying decision ($Y$), the $t_{calculated} = 2.222$ and $t_{0.05} = 2.021$. Since $t_{calculated} > t_{0.05}$ then...
**Discussion**

Today, people find that shopping online is easy and convenient to do anywhere and anytime. By the simple click, anyone could get everything they want. Many consumers turn to the internet to research products whether they buy on the website or in-store. As the development of the internet usage, consumers tend to research the products and gather information about the products through the internet. The expansion of internet also has extended consumers’ option for gathering information by including others’ comments posted in the internet. For this reason, the major contribution of this study is to explore the effect of experience of E-WOM, perceived credibility, and customer susceptibility to interpersonal influence as the independent variables on consumers’ buying decision as the dependent variable.

The result of this research shows that based on hypothesis testing by using F-test, it is proven that there is linear relationship between independents and dependent variable simultaneously, therefore H1 is accepted. It also shows that based on hypothesis testing by using t-test, one variable which is experience of E-WOM has significant effect partially on consumers’ buying decision on Lazada, therefore H2 is accepted. This is in line with the studied literature that explained experience using electronic word of mouth in form of online review influences consumers’ buying decision. People of Manado prefer to believe the words written by others in the internet that called online review. They tried to involve themselves using online review. Once they have experienced the positive impact using electronic word-of-mouth, they tend to rely on it. Consumers’ who have experienced electronic word-of-mouth more likely to make the decision to buy products on Lazada based on their experience. After they used online reviews in shopping sites, online reviews become a kind of power to control them to make decisions.

The hypothesis about the effect of perceived credibility on consumer buying decision on Lazada does not exist, then H3 is rejected. Theoretically, perceived credibility influences positively consumers’ buying decision. This research’s findings also contradict the findings of the previous researches that show perceived credibility is sufficiently effect consumer buying decision. This research indicates that perceived credibility does not significantly affect buying decision on Lazada because people of Manado still feel that online shopping environment is riskier than the offline shopping environment. This research however shows that it is not enough to outweigh the fear of buying online which is relatively more dangerous in people mind. Also, in online environment, the reviewers cannot be identified. Therefore, this uncertainty of who the actual reviewer is leads to the insignificant relationship between the perceived E-WOM credibility and consumers’ buying decision.

The hypothesis about the effect of customer susceptibility to interpersonal influence on consumer buying decision on Lazada does not exist, then H4 is rejected. This result is different from theories that stated that there is important effect of customer susceptibility to interpersonal influence on consumers’ decision-making. Most of the previous research delivered the same result stated that customer susceptibility to interpersonal influence is the most statistically significant factor. Different with this research, actually shopping online especially on Lazada is viewed as prestigious activity, so it was expected people of Manado to adopt buying in Lazada if susceptibility level is high enough. But even so, consumers do not make their decision to buy based on their susceptibility to others influence. Different with offline shopping, online shopping environment is riskier. Although they are easier to be affected by electronic word of mouth, but in online shopping they are uncertain to make decisions based on the influence of others. So it can be said that the decision of people of Manado to buy products in Lazada is not based on the influenced by others, but it was their own decision according to their own experiences.
Conclusion

There are some conclusions based on the result of this research conducted to analyze the effect of
electronic word-of-mouth on consumers’ buying decision, case study of Lazada.
1. All the independent variables which are experience of E-WOM, perceived credibility, and customer
   susceptibility to interpersonal influence simultaneously affect consumers’ buying decision of Lazada
   products.
2. Experience of E-WOM has positive and significant effect partially on consumers’ buying decision of
   Lazada products as the dependent variable.
3. Perceived credibility has negative and no significant effect partially on consumers’ buying decision of
   Lazada products.
4. Customer susceptibility to interpersonal influence has positive and no significant effect partially on
   consumers’ buying decision of Lazada products

Recommendation

This research suggests that the e-business firms in this case Lazada should further expose the reviews
section to users. For example, when opening the product page shoppers can instantly read the review column.
So, even if the buyer had intended to buy the product without intended to use the review, they can still be
directly exposed to the review column. When they buy, and the result is good, as well as the review is good,
then in the end the consumer has experience buying using the reviews, even though they do not intend to see
the review online but they are forced to look at reviews. So in the end, when they want to buy more products,
consumers will have a desire to see the reviews as a determinant and make purchase decision based on the
electronic word-of-mouth.

The other two variables which are perceived credibility and customer susceptibility to interpersonal
influence do not affect significantly consumers’ buying decision on Lazada. It does not mean that the firm does
not need to have attention on these variables. The firm also needs to pay more attention on perceived credibility.
Lazada can make ranking system to vote which review is good, if the review gets many vote, it can be counted
as trusted review. The ranking system makes it easier to consumers to know which review is credible to
perceive. It also the same for the susceptibility to interpersonal influence, the firm can make the section to share
the product and recommend it to friends. So, the firm can reach consumers with a high level of susceptibility.

REFERENCE


