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The Effect of Price and Product Quality on Online Purchasing Decisions: Empirical Study in Lazada

Ansir Launtu[1]

Department of Management, STIEM Bongaya, Makassar, Indonesia. Jl. Let. Jend. Mappaoddang No.28, South Sulawesi 90131, Indonesia

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Correspondent Email:
anslau08@yahoo.com

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ABSTRACT

The purpose of this study is to investigate the relationship between price, product quality, and online purchasing decisions in E-Commerce. The survey method is used to consider that this method is quite economical, fast, guarantees the respondent's flexibility to answer and gather the necessary facts, and guarantees the confidentiality of the respondent's identity to provide information or answers. The data collection method in this study used a questionnaire involving 100 respondents which use Lazada. The results shown in this study confirm that prices and products have a positive and significant effect on purchasing decisions.

INTRODUCTION

In recent years technology has been much more sophisticated and has continued to develop compared to a few years ago. These technological developments can be felt in various fields, ranging from transportation and electronic communication to cyberspace (Mashur et al., 2019). Therefore, today's people's lifestyle changes due to the influence of these technological developments. One of the most striking of these technological developments is gadgets and the tendency to do activities in cyberspace such as shopping online or more commonly referred to as online shopping. The internet has an essential role in introducing us to the virtual world (Giao, 2020; Hallikainen & Laukkanen, 2018; Nisar & Prabhakar, 2017). Now many countries are entering a new era called the era of globalization. The era of globalization is an era in which geographic boundaries between countries are no longer an obstacle in communication and interaction between individuals. This is increasingly evident when we associate it with the Internet. Internet is short for interconnection-networking. The Internet is a global system of all computer networks connected using the standard Internet Protocol Suite (TCP / IP) to serve billions of users worldwide. With the Internet, it will undoubtedly facilitate the process of "globalization" in the world (Bruner, 2005; Jayawardhena & Foley, 2000). We know a lot about various things through the Internet, from social networks, applications, news, videos, photos to shopping via the Internet or online shopping. Judging from the statistical data below shows that internet users in Indonesia continue to increase every year, according to a survey conducted by the Indonesian Internet Service Providers Association (APJII), which reveals that the number of internet users in Indonesia in 2015 reached 63

million people or 24.23 percent of the total population. In Indonesia. In 2016, it was predicted that Indonesia's internet users would increase by around 30 percent to 82 million users and continue to grow to 107 million in 2014 and 139 million or 50 percent of the total population in 2017 (MARS Indonesia, 2015; Nielsen, 2013)

Online shopping is an activity of buying and selling or electronic commerce that allows consumers to directly purchase goods or services from sellers via the internet using a web browser (en.wikipedia.org). Online shopping makes it easier for us to shop without wasting time and effort. Because of this convenience, online hopping is becoming increasingly popular (Indahingwati et al., 2019). Initially, an online shop was a form of activity, including buying and selling and marketing goods or services through an electronic system. Payments are made with a predetermined payment system, and the goods will be sent via a freight forwarder. Through the online shop, buyers can see the various products offered through the web that the seller promotes. Online shopping allows both the buyer and the seller not to come face to face in person so that the seller has the opportunity to get a buyer from abroad. The development of online shop or online shopping in Indonesia is growing rapidly and rapidly. Several years ago, the Online Shop trend in Indonesia was still not popular because Indonesian people tend to think that "there is money, there are goods" like shopping at sales or traditional markets. The condition of the internet network that is not fast enough is also one of the obstacles for the Online Shop system in Indonesia. Now Indonesia is one of the trending countries with online shops or online shops; this can be seen from the emergence of many online shops or online shopping such as Lazada.com, Tokopedia.com, shopee.com, and many more, which can be found easily according to category merchandise that will be sought or purchased by having a complete product at an affordable price (Merdika et al., 2019).

