



THE EFFECT OF TRUST AND ELECTRONIC WORD OF MOUTH ON PRODUCT PURCHASING DECISIONS ONLINE

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Abstract

This research aims to examine the effect of trust and electronic word of mouth (eWOM) on product purchasing decisions. Trust is considered a crucial factor in consumer decision-making, and eWOM has emerged as a powerful tool for shaping consumer opinions and attitudes towards products. The study uses a survey questionnaire to collect data from a sample of consumers and employs structural equation modeling (SEM) to analyze the relationships between the variables. The research proposes the following hypotheses: Trust has a positive effect on product purchasing decisions. eWOM has a positive effect on product purchasing decisions. The results of the study provide insights into the role of trust and eWOM in shaping consumer purchasing decisions and highlight the importance of building trust and leveraging eWOM to promote products effectively. The findings of the research can inform marketing strategies and help businesses develop more effective approaches to influence consumer behavior.

Keywords: *Trust and Electronic WOM, Purchase Decision.*

1. INTRODUCTION

Online shopping is a phenomenon that has revolutionized the way people buy and sell goods and services. With the rise of e-commerce platforms and the widespread availability of high-speed internet, online shopping has become increasingly popular in recent years. One of the key advantages of online shopping is convenience (Suleman et al., 2020). Consumers can shop from the comfort of their own homes, without having to travel to a physical store. This makes it easy for people with busy schedules or limited mobility to purchase the products they need. Online shopping also provides consumers with a wider selection of products and services. With online shopping, consumers can easily compare prices and features across different brands and retailers, which makes it easier to find the best deals (Nurhayaty et al., 2021).

In addition, online shopping allows for a more personalized shopping experience. Online retailers can use data analytics to understand their customers' preferences and offer targeted recommendations and promotions. However, online shopping also comes with some challenges (Kartajaya & Marketeers, 2018). One of the biggest concerns for consumers is the security of their personal and financial information when making purchases online. There is also the risk of purchasing counterfeit or low-quality products from unscrupulous sellers. Trust plays a critical role in online product purchasing decisions. With the rise of e-commerce, consumers are increasingly relying on online platforms to purchase goods and services. However, the lack of face-to-face interactions and physical touchpoints in online transactions can create a sense of uncertainty and skepticism in consumers, making it difficult for them to trust the product, the seller, and the overall transaction (Suleman et al., 2019). In the absence of traditional trust-building mechanisms such as personal relationships and recommendations, online trust is built through various digital cues and signals. These cues can include website design, customer reviews, ratings, social media presence,

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and security features (Sobti, 2019). Research has shown that trust is a key factor influencing consumer behavior online. Consumers are more likely to purchase products from websites they trust, and trust can also influence how much they are willing to pay for a product. Trust can also have an impact on customer loyalty, with consumers more likely to return to a website if they had a positive experience and trust the seller (Wardoyo & Andini, 2017).

Furthermore, the importance of trust has only increased in the wake of the COVID-19 pandemic, with consumers relying more on online platforms for their shopping needs. As such, it is essential for businesses to prioritize building trust with their customers to increase online sales and build long-term relationships. Trust plays a significant role in online purchases as it influences the buying decisions of consumers (Hermawan, 2018). When consumers trust a particular online store or seller, they are more likely to purchase products or services from that store. On the other hand, if they do not trust the store or seller, they may decide not to make a purchase or go to a different online store. There are several factors that contribute to the development of trust in online purchases. One of the most important factors is the perceived reputation of the online store or seller. Consumers are more likely to trust online stores that have a good reputation and positive reviews from other customers. Another important factor is the perceived security of the online transaction. Consumers want to be sure that their personal and financial information is secure when making a purchase online. Online stores that have secure payment systems and privacy policies are more likely to be trusted by consumers. The ease of navigation and user-friendliness of the online store also contribute to trust. Consumers are more likely to trust an online store that is easy to navigate and has a clear and concise description of products or services (Kotler et al., 2019).

