

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Background

2.1.1 Electronic Word of Mouth (E-WOM)

According to Thureau (2004) in Danniswara & Sandhyaduhita (2017), electronic word of mouth (e-WOM) is defined as positive or negative statements made by potential customers, current customers, or former customers about the product or the company via the Internet. The function of word of mouth on social media is not much different. Word of mouth on social media also requires an opinion leader who can influence purchasing decisions. According to Akbar (2018), consumers are more interested in online reviews from other consumers. This form of opinion found on the internet and social networks can be referred to as Electronic Word-of-Mouth (e-WOM). Because of greater access and a broader reach, electronic word-of-mouth is more effective than word-of-mouth communication in offline businesses. This can be interpreted to mean that the source of e-WOM information is not tied to a particular company and does not benefit any company. As a result, the communication process via e-WOM is more trustworthy than the company's data source.

According to Goyette, Richard, & Bargeron (2010) in Prabowo (2018), there are several dimensions to measure the effect of electronic word-of-mouth that can use the intensity, valance of opinion, and content variables:

1. According to Goyette, Richard, & Bargeron (2010), intensity is the feasibility of consumers in providing information, interactions, and opinions between consumers on social networking platforms. The intensity of e-WOM can be measured through three indicators:
 - a. Frequency of accessing the information on social networks
 - b. Frequency of interaction between social network users
 - c. The number of reviews written by social network users
2. According to Goyette, Richard, & Bargeron (2010), valance of opinion is consumer interest in a product by buying a product based on the views and recommendations of other consumers. There are several indicators of the valance of thought:
 - a. Positive comments from social network users
 - b. Consumer recommendations from social networks
 - c. Negative comments from social network users
3. According to Goyette, Richard, & Bargeron (2010) in Prabowo (2018), content is information on the quality, price, comfort, cleanliness, and services consumers will purchase. The are several indicators of content:
 - a. Product quality information in social networking platforms

b. Information on prices offered on social networks

c. Information on comfort, cleanliness, service on social networking platforms

2.1.2 Customer Satisfaction

According to Kotler & Armstrong (2020), customer satisfaction depends on the product's perceived performance relative to the buyer's expectations. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer will be very satisfied or happy. According to Tjiptono & Chandra (2016) in Wibisono (2019), there are several indicators of consumer satisfaction variables, including:

1. Conformity of expectations

All consumers will always want expectations from the product they will buy.

2. Interest to repurchase

This situation usually occurs when a consumer is satisfied with the services and products.

3. Willingness to recommend

A company will usually ask their regular customers to recommend their goods or products, both new and old.

4. Making purchasing decisions in the same company

Suppose a consumer is satisfied with a company's product. In that case, a consumer will look for another product at the company because consumers have judged that the company's products are good and by what consumers want.

5. Creating a brand image

General public can know a company's brand if the brand name product can satisfy all its consumers.

2.1.3 Purchase Decision

According to Kotler, Amstrong, & Parment (2020), consumers' purchasing decision is to buy their most preferred product or brand. Still, two factors can arise between purchase intention and purchase decision. The first factor is the attitude of others. The second factor is an unexpected situational factor. Consumers can decide whether or not to buy something based on what they expect in terms of income, price, and product benefits.

According to Kotler, Amstrong, & Parment (2020), buying is just part of a much larger buying process – starting with need recognition and working your way up to how you feel after making a purchase. Marketers want to be involved throughout the buyer decision process. The buyer's buying process consists of five stages: need recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behavior.

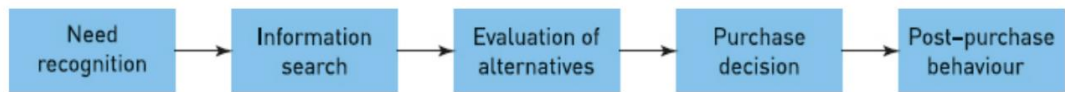


Figure 2. 1 Stage of Buying Process

Source: Kotler, Amstrong, & Parment (2020)

1. Need recognition

need recognition is when the buyer recognizes a problem or need. Marketers have to do research on consumers to find out what kind of need or problem comes up, what causes it, and why people buy a certain product.

2. Information search

Interested consumers can seek more information. If a consumer's needs are intense and a satisfying product is imminent, they will likely buy it. If not, the consumer can store the need in his memory or perform a search for information related to the need. A higher level of consumer engagement means more research and consideration in every buying process.

3. Evaluation of alternatives

How consumers process information to arrive at brand choices. Consumers arrive at attitudes towards different brands through evaluation procedures. Consumers evaluate purchasing options depending on the individual consumer and the particular buying situation.