From the phenomenon that occurs, it can be seen that online shops or E-commerce sites, as online buying and selling sites in Indonesia, compete because there are many famous and exciting online shop sites. Shop to improve consumer purchasing decisions. According to(Haming et al., 2019), it means that "the price is an amount of money (plus some items if possible) needed to add several combinations of goods and services." According to (Kotler, 1973, 2012; Kotler et al., 2010) states that Products are anything that can be offered to the market to meet the needs and desires of consumers. Products marketed include physical goods, such as food, cars, clothing, housing, electronic goods, etc (Bonadonna, 2010; Helfat & Raubitschek, 2000). According to Philip Kotler, (2012), it means that the price is an amount of money (plus some items if possible) needed to add several combinations of goods and services. (e.g., Dittmar et al., 1995; Huang & Benyoucef, 2017; von Helversen et al., 2018) a purchase decision is selecting two or more alternative purchase decision choices, meaning that someone can make a decision, there must be several choices available. The decision to buy can lead to how the process of making that decision is carried out (Lu et al., 2020; Yang et al., 2016). Consumer purchasing decisions are influenced by consumer behavior. In this regard, the purpose of this study is to investigate the relationship between price, product quality, and online purchasing decisions in E-Commerce.

RESEARCH DESIGN

This type of research is a survey research method. This study takes a sample from a population and uses a questionnaire to collect data and describe, explain, and explain a particular phenomenon through field research activities (Ghozali, 2011). The survey method is used to consider that this method is quite economical, fast, guarantees the respondent's flexibility to answer and gather the necessary facts, and guarantees the confidentiality of the respondent's identity to provide information or answers. The purpose of this descriptive study is to describe in detail the observed symptoms or phenomena. The data collection method in this study used a questionnaire involving 100 respondents which use Lazada. Apart from that, the conceptual research is described in Figure 1.

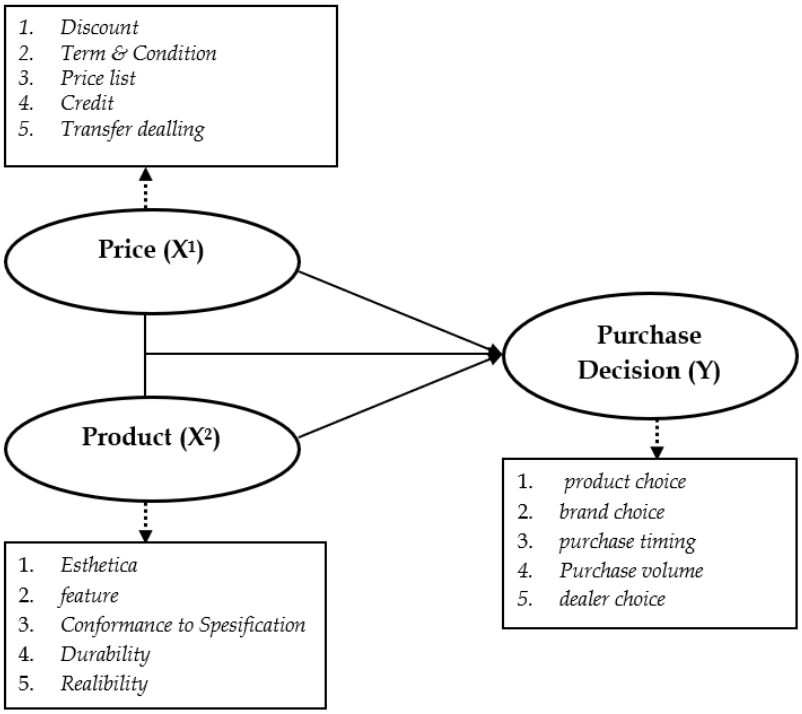

Figure 1. Conceptual Framework

H1 = Price (X1) has a positive and significant effect on Purchasing Decisions (Y) Online Shop Lazada.
H2 = Products (X2) have a positive and significant effect on Purchasing decisions (Y) Online Shop Lazada.
H3 = Price (X1) and Products (X2) have an effective positive and significant simultaneously on Purchasing Decision (Y) Online Shop Lazada.