Electronic word of mouth (eWOM) is the digital equivalent of traditional word of mouth, where consumers share information and opinions about products and services with each other. On the internet, eWOM takes many forms, including online reviews, ratings, comments, social media posts, and forums (Hsu et al., 2013). eWOM has a significant impact on product purchasing decisions online. Studies have shown that online reviews and ratings are a crucial factor in the decision-making process of many consumers. In fact, according to one survey, 88% of consumers trust online reviews as much as personal recommendations from friends and family. Positive eWOM can increase consumer confidence in a product or service and lead to higher sales. On the other hand, negative eWOM can damage a brand's reputation and lead to lost sales (Semuel & Lianto, 2014). Online retailers and marketers can leverage eWOM to their advantage by actively encouraging positive reviews and testimonials from satisfied customers. They can also monitor and respond to negative eWOM to address customer complaints and concerns and mitigate potential damage to their brand. In addition to the impact on purchasing decisions, eWOM can also influence brand awareness and loyalty. Consumers who have a positive experience with a brand are more likely to share their experience with others, which can lead to increased brand awareness and loyalty (Al-Debei et al., 2015).

Therefore, it is Important to do research on the effect on trust and electronic word of mouth on product purchasing decision online. By understanding the factors that influence consumer behavior, online retailers and marketers can develop effective strategies to increase sales and build brand loyalty. Research on the impact of trust can help online retailers and marketers understand how to build and maintain consumer confidence in their brand. This can involve developing clear anttransparent policies regarding data security and privacy, ensuring reliable customer service, and building a positive reputation through online reviews and ratings. Similarly, research on the impact of eWOM can help online retailers and marketers understand how to leverage this powerful tool to



their advantage. This can involve encouraging positive reviews and testimonials from satisfied customers, engaging with customers on social media, and responding to negative eWOM in a timely and effective manner.

2. LITERATURE STUDY AND HYPOTHESES DEVELOPMENT

Research will be conducted using the framework of trust and E-WOM to examine their impact on online consumer purchasing decisions.

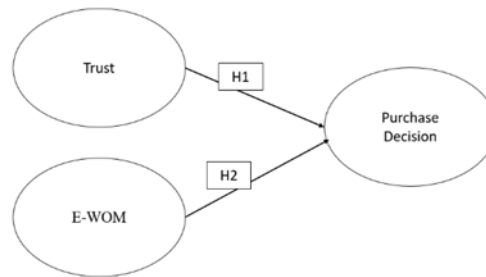


Figure 1 Conceptual Framework

The hypotheses in the research are formulated based on previous studies and the existing literature on the topic. Researchers review relevant literature and identify gaps in existing knowledge, which may lead to new research questions. Based on these questions, researchers develop hypotheses that guide their investigations and provide a clear direction for their research. In this research case study, the framework used is the brand and trust framework, which has been used in previous research to examine its effect on consumer behavior. The hypothesis for this study is likely based on the results of previous studies which have shown a relationship between trust, E-WOM and online consumer purchase decisions.

2.1 Trust

shopping. Trust can be defined as the belief that a person or entity will act in a reliable, honest, and fair manner. In the context of online shopping, trust refers to consumers' confidence in the reliability, security, and privacy of online stores and sellers. Several studies have explored the impact of trust on online purchasing behavior. For example, a study by (Yunita et al., 2019) found that trust positively influences online purchase intentions, and that trust is a key factor in the decision-making process of online shoppers. Similarly, a study by (Górska-Warsewicz et al., 2021) found that trust has a direct impact on online purchase behavior, and that consumers are more likely to buy from online stores that they perceive as trustworthy. One important factor that influences trust in online shopping is website design and usability. A study by (Wu & Ke, 2015) found that consumers are more likely to trust and purchase from websites that have a professional design and are easy to use. Similarly, a study by Liang and Huang (2010) found that website security and privacy policies are important factors that influence consumer trust in online stores. Trust can also be built through social cues such as online reviews and ratings. A study by (Nurhayaty et al., 2021) found that positive reviews and ratings increase consumer trust in online stores and products, while negative reviews and ratings decrease trust. Similarly, a study by (Zolait et al., 2018) found that consumer trust in online stores is influenced by the number and quality of online reviews. therefore the first hypothesis in this study is :

H1 : There is an influence of trust on consumer purchasing decisions

2.2 eWOM

Electronic word of mouth (eWOM) refers to the information and opinions that consumers share about products and services online through social media, online reviews, forums, and other digital platforms. eWOM has become an important factor that influences consumer behavior, particularly in the context of online shopping. Several studies have explored the impact of eWOM on online purchasing behavior. For example, a study by (Semuel & Lianto, 2014) found that eWOM has a significant impact on online purchase intentions, and that consumers are more likely to trust and purchase from online stores that have positive eWOM. Positive eWOM can also lead to increased brand awareness and brand loyalty. A study by (Prastuti & Karyanti, 2020) found that positive eWOM has a significant impact on brand image and consumer loyalty, and that consumers are more likely to recommend brands that have positive eWOM. However, negative eWOM can have a significant negative impact on online purchasing behavior. A study by (Al-Debei et al., 2015) found that negative eWOM has a strong influence on consumer decision-making, and that consumers are more likely to avoid products and services that have negative eWOM. The impact of eWOM on consumer behavior can be influenced by several factors, such as the credibility of the source, the content and tone of the message, and the social context in which the message is shared. A study by (Kusuma & Suparna, 2015) found that the credibility of the source is the most important factor that influences consumer response to eWOM. therefore the Second hypothesis in this study is :