4. Purchase Decision

Consumers rank products and brands in the evaluation stage and form purchase intentions. Consumers can make plans to buy based on what they expect to earn, what they expect to pay, and what they expect the product to do for them.

5. Post-purchase behavior

Consumers will be satisfied or dissatisfied with a product after purchasing it and will engage in post-purchase behavior. Consumers are pleased with the benefits of the chosen product or brand and are relieved to avoid shortages of products and brands that have not been purchased. Customer satisfaction is closely related to post-purchase behavior.

2.2 Previous Studies

Table 2. 1 Previous Studies

Author and Title of Article	Variables	Analysis Tool	Conclusion
The Analysis of Customer Satisfaction and Customer Loyalty and The Effect of Purchase Decision (A case Grab). (Parsuip, 2021)	<ol style="list-style-type: none"> 1. Customer Satisfaction 2. Customer Loyalty 3. Purchase Decision 	Multiple linear regression	<ol style="list-style-type: none"> 1. The variables of satisfaction, and loyalty, simultaneously or jointly, have a positive and significant effect on purchasing decisions or online use in the grab transportation application. 2. This study shows a good increase and high

Author and Title of Article	Variables	Analysis Tool	Conclusion
			customer satisfaction and will increase customer loyalty in using the Grab application, improving purchasing decisions.
The Influence Product Quality, Price, and Customer Satisfaction on Purchasing Decisions UD. Rizky Barokah Balongbendo. (Wibisono, 2019)	<ol style="list-style-type: none"> 1. Product Quality 2. Price 3. Customer Satisfaction 4. Purchasing Decisions 	Multiple Linear Regression	<ol style="list-style-type: none"> 1. Product quality positively influences purchase decision. 2. Price positively influences purchase decision. 3. Customer satisfaction positively influences purchase decision.
The Influence of e-WOM and Customer Satisfaction on Purchasing Decisions. (Purba, 2021)	<ol style="list-style-type: none"> 1. Electronic Word of Mouth 2. Customer Satisfaction 3. Purchase Decision 	Multiple linear regression	<ol style="list-style-type: none"> 1. The study can conclude that e-WOM influences purchasing decisions, customer satisfaction influences purchasing decisions, and e-WOM and customer satisfaction influence purchasing decisions. 2. The independent variables of e-WOM (X1) and Customer Satisfaction

Author and Title of Article	Variables	Analysis Tool	Conclusion
			<p>(X2) affect purchasing decisions (Y).</p> <p>3. The more intensive e-WOM and consumer satisfaction on the product, the stronger the purchasing decision.</p>
<p>Customer Satisfaction, Switching Barrier and Trust in Brand on Customer Retention (A case of Samsung in STIAMAK). (Tachjedi, 2018)</p>	<ol style="list-style-type: none"> 1. Customer Satisfaction 2. Switching Barrier 3. Trust in Brand 4. Customer Retention 	<p>Multiple Linear Regression</p>	<ol style="list-style-type: none"> 1. Customer satisfaction has a relationship with customer retention. 2. Switching barrier has a relationship with customer retention. 3. Trust in brand has a significant relationship with customer retention. 4. Customer satisfaction, switching barrier, and trust in brand has a significant relationship with customer retention. 5. Trust in brand has a dominant relationship with customer retention.

Author and Title of Article	Variables	Analysis Tool	Conclusion
<p>The Effect of E-WOM and Perceived Value on the Purchase Decision of Foods by Using the Go-Food Application as Mediated by Trust. (Handi, Hendratono, Purwanto, & Ihalauw, 2018)</p>	<ol style="list-style-type: none"> 1. Electronic Word of Mouth 2. Perceived Value 3. Trust 4. Purchase Decision 	<p>Structural Equation Model (SEM) and Analysis of Movement Structure (AMOS)</p>	<ol style="list-style-type: none"> 1. Purchase decision is affected by electronic word of mouth, which means electronic word of mouth is being read in social media and can encourage people to buy foods on the Go-Food application. 2. Purchase decision is affected by perceived value, which means the better-perceived value formed by Go-Food users, the higher the tendency to purchase foods through the application. 3. Purchase decision is affected by trust, which means if trust is increased, the purchase decision will be increased. 4. Trust is affected by electronic word of mouth, which means reading the reviews or Go-Food's

Author and Title of Article	Variables	Analysis Tool	Conclusion
			<p>users' experiences in social media impacts someone's trust towards the information.</p> <p>5. Trust is affected by perceived value, which means if perceived value increases, then the user's trust will increase as well.</p> <p>6. Electronic word of mouth positively affects purchase decisions if mediated by trust, and that perceived value affects positively and significantly on purchase decisions if mediated by trust.</p>
<p>The Impact of EWOM Referral, Celebrity Endorsement, and Information Quality on Purchase Decision: A Case of Instagram. (Danniswara & Sandhyaduhita, 2017)</p>	<ol style="list-style-type: none"> 1. EWOM Referral 2. Brand Satisfaction 3. Celebrity Endorsement 4. Information Quality 	<p>SEM Method and LISREL 8.80 application</p>	<ol style="list-style-type: none"> 1. This research aims to examine the impact of Instagram social media as a marketing media towards a purchase decision.

