

Exploring Online Purchase Decision Among University Students in Indonesia

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Abstract: This study attempts to explore the determinants of online purchase decision among university students in Indonesia. This study has been get on to collect ninety questionnaires which was deployed to university students who have already made an online purchase for fashion products. Multiple linear regression was employed to statistically test the hypothesis. The results indicate that simultaneously service quality, price and product diversity influences online purchasing decisions among university students. Partially service quality and product diversity have a significant effect, while prices have a low effect on online purchasing decisions. Further studies are expected to consider trust, website appearance, consumer psychology as factors that can influence online purchasing decisions.

Keywords -Service quality, Price, Product diversity, Online purchase decision, Indonesia

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I. INTRODUCTION

The phenomenon of online shopping has become a trend in Indonesia in the last ten years. The large number of internet users in Indonesia indicates the number of online shoppers. 132 million people from 262 million people of Indonesia population are internet users. 62% of Indonesia's population (82.2 million people) were found visiting online stores [1]. Purchasing decision is a consumer action result of a series of stages that passed earlier to make a purchase of a particular product. A series of stages is the introduction of needs, information search, alternative evaluation, buying decisions, behavior after purchase [2].

The development of information technology and e-commerce has resulted in consumer behavior change from offline to online. Online purchasing decisions basically use the existing principles on offline purchases and online purchases are considered to facilitate current consumers based on several factors such as efficiency, value, interaction. Efficient in terms of shopping time. Consumers do not need to go to a store or shopping center to buy certain products. Consumers can make purchases for twenty-four hours in seven days from anywhere. Value relates to price and product quality that competes with offline purchases. While interaction is information, security, navigation, load time when making online purchases [3]. Online purchase is the purchase of certain products that consumers do not face to face with manufacturers and use the internet as a medium of communication. Some studies have also found weaknesses in online shopping, such as the quality of products that sometimes do not match with the website, the risk of fraud is also not a little happening today, products that are vulnerable to damage due to postal mailing and the risk of burglary consumer accounts because the purchase is done via the internet. There are several reasons why more and more people are shopping and doing business on the internet [4]. First, online shopping time is more flexible (80% of respondents). Secondly, it is easy to compare prices so that they can save (79% of respondents). Third, it is easy to compare the product (78%). Fourth, 75% of respondents look for cheap goods [5]. Based on the data that has been collected, found the top five online stores in Indonesia as shown in Figure 1 below.

Online stores	No. Visitors	No. Employees	Followers facebook	Type
Lazada	49.000.000	1.101	16.873	B2C
Tokopedia	39.666.667	885	2.632	C2C
Elevenia	32.666.667	287	1.075	C2C
Blibli	27.000.000	541	1.703	B2C
Bukalapak	25.666.667	623	1.749	C2C

Source : Researchers, 2017

Figure 1
Top 5 Online Stores in Indonesia

The growth of online stores will lead to increasingly tough competition. Therefore every online store needs to consider on the factors that can sustain and make it grow. Online stores are required to move faster in attracting consumers to visit and create purchasing power. Consumer behavior needs to be closely watched as well as the factors that influence purchasing decisions. Many considerations made by consumers before deciding to buy a product, one is the service quality. Excellent service from marketers is a requirement if the online store do not want to lose in the competition. Consumers are getting smarter and making service quality the most important in purchasing. Disappointment of one consumer can be immediately known by other consumers because of access to customer complaints that have been widespread at this time. Such circumstances would be detrimental to marketers. Therefore, marketers should be friendly and always quickly respond to consumer problems.

The second factor is price. Marketers should pay attention to prices that are proportional to product quality. The simplest reason to buy online is to buy a product by saving money. Online purchases are cheaper than traditional purchases [6]. The price is the amount of money charged on a particular product or the value of the product where the consumer is benefited by using the product [7]. Information on prices is needed by consumers and will affect consumer behavior in purchasing.

In addition to service quality and price, product diversity also needs to be considered by marketers in influencing consumer purchasing decisions. Consumers will prefer online stores that have a large selection of products [6]. The diversity of products is a factor that positively affects purchasing decisions [8].

The reason for the selection of university students as respondents because fashion products has always been a topic of conversation among students. The number of internet users among students is also quite significant which is predicted to be a potential buyer in the online store in Indonesia which is 10.3 million people [1]. Students are synonymous with fashion products. Fashion is part of one's lifestyle both women and men. Lifestyle helps determine attitudes and values and shows one's social status. Therefore it can be said that many students today are always following the trend in fashion.

Based on the above description, we are interested to examine the factors that influence online purchasing decisions such as service quality, price and product diversity among students especially for fashion products.