H2 : There is an influence of E-WOM on consumer purchasing decisions

3. RESEARCH METHODS

Through a survey. The survey will be designed to collect data on the variables of interest, namely brand, trust, and online consumer buying interest. To analyze the data, the structural equation modelling (SEM) approach using the Amos software will be used. SEM is a statistical technique that allows researchers to test complex relationships between multiple variables (Ferdinand, 2018). In this study, SEM will be used to test the proposed hypotheses and examine the direct and indirect effects of brand and trust on online consumer buying interest. in this study using 3 variables and 10 dimensions and 20 indicators and the number of samples used using a minimum of 120 samples based on the number of indicators 120x6 with the non-probability sampling quota sample method.

4. RESULTS AND DISCUSSION

4.1 Analysis Goodness of Fit (GOF)

The proposed model fits the observed data. GOF is a statistical measure of how well a hypothetical model fits the data and is used to assess the validity and reliability of the model. Overall, the GOF statistic is used to assess the adequacy of the model fit and ensure that the model accurately represents the relationships between the variables of interest. If the model does not fit well, you can refine the model to improve the fit and increase the accuracy of the results.

The first result (GOF) is that the SEM output from AMOS definitely finds a working size data model that tends to increase the number of predictions of all models (structural and measurement models) for data quality consisting of RMSEA of $0.0048 < 0.07$ (model fit) and GFI value of 0.90. In the end, each model tested meets the criteria for testing working models at the appropriate level of testing criteria. And for different model work criteria, the progressive work model consists of several tools to check compliance, especially the value of CFI = 0.90; NFI =



0.89; IFI = 0.90 and RFI = 0.90, the results show that the structural equation model is called reasonable because it is sufficiently reasonable at the level of testing criteria and meets the requirements of the progressive work model. In terms of job size, the job model is rarely reflected in the results PNFI = 0.89; From these results it can be concluded that the model performs quite well at the level of the test criteria and meets the requirements for a strict model.

4.2 Measurement Model

Measurement models are an important part of structural equation modeling (SEM) approaches. It is used to operationalize latent variables (that is, variables that are not directly measurable, such as brand and trust) and to assess their relationship with observed variables (that is, variables that are directly measurable, such as survey questions and indicators). will be used. A measurement model establishes the validity and reliability of the measurements used to manipulate the latent variables. That is, it tests whether the observed variables are good indicators of the latent variables they represent. From the research results, and therefore the results obtained during this study, information can often be seen in the stock table above, which shows that the 18 indicators associated with a quantity (CR) of 0.7 or more and price are valid and reliable. extract. (VE) is greater than 0.05. Therefore, each indicator used in this study is reliable and valid and can be used in analysis. the measurement model establishes the validity and reliability of the measures used in the study and is an essential component of SEM. A well-specified measurement model ensures that the latent variables are accurately measured and the relationships between the variables are accurately modelled.

4.3 Hypothesis Test Results

The hypothesis-testing process in SEM involves examining the significance and direction of paths between latent variables in a proposed model. Path significance is typically evaluated using t-values or z-values, with direction given by the sign of the path coefficient. In Amos software, hypothesis testing involves examining standardized path coefficients that represent the strength and direction of relationships between latent variables.

Table 1 Hypothesis testing

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No	Hypotheses		SLF1)	t-value	Conclusion
1	H1	Trust → Purchase Decision	0.25	2.1	Supported
2	H2	e-WOM → Purchase Decision	0.23	2.8	Supported

As you can see from the table above showing the results of Amos sem against the results of the hypothesis test, we can see together Table 1 showing the test results of the structural model. Note the calculated t-score > t-table 1.96 and <0.05. The magnitude of the influence is shown in the SLF value below and shows how much influence the variable has. to have a relationship.

