THE EFFECT OF REFERENCE GROUP, ONLINE REVIEW AND PRODUCT RETURN POLICY ON ONLINE PURCHASING DECISIONS

Sri Astuti Pratminingsih
Nadia Cindy Pramita
Syaiful Bahri

Sri Astuti Pratminingsih
sri.astuti@widyatama.ac.id

Nadia Cindy Pramita
nadia.cindy@widyatama.ac.id

Syaiful Bahri
Syaiful.bahri@widyatama.ac.id

Abstract

The development of the internet plays huge development of e-commerce, Currently, almost all product needs are available through e-commerce. Many factors influence online shopping, one of the factors that can influence the emergence of purchase intentions is the online review of reference group and product return policy, this study aims to determine the influence between the online review reference group and the return policy product on online shopping decisions, research data collection was carried out using incidental sampling type sampling technique with a sample of 105 people. the measurement method uses a Likert scale, statistical data analysis with multiple linear regression analysis, validity and reliability tests, classical assumption tests and hypothesis testing. the results of this study are online review reference groups and product return policies have a positive and significant effect on online shopping decisions.

Keywords: reference group, online review, product return policy, online shopping

Introduction

An increase in the use of information and communication technology is increasingly undeniable; the internet plays an important role here. According to the survey results of the Indonesian Internet Service Providers Association conducted by internet users in Indonesia in early 2021, it reached 202.6 million people. This number increased by 15.5 percent or 27 million people compared to last January 2020. The results of the survey conducted by APJII show that the Internet is one of the basic needs for Indonesian people, especially young people. Young people, consisting of students and college students, are the group that most often uses Internet services, especially social media [1].

One of the activities carried out by the millennial generation is online shopping. The development of the internet plays huge development of e-commerce. Currently, almost all product needs are available through e-commerce. Many factors influence online

shopping, one of the factors that can influence the emergence of purchase intentions is the reference group. Reference groups are people around consumers who can have a direct or indirect influence. Various studies have proven that reference groups have an effect on purchasing decisions[2-5]

In addition to the reference group, another factor that influences online shopping is online customer review (OCR) or also known as electronic word of mouth (eWOM), which is one of the features that has attracted a lot of attention from academics and the public as one of the most influential factors in determine consumer purchasing decisions [6] In online consumer reviews, every consumer can give a good review or a bad review about a product or store. Positive reviews will lead to product purchases and subsequent good reviews. Products that get negative reviews will also have a negative impact on the store that sells them. Good reviews provide information to potential consumers and become one of the considerations in online shopping.

Online shopping is done without consumers seeing the product directly, therefore one of the factors that influence purchasing decisions is the policy of returning goods. The return policy will give consumers the power to shop because if the goods ordered do not match, they can be returned. Research of Chen and Chen (2015) shows that return policy influences online shopping decisions. Based on this background, the authors are interested in knowing how the influence of reference groups, online product reviews and product return policies on purchasing decisions.

Theoritical review

Reference Group

According to [7, 8] the reference group consists of individuals or all groups that have a direct or indirect influence on the person's behavior. A reference group is used by a person as a basis for comparison or a reference in forming affective, cognitive, and behavioral responses. Reference groups will provide standards and values that will influence a person's behavior[9] The Reference Group has a high enough influence and is sometimes the reason for making a purchase. [10] found that consumers sometimes use reference groups as a reference in making decisions. Groups that have a direct influence on purchasing decisions are groups whose individuals become members and interact with each other, while groups that have an indirect influence are groups whose individuals are not members of the group [6, 8]. There are several references related to consumers, namely, friendship groups, shopping groups, work groups, groups or communities, and consumer groups.

The reference group consists of two or more people who interact with each other in providing references. Parents, family, or friends a reference group that can influence purchasing decisions[7, 11-14]. For this reason, the impact of reference groups on purchasing decisions may vary if individuals use different sources of information for decision making.

Online Review

The existence of Internet and information technology provided new opportunities for consumers to share their product evaluations online [15]. Consumer reviews (online review) is a review given by consumers relating to information and evaluation or assessment of a product in various aspects. With the availability of information about this online review, consumers can obtain information about the quality of the product to be purchased. In making a decision, usually consumers will look for information about what to choose. Searching for information nowadays is very easy by utilizing internet and social media facilities. Online reviews can contain things that are positive or even negative about a product review. Online reviews include customer experiences with quality products, as well as services from online service providers[11].

According to[16, 17] Online review is a form of word of mouth communication in online sales, where prospective buyers get information about products from consumers who have benefited from these products. Electronoc word of mouth itself is defined as both positive and negative statements given by consumers for the products and services received. With this information, consumers get the quality of the product they are looking for from reviews and experiences written by other consumers who have purchased the product [18] With the increasing use of the internet and social media, online reviews have become an important source sought by consumers to find out the quality of a product, making it easier for decision making. Previous research has shown the growing importance of consumer reviews in consumer buying and selling decisions[17]. Information provided by consumers in the form of online reviews is considered more credible than information provided by sellers because the source of information can be trusted [16, 19]. Traditionally, online reviews are built on word of mouth electronic communications that have been shown to have a significant impact on consumer choice as well as post-purchase products. Research has shown that online reviews which include recommendations, content provision and feedback directly influence purchasing decisions[15, 18, 20].