II. LITERATURE REVIEW

2.1 Online Purchase Decision

2.1.1 Meaning of Online Purchase Decision

Online purchase decision is a buying act by the consumer after going through a selection process that combines knowledge to evaluate two or more alternative behaviors, and chooses one of the alternatives which is strongest to personal character, vendor/service, website quality, attitude at time of purchase, intent in buying online and making decisions [9]; [10]; [11]; [12]. Online purchases are shopping behavior on online stores [13]. The search and purchase of products is done using the internet.

In 2017, the contribution of e-commerce is predicted to increase to 10.1 percent of global retail sales. In the coming 2020, the percentage of e-commerce trading on global retail sales is predicted will reach 15.5 percent. In the next 2020, predicted internet users Indonesia will increase to 215 million users. By the year 2025, 119 million people are predicted to be online buyers in Indonesia. Therefore no wonder, the increase will increase the market value of e-commerce Indonesia. TEMASEK and Google predict that Indonesia's e-commerce market value will reach \$ 81 billion by 2025. It is predicted that Indonesia will turn into a dominant player in e-commerce especially in Southeast Asia. In 2015, Indonesia only accounted for 31 percent of the world's e-commerce region of Southeast Asia [14]. However, in the next 2025, Indonesia will take up 52 percent share of the world of e-commerce in Southeast Asia. In other words, Indonesia is an area that has excellent potential in the realm of e-commerce [15].

2.1.2 Advantages and Disadvantages of Online Purchase

One of the advantages of selling online is the fact that online stores are open for 24 hours so that consumers can visit at any time. For that, the online store must prepare the website and also various important information so that consumers are confident and buy the products offered in the online store. In addition to having advantages, online sales also have disadvantages. One of the most important problems is that customers can not see and touch directly the goods to be purchased. Given these limitations, the online store must present as detailed and accurate information as possible. Include adequate images such as size, weight, product properties, colors, prices, shapes, and other important product related information.

2.2 Service Quality

2.2.1 Meaning of Service Quality

Quality of service becomes a must for the company. The quality of service owned company can be used as a weapon to win the competition. The company's success in providing quality services can be determined by the approaches developed by [16]. Quality of service is a measure of how good the level of service the company provides in accordance with customer expectations [17]. Thus, it deals with the dynamic conditions associated with products, services, people, processes, and environments that meet or exceed expectations [18]. While the quality of service according to Tjiptono is the level of excellence expected and control over the level of excellence to meet customer desires [19].

Quality of service can be known by comparing consumer perceptions of services that are actually received with the actual service that consumers expect. From the above opinion can be concluded that the quality is a dynamic condition associated with the overall characteristics and characteristics of a product or service to meet needs in accordance with expectations or exceed expectations. The concept of service quality is a complex understanding of quality, satisfactory or unsatisfactory. It called quality if the service is expected to be smaller than the perceived service. Hope is fulfilled when the expected service is the same as the one perceived. Conversely hope is not met if the expected service is greater than the perceived service [20].

So it can be said that the quality of service is everything that consumers expect the company to meet the needs and desires of consumers.

2.2.2 Service Quality Dimension

There are five dimensions of service quality that is tangible, empathy, reliability, responsiveness, assurance [21].

2.3 Price

2.3.1 Meaning of Price

Price is defined as the sum of all the values given by the customer to profit from owning or using a product [22]. Price is the amount of money needed to get some combination of goods and services [23]. So the price is the amount of money consumers have to pay to get a certain product [21].

So it can be concluded that the price is a product value that affects the marketer's profits and also a consideration of consumers to buy a product. Therefore, marketers need special consideration in setting the price of the product. Marketers need to evaluate price developments in the market and also know the company's position in the market as a whole.

2.3.2 Price Indicators

Price measurements in this study are price conformity, perceived price Schiffman & Kanuk (2010), discounted price (allowance), price list [24].

2.4 Product Diversity

2.4.1 Meaning of Product Diversity

Product diversity is a collection of all products and goods that sellers offer to buyers [2]. A collection is a set of product lines and elements that sellers offer to buyers [25]. Completeness of products from the taste, shape, color, packaging and availability of products in a store is a necessity that is discussed in product diversity [26].

So it can be said that product diversity is a collection of the entire product line and the type of product offered by the seller to the buyer, including the number of product lines, the choice of product size, the color choices. Product diversity is one element that must be considered by marketers because companies that have a diversity of products can attract consumers to visit and make purchases.

2.4.2 Product Diversity Dimensions

The product diversity in this study is measured by taste, shape, color, packaging, product availability [26].