Author and Title of Article	Variables	Analysis Tool	Conclusion
	5. Brand Trust 6. Brand attachment 7. Purchase intention 8. Purchase decision		2. From 14 hypotheses, eight were accepted, and six were rejected. 3. Thus, this research confirms that electronic word of mouth referral and information quality indirectly relate to purchase decisions. 4. Electronic word of mouth referral relates to purchasing decision via purchase intention, while information quality relates to purchasing decision via brand satisfaction and brand trust. 5. Interestingly, celebrity endorsement does not directly or indirectly impact purchase decisions.

Source: Primary Data (2022)

2.3 Hypothesis Development

2.3.1 The Relationship between E-WOM and purchase decisions

According to Kotler & Keller (2015), at the evaluation stage, a consumer will choose one preferred thing among several brands and create an intention to purchase it. This information is available to people or institutions via the internet. This information from online media makes it easy to deliver information. A study implies that people will decide whether or not a product to be purchased already exists among alternative options, allowing for evaluation and the best choice. Based on previous research from Handi et al (2018), electronic word of mouth is one-factor influencing purchase decisions. Electronic word of mouth is a positive or negative statement made by potential customers, actual customers, or previous customer regarding the product or company.

Consumers' product reviews on the Internet are the most basic form of electronic word-of-mouth communication. To learn more about a product, consumers frequently search the internet for product reviews. According to Jalilvand (2012), online reviews will eventually build interest in purchasing. Based on the previous research from Chang, Lee, & Huang (2016), electronic word of mouth positively affects purchase decisions. According to Handi et al (2018), electronic word of mouth positively affects purchase decisions. This is due to many consumers obtaining information about products online, especially

comments and reviews by other consumers. Based on the findings above, this research purposes the first hypothesis:

H1: Electronic word of mouth positively influences purchase decisions.

2.3.2 The relationship between customer satisfaction and purchase decisions

There are several studies related to satisfaction. Previous research from Parsuip (2021) found that customer satisfaction positively influences decisions. The study noted that most respondents who had bought or only used the grab application were women aged > 21 years. Most of the respondents were satisfied with the online grab service. There was a positive and significant influence on customer satisfaction on purchasing decisions of Grab's transportation application. This study shows that the better customer satisfaction, the higher the purchase decision; a study found that if every level of consumer feelings and expectations are met, the consumer will return to the store; if the feelings and expectations are not met, the consumer will buy elsewhere.

According to Wibisono (2019), customer satisfaction positively affects purchasing decisions. If each level of consumer feelings and expectations are met, the consumer will return to the store to buy the item, and if the feelings and expectations are not met, the consumer will buy elsewhere. A company must always provide good service for every consumer who will buy their

product in order to be able to create customer satisfaction. Based on the findings above, this research purposes the second hypothesis:

H2: Customer satisfaction positively influences purchase decisions.

2.4 Conceptual Framework

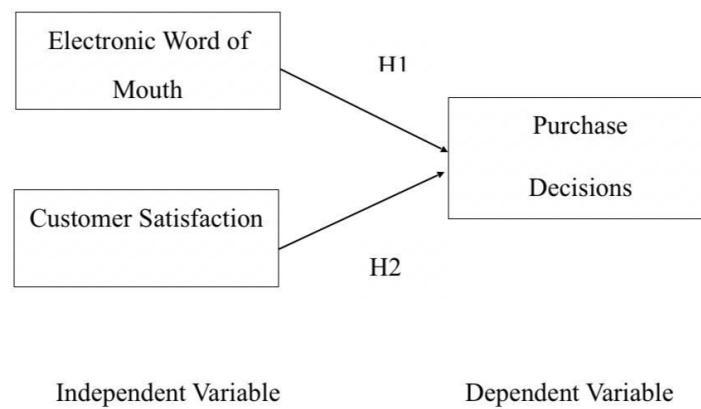


Figure 2. 2 Conceptual Framework

Source: Purba (2021)

H 1: Electronic word of mouth positively influences purchase decisions.

H 2: Customer satisfaction positively influences purchase decisions.