The descriptive statistical analysis serves to describe or provide an overview of the object under study through sample or population data without analyzing and making general conclusions. Descriptive research is used to describe how prices and products influence purchasing decisions. Multiple regression analysis is a linear relationship between two or more independent

variables (X1, X2,… .Xn) and the dependent variable (Y). This analysis is to determine the direction of the relationship between the independent variable and the dependent variable (Field, 2009). Each independent variable has a positive or negative relationship and predicts the dependent variable's value if the value of the independent variable has increased or decreased. The data used is usually an interval or ratio scale. The multiple linear regression equation is as follows:

$$\mathbf{Y' = a + b1X1+ b2X2+ e}$$

Information:
Y = dependent variable Purchase Decision
X1 = Independent variable Price
X2 = Product independent variable
a = constant (Y 'value if X1, X2… ..Xn = 0)
b = regression coefficient (increase or decrease value

The interpretation of the average frequency distribution of respondents' answers (mean, standard error, standard deviation); the second is the outer-loading item where the loading factor> 0.60. Determining validity and reliability (Cronbach-alpha, composite reliability, AVE) > 0.60. Test the coefficient of determination (R^2) as well as the partial test (F^2); fifth, the Goodness fit of Model (GoF) test. The discriminant validity test, where the coefficient value> 0.60; the seventh is to test the hypothesis directly or indirectly (Firman et al., 2020; Suriyanti et al., 2020).

RESULT AND DISCUSSION

1. Data Respondent

Based on Table 1, the largest number of respondents are women (67%), with the most dominant age level in the range of 19-23 years (70%). Table 1 also describes the variable frequency distribution where the price variable (X1), namely the first indicator, can be seen with a discount (X1.1) with an average value (mean) of 4,370%, the payment terms indicator (X1.2) is 4,295 %, the price list indicator (X1.3) is 4.290%, the Credit indicator (X1.4) is 4.255%, and the payment period indicator (X1.5) is 4.395%. Product Variable (X2), namely the first indicator, can be seen with Aesthetics (Esthetica) (X2.1) with an average value (mean) of 4,380%, feature indicator (X2.2) of 4.285%, conformance indicator specifications (Conformance to Specifications) (X2.3) of 4.365%, indicators of Durability (X2.4) of 4.235%, and indicators of Reliability (Reliability) (X2.5) of 4.015%. Purchase Decision variable (Y), namely the first indicator of product choice (Y.1) with an average value (mean) of 3.665%, the indicator brand choice (Y.2) of 3.815%, the indicator Purchase timing (Y.3) is 4.015%, the number of purchases (Y.4) indicator is 3.710%, dealer choice (Y.5) indicator is 3.705%.

Tabel 1. Data Demografi (n = 100)

Variable	Measurement	n	%
Gender	Men	39	33
	Women	61	67
Age / Years	19 - 23	72	70
	23 - 26	28	30

Indikator	Mean	Indikator	Mean	Indikator	Mean
Discouny (X1.1)	4,370	Esthetica (X2.1)	4,380	Product Choice (Y1)	3.665
Purchase Term (X1.2)	4,295	Feature (X2.2)	4,285	Brand Choice (Y2)	3.815
Price list (X1.3)	4,290	Spesification (X2.3)	4,365	Purchase Timing (Y3)	4.015
Credit (X1.4)	4,255	Durability (X2.4)	4,235	Purchase Volume (Y4)	3.710
Purchase Periode (X1.5)	4,395	Reliability (2.5)	4,015	Dealer Choice (Y5)	3.705

2. *Statistic analysis*

2.1. *Data Validity and Reliability Test*

Data validation is the "truth" of data, namely the extent to which a data is, namely the extent to which information accurately describes the referenced social phenomenon. Data validation is a measure that shows the level of constraints or validity of measuring instruments. Data validation in a study was carried out by using item analysis techniques, namely by correlating each question item's score with the total score for each variable. Thus, data validation aims to measure whether the questionnaire questions we have created can measure the observed (researched) variables. The correlation technique used in conducting the validation test is Pearson Product Moment. The criteria used to state that an instrument is considered valid or suitable for hypothesis testing is if the coefficient is> 0.30, then it is declared valid.