III. METHODOLOGY

The samples are ninety students of economics faculty who have made online purchases for fashion product at several online stores in Indonesia with purposive sample as a sample technique. Data from the respondents were collected through questionnaires and analyzed by multiple linear regression method. The t and F tests were employed to test the effect of each and also the simultaneous influence of independent variable to the dependent variable. While R² test is used to predict the contribution of independent variable to dependent variable.

IV. RESULTS AND DISCUSSIONS

4.1 Results

1. The result of regression analysis is $Y = 0.609 + 0.183X_1 + 0.041X_2 + 0.594X_3 + e$, explained that if the service quality (X_1), price (X_2) and product diversity (X_3) does not exist or zero, means the purchase decision (Y) is 0.609. The $0.183X_1$ means that any increase of one unit of service quality will affect purchase decision of 0.183 with the assumption of other factors constant. The $0.041X_2$ means that every increase in price will affect purchase decision of 0.041 with the assumption that other factors are constant. The $0.594X_3$ means that every increase of one unit of product diversity will affect purchase decision of 0.594 with the assumption of other factors constant.
2. The t test of service quality is 3.242, means that purchasing decisions effected by service quality positive and significant.
3. The t test of price is 0.664, means that purchasing decisions effected by price positive and significant.
4. The t test of product diversity is 10.204, means that purchasing decisions effected by product diversity positive and significant.
5. The F test is 48.746, means that simultaneously purchasing decisions effected by service quality, price and product diversity positive and significant.
6. The coefficient determination (R^2) is 0.630, means 63% online purchase decision explained by service quality, price and product diversity on university students. The rest of 37% explained by other factors which is not included in this study.

4.2 Discussions

The results show that service quality, price and product diversity have an effect on online purchasing decisions. This result is in line with Lee and Lin which states that the quality of service affects consumers' buying intentions in the context of online purchases [27]. The research develops an e-service quality dimension instrument by modifying the SERVQUAL model to consider consumer online purchases. Five dimensions of service quality affect the consumer's intention to make an online purchase. This research developed eTransQual to measure the quality of service. The results also present empirical concepts and evidence which confirm that it is necessary to integrate both e-service quality hedonis and utilitarian elements into a single measurement scale [28]. Mahfud and Soltes also support this research with the result that e-service quality affects consumers' buying intentions on Korean Denim's website [29].

Based on Bauboniene and Guleviciute, prices affect consumers to shop online. Sociodemographic results show that men shop online more often due to low prices [30]. It was identified that the reason consumers are shopping online is because consumers can compare prices and shop at lower prices. Consumer purchasing decisions are influenced by high or low prices. Purchase decisions are affected by the number of reviews only if the price level is high. Also in terms of personality, openness significantly predicts purchasing decisions when the price level is high, whereas neuroticism influences purchasing decisions when the price level is low [31]. The results of this study are also supported by Firdausy and Idawati stating that the price of airline tickets significant effect on the decision to purchase tickets online at Traveloka [32]. Other supporting studies have found that consumers have a perception of value that is reflected in the price of the product. The results also show that competitor prices affect product purchases and online pricing inform and influence purchasing decisions. This study contributes to pricing strategies and the buying decision process. The study recommends that companies should communicate value to customers through price, companies should also take notice to competitors' prices and verify the impact on product purchases [33]. Price is very influential on consumer purchasing decisions. Amanah concluded that the purchase is strongly influenced by the price on mini market in Medan, Indonesia. The result of t test price is 2,480 which means that price includes one of the main consideration for consumer in making a purchase and also can make loyal factor for consumer to buy in certain store [34].

Based on Aubry the identified strategy shows that product diversity changes have a significant influence on the development of consumer consumption pattern in United States especially related to the influence of price. Product diversity is identified as a new channel that causes production shocks in a country that may affect its trading partners [35]. Product diversity greatly affects consumers to make purchases. Consumers tend to buy products from categories that have more variations. This effect is caused by a complete product display [36]. Another supporting research is Simonson who finds that if marketers use product diversity as a business strategy, it will make consumers consider adding more purchases and will also influence consumers to select certain products [37]. Product completeness significantly affects consumers to shop in SME market in Medan, Indonesia. The result of t test shows the value is 3,287 means that the consumer consider the completeness of the product and become special attraction to return to visit the SME market [38].

V. CONCLUSIONS

The three variables are service quality, price and product diversity partially affect the decision of online purchase among university students. Service quality and product diversity have a significant effect but price has a low effect on online purchasing decisions. Simultaneously the quality of service, price and product diversity significantly influence the online purchase decision. The contribution of service quality, price and product diversity to online purchasing decision is significant which is shown from the coefficient of determination. So online marketers desperately need to consider the quality of service, price and product diversity in determining online purchasing decision factors especially among students.

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