Product Return on Purchasing Decisions

The return of products purchased by customers is a phenomenon that is currently common, especially in Indonesia. Product returns in the retail industry and of course will result in costs for retailers [16]. In practice, most retailers have a full refund policy, but the terms of the consumer return policy vary from store to store[2, 15]. The customer return policy serves as an after-sales service, and is a determining factor in the customer decision to purchase the product [8, 19, 21]. argues that returns can create value for customers. But despite the positive benefits of having a return policy, retailers also bear some negative implications [10, 11]. For example, return policies are bound to increase processing fees for retailers and manufacturers, or may even devalue the product and delay sales if the returned product is to be resold after some processing.
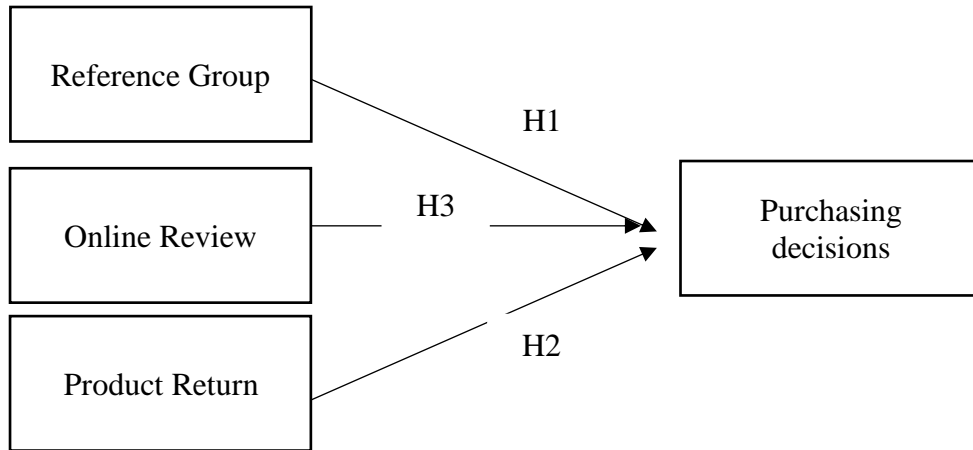
In the context of online product returns, customers have to pay high return or restock shipping costs. And the same logic, if the perceived online return procedure is so complex that customers have to go through several steps to get their refund, they are less likely to return the product opportunistically for fear of wasting time, while getting nothing back due to stringent requirements.

Purchasing Decision

Consumer purchasing decisions are initiated by the desire to buy that arises due to various influencing factors such as family, needs, desired prices, information provided, or the benefits that can be obtained from the product or service [10, 12]. Purchasing decision is an integration process that combines knowledge to evaluate two or more alternative behaviors and choose one of them [22]. Purchasing decisions are often based on consumer behavior such as choosing, buying and using products or services [2, 23]. Purchasing decisions will be able to determine attitudes in repurchasing. Here Kotler formulated five stages related to consumer purchasing process as problem recognition, information seeking, alternative evaluation, purchase decisions and post-purchase behavior. It is clear that purchasing decisions are strongly influenced by the integration of knowledge and behavior of individuals in choosing and using goods or services. So that knowledge and positive purchasing power is when a person or group understands the existence of goods and services not only in the unit of the goods but also the value contained in them. As a result, consumer alignments will be fulfilled both in terms of brand or quality and value of an item. [17, 19]). Creating

Flexibility in an organization is an important thing to do to support and at the same time anticipate bad things from happening; impact on consumer purchasing decisions.

Conceptual Framework

```
┌─────────────────────┐
│   Reference Group   │─────────┐
└─────────────────────┘       H1 │
                                 ↓
┌─────────────────────┐    H3    ┌──────────────┐
│    Online Review    │──────────→│  Purchasing  │
└─────────────────────┘          │  decisions   │
                                 ↑ └──────────────┘
┌─────────────────────┐       H2 │
│   Product Return    │─────────┘
└─────────────────────┘
```

Hypothesis Development
H$_1$. Reference groups has an effect on online shopping decisions.
H$_2$. Online reviews has an effect on online shopping decisions
H$_3$. Product Return Policy has an effect on online shopping decisions.

Research methods

This type of research is descriptive quantitative. The design of this research is an explanatory survey, which is intended to explain the phenomena that occur by examining the relationship between the variables studied[3, 20] The explanatory survey design is considered appropriate to be used in this study because it is intended to identify the influence of the independent variable reference group, online review, and product return policy on the dependent variable of online purchasing decisions. The effect is approached by multiple linear regression analysis.

The population in this study are individuals who have done shoping online. The population itself is the entire object or subject that is in an area and fulfills certain conditions relating to the research problem [23]). The sample is part of the population that has certain characteristics or circumstances to be studied. The sampling technique in this study used incidental sampling with a total sample of 105 people.