In the hypothesis (H1), which states that Trust are influential and important to consumer purchasing Decision, it can be seen that the test results show a t value of 2.1 greater than the table value of 1.96 and the standard coefficient. of 0.25 In addition, for the hypothesis (H2) that Trust are influential and important in consumer purchasing Intention, it is found that the t-product value is 2.8 greater than the table of 1.96, and the standard coefficient is 0.23.

5. CONCLUSIONS, IMPLICATIONS

The research on trust in online consumer purchasing decisions suggests that trust is a critical factor that influences online consumer behavior. Consumers are more likely to make online purchases from websites and online stores that they perceive as trustworthy, and factors such as website design, security and privacy policies, and online reviews and ratings can all impact trust. To build trust with online consumers, retailers and marketers should focus on developing strategies to enhance website design and usability, ensure website security and privacy, and encourage positive online reviews and ratings. In addition, retailers and marketers should be transparent and honest in their communications with consumers, and should take steps to address any concerns or issues that consumers may have. by focusing on building trust with online consumers, retailers and marketers can increase the likelihood that consumers will make online purchases and develop loyalty to their brand or product. The implications of trust research on online consumer purchasing decisions are significant for retailers and marketers looking to increase online sales and build customer loyalty. Firstly, retailers and marketers should focus on enhancing website design and usability to create a professional and trustworthy online presence. This can include investing in high-quality website design, providing clear and detailed product information, and ensuring that the website is easy to navigate. Secondly, retailers and marketers should prioritize website security and privacy policies to help build consumer trust. This can include using SSL encryption to protect personal and financial information, providing clear privacy policies, and regularly updating security measures. Thirdly, retailers and marketers should encourage and promote positive online reviews and ratings to help build consumer trust and increase the likelihood of online purchases. This can include soliciting reviews from satisfied customers, featuring positive reviews on the website, and responding promptly and effectively to negative reviews.

The research on electronic word of mouth (eWOM) and online consumer purchasing decisions has consistently shown that eWOM is a critical factor that influences online consumer behavior. Positive eWOM can enhance brand awareness, increase consumer trust, and lead to increased online purchases. Negative eWOM, on the other hand, can have a negative impact on brand image and online purchasing behavior, as consumers may be less likely to purchase from websites and online stores that have negative reviews and comments. To manage eWOM and leverage it to increase online purchases, retailers and marketers should focus on developing strategies to encourage positive eWOM and manage negative eWOM. This can include monitoring and responding to online reviews and comments, developing social media campaigns that encourage positive eWOM, and building relationships with influential online users who can promote products and services through eWOM. The implications of eWOM research on online consumer purchasing decisions are significant for retailers and marketers looking to increase online sales and build customer loyalty. Firstly, retailers and marketers should monitor and respond to online reviews and comments to manage eWOM effectively. This can include addressing negative reviews and comments promptly and effectively, as well as encouraging positive reviews and comments from satisfied customers. Secondly, retailers and marketers should develop social media campaigns and other strategies to encourage positive eWOM. This can include building relationships with influential online users, creating engaging and shareable content, and running promotions and contests that encourage consumers to share positive feedback about the brand or product. Thirdly, retailers and marketers should use eWOM to enhance brand awareness and build consumer trust. This can include featuring positive reviews and comments on the website and other marketing materials, as well as using eWOM to highlight the unique features and benefits of the product or service.

6. LIMITATIONS OF THE RESEARCH

Like any research, the effect of trust and electronic word of mouth on product purchasing decisions online has some limitations that need to be acknowledged. Here are some of the limitations:



1. Generalizability: The findings of the research may not be generalizable to all online consumer populations or all products or services. The sample size, demographic profile, and nature of the products or services under study may limit the generalizability of the results.
2. Self-reporting bias: The data collected from online surveys or interviews may be subject to self-reporting bias, as consumers may not always be accurate or truthful in their responses.
3. Lack of control: Online environments are constantly changing, making it difficult to control all the factors that can influence consumer behavior. The research may not capture all the contextual factors that can impact trust and electronic word of mouth on online purchasing decisions.
4. Time limitations: Many studies are cross-sectional in nature and only provide a snapshot of online consumer behavior at a specific point in time. Longitudinal studies are needed to understand how trust and electronic word of mouth on online purchasing decisions change over time.
5. The complexity of eWOM: E-WOM is a complex phenomenon that involves multiple channels, such as social media, online reviews, and forums. Understanding the impact of each channel and the interplay between them can be challenging.

Despite these limitations, the research on trust and electronic word of mouth on online consumer purchasing decisions provides valuable insights for retailers and marketers looking to improve their online marketing strategies.

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