Table 2 shows the results of the validity test in which the statement items of the Payment Terms indicator, which as (X1.2) with the correlation coefficient (r) have the highest significance level, namely 0.817, which states that this instrument is above the critical number table which has significance values. Below 0.05. This means that all statement items on this variable have valid criteria. The validity test in which the statement item conforms to the specification indicator (Conformance to Specification), which as (X2.3) with the correlation coefficient (r) has the highest level of significance, namely 0.627, which states that this instrument is above the table criticism number which has a value of significance value below 0.05. This means that all statement items on this variable have valid criteria. Item feature indicator statement, which (Y.2) with its correlation coefficient (r) has the highest level of significance, namely, 0.627, which states that this instrument is above the table criticism figure with significance values below 0.05. This means that all statement items on this variable have valid criteria. The Cronbach's alpha value for the Price variable (X1) is 0.799, the value of 5 is obtained from the total discount indicator (X1.1), payment terms (X1.2), price list indicator (X1.3), Credit indicator (X1.4, and the payment method indicator (X1.5), 100 is obtained from the number of respondents, and the percent level is 100%. Thus, it can be concluded that the statement in this questionnaire is reliable because it has a Cronbach's alpha value greater than 0.60. (X2) of 0.876, a value of 5 is obtained from the total Aesthetic indicator (Esthetica) (X2.1), Feature indicator (X2.2), Conformance to Specifications indicator (X2.3), Resilience indicator (Durability) (X2.4), and the indicator Reliability (Reliability) (X2.5), 100 is obtained from the number of respondents, and the percent level is 100%. Thus, it can be concluded that the statements in this questionnaire are reliable because they have more Cronbach's alpha 0.60. cronbach's alpha value for the Product variable (X2) is 0.612, a value of 5 is obtained from the total product choice indicator (Y.1) with the average deal (mean), the brand choice indicator (Y.2), an indicator of purchase timing

(Y.3), an indicator of total purchases (Y.4), dealer choice (Y.5), 100 obtained from the number of respondents and the percent level is 100% sufficient. Thus, it can be concluded that the statement in this questionnaire is reliable because it has a Cronbach's alpha value greater than 0.60.

Table 2. Validity and Reliability Test

Variabel	Instrumen	Correlation	Cronbach Alpha	Result
Price	X1.1	0.470	0.799	Valid & Reliable
	X1.2	0,817		
	X1.3	0,749		
	X1.4	0,691		
	X1.5	0,603		
Product Quality	X2.1	0.569	0.876	Valid & Reliable
	X2.2	0,540		
	X2.3	0,627		
	X2.4	0,338		
	X2.5	0,403		
Purchase Decision	Y.1	0.520	0.612	Valid & Reliable
	Y.2	0,554		
	Y.3	0,537		
	Y.4	0,313		
	Y.5	0,413		

2.2. *Normality and Multicollinearity Test*

The test of data analysis requirements is the normality test. When viewed from the primary word "normal," the normality test aims to test whether the research data carried out has a normal distribution or not. The normality test is one part of the data analysis requirements test or the classical assumption test. Before we carry out the actual analysis, the research data must be tested for the normal distribution of data (good data is normal data in distribution). The basis for decision making in the normality test is: If the significant value is greater than 0.05, the data is normally distributed. Conversely, if the significance value is more than 0.05, the data is not well distributed. Table 3 states the results of the normality test, which obtained a significance value of 0.427. This shows that this significance value is more significant than 0.05, so it can be concluded that the data is normally distributed.

The multicollinearity test aims to test whether the regression model finds a correlation between independent (independent) variables. The expected result in the test is that there is no correlation between the independent variables. There are several ways to test for the presence or absence of multicollinearity in the regression model. In this test, researchers used correlation matrix analysis between independent variables by looking at the Tolerance and Variance Inflation Factor (VIF) values. If the tolerance value is more significant than 0.10 or equal to the VIF value less than 10, there is no multicollinearity in the regression model. Based on table 3, it can be seen that the tolerance value is close to the number 1 and the variance inflation factor (VIF) value around the number 1 for each variable, which is indicated by the tolerance value for Prices and Products of 1,207. Besides, the VIF value for Prices and Products is 1,207. A regression model is free of multicollinearity problems if it has a VIF value of less than 10. Thus, it can be concluded that the regression equation model does not have multicollinearity problems and can be used in research.

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Predicted Value
N		100
Normal Parameters[a,b]	Mean	3.7820000
	Std. Deviation	.05078573
Most Extreme Differences	Absolute	.088
	Positive	.081
	Negative	-.088
Kolmogorov-Smirnov Z		.876
Asymp. Sig. (2-tailed)		.427
a. Test distribution is Normal.		
b. Calculated from data.		

Collinearity Statistics		
Model	Tolerance	VIF
Price	.829	1.207
Product	.829	1.207

2.3. Linear Regression Test

Multiple Linear regression analysis is a linear relationship between two or more independent variables (X1 X2, ... Xn) and the dependent variable (Y). This analysis is to determine the direction of the relationship between the independent and dependent variables, whether each independent variable has a positive or negative effect, and to predict the value of the dependent variable if the value of the independent variable has increased or decreased. The results shown in Table 4 confirm that prices and products have a positive and significant effect on purchasing decisions.

Table 4. Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	35.608	.938		37.954	.000
	Price	.123	.058	.401	2.108	.042
	Product Quality	.176	.072	.464	2.443	.020
a. Dependent Variable: Purchase Decision						

3. Discussion

This study on online shopping behavior states that price, convenience, and product quality are essential factors influencing consumers to shop at online stores. Price has two prominent roles in the buyer's decision-making process: the part of allocation and information. The price's allocation role, namely the price function, helps buyers decide how to obtain the highest expected benefit or utility based on their purchasing power. Thus, prices can help buyers decide how to allocate their purchasing power to various types of goods and services. The buyer compares the prices of the different alternatives available, then decides on the desired allocation of funds. The role of information from prices, namely the function of cost, in educating consumers about product factors, such as quality. This is especially useful when the buyer has difficulty objectively assessing a

product's characteristics or benefits. The prevailing perception is that high prices reflect high quality. An essential factor that can influence purchasing decisions is the price factor. After developing pricing structures and strategies, companies often face situations where they have to make price changes or respond to competitors' price changes. The pricing strategy is very significant in providing value to consumers and influencing product image and consumer decisions to buy. After considering the price, consumers also believe in the quality of the product they will buy. Consumers expect a match between the price and the quality of the products they receive.

The purchasing decision is selecting two or more alternative purchasing decision options, meaning that someone can decide; there must be several choices. The decision to buy can lead to how the process of making that decision is carried out. Consumers consider many factors before deciding to buy a product. Therefore, entrepreneurs must be observant in seeing what factors must be regarded as to attract consumers. To be successful in marketing a good or service, every company must set its price appropriately. Price is the only element of the marketing mix that provides income or income for the company, while the other three elements (product, distribution, and promotion) cause costs (expenses). Besides, price is an element of the marketing mix that is flexible, meaning that it can be changed quickly. From a marketing perspective, a fee is a monetary unit or another measure (including other goods and services) exchanged to obtain ownership rights or use a good or service. Price is something that is given in exchange for a good or service. Price, in particular, is an exchange of money for goods or services. Also, the sacrifice of time for waiting to obtain goods or services.

The existence of both existing and potential competition is a factor that has an essential influence in determining the base price of a product. Competition is usually influenced by similar products, substitute or substituted products, and the existence of different products but looking for the same consumers or market share. Therefore, it is also essential to improve product quality. One factor that buyers should consider before buying a product; the company must have good quality or according to the price offered when selling products or services in running a business. Improving the quality of products or services needs to be done because it can make consumers feel satisfied with the products or services they buy and influence consumers to make repeat purchases. Quality is determined by a set of uses and functions, including durability, independence of other products or other components, the exclusivity of comfort, external appearance (color, shape, packaging, etc.). With excellent and reliable quality, a product will be easily embedded in consumers' minds because consumers are willing to pay a certain amount of money to buy a quality product.

CONCLUSION

The price and quality of product improvement is an integral part of the marketing strategy. Product or service quality can affect customer satisfaction. The definition of customer-centered quality is the overall features and properties of a product or service that affect its ability to satisfy stated or implied needs. Because there is a tendency for consumers to choose quality food products according to their tastes and desires and have a relatively affordable price, if consumers feel that

they are compatible with a product and the product can meet their needs, they will continuously decide to buy the product.

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