The measurement method uses a Likert scale with answer choices including choice 1 (Strongly Disagree), choice 2 (Disagree), choice 3 (Neutral), choice 4 (Agree), and choice 5 (Strongly Agree). The total score obtained by the respondents shows the level of influence of the variable X on Y. The data analysis method is statistically with the help of the SPSS 25 program. The prerequisite test techniques used are multiple linear regression analysis, validity and reliability tests, classical assumption tests, and hypothesis testing.

Results and Discussion

Respondent profile

Based on the results of the study, the profile of the respondents described in table 1 is obtained.

Table 1

Respondent profile

| Gender	Male	32.38
	Female	67.62
Age (years)	< 18	1.9
	18 - 20	60
	20.1 - 22	23.80
	22.1- 23	0.951
	23.1- 25	3.80
	>25	9.50
Study Program	Management	50.48
	Accounting	14.29
	Administration	28.571
	Language	1.90
	Others	4.76
Online Shopping Frequency Per Month	1-3 times	62.86
	4-6 times	15.24
	>6 times	21.90
Allowance	< 1 million IDR	18.1
	1 – 2 million IDR	52.38
	2.1 – 3 million IDR	12.38
	3.1 – 4 million IDR	5.71
	4.1 – 5 million IDR	4.76
	➢ 5 million IDR	11.24

The majority of respondents in this study were women as much as 67.2 percent, while men were 32.8 percent. This is understandable because women prefer shopping than men. Based on age, most of the respondents are between 18 years old and 20 years old, which is 60 percent, followed by respondents who are between 20.1 to 22 years old. There are 50.48 percent studying in the management study program and 28.57 percent in the administration study program, the rest from various study programs. The frequency of purchasing online, most respondents shop online one to three times (62.86%) and 26 percent shop 6 times in one month. The average pocket money of respondents is 1 million rupiah to 3 million rupiah as much as 64.76 percent.

Analysis Description

To find out how the respondents' responses to the research variable X in this case are: the reference group, online review and product return policy and variable y (online purchasing decision), the researcher conducted a descriptive analysis.

Table 2

Descriptive analysis
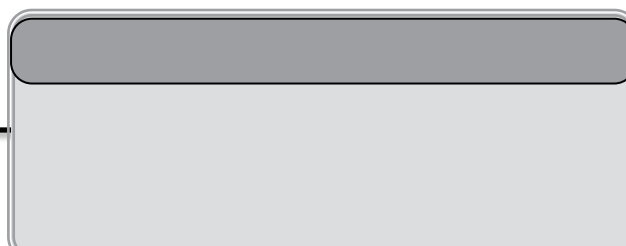
Buy Dec	4.0000	.65044	105
Ref Group	3.3810	.76121	105
Online Rev	4.0238	.52064	105
Product Return Pol	3.9381	.58710	105

Based on Table 2, the total average score for the variable that purchasing decisions is 4.00, the reference group is 3.38, online review is 4.024, and the product return policy is 3.9381, which means that overall respondents agree with the statement items on the research variables and are included in good criteria. The online review variable is the variable that has the highest average score and the reference group variable has the lowest average value.

Validity and Reliability Test

A measuring instrument should be able to measure the variable being studied, and to find out whether the measuring instrument is valid or not, a validity test is carried out. The validity of this study is to have a minimum value of the correlation coefficient r = 0,30, where according to[10, 15, 20] this value is considered satisfactory besides that there are several items that fall because they have a value r ≥ 0,30. Based on the results of the analysis carried out, the results of all statement items in the research variable are greater than 0.3, thus all statements in the research measuring instrument are concluded to be valid.

In addition to validity, measuring instruments in research must also be reliable. Reliability is a test used to get the level of accuracy of the instrument used, reliability test is carried out, and the test is carried out using the Cronbach Alpha technique. The results of the reliability test obtained show the Cronbach Alpha value of each variable > 0.70 [2] then this research variable is reliable.

From table 3, That Cronbach alpha value of each research variable is greater than 0.7. Thus it can be concluded that all variables have a high level of reliability.

Table 3

Reliability Test

Variable	reliability	r-critical	Description
Reference group	.848	07	reliable
Online review	.847	0.7	reliable
Product return	.720	0.7	reliable
Purchasing decision	.857	0.7	reliable

From the table above, it can be seen that the Cronbach's alpha value of each research variable is greater than 0.7. Thus it can be figured out that all variables have a high level of reliability.

Coefficient of Determination

To find out the correlation value and percentage contribution (adjusted R square) between the reference group variables, online review and product return policy on online shopping decisions, it can be seen in table 3 below:

Table 4

Coefficient of Determination

Model Summary (b)					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin- Watson
1	.483	.234	.211	.57778	1898
a. Predictors: (constant), Product returpol, online rev, reff group					
b. Dependent variable: Online shopping					

Based on the results of data analysis in Table 4, it was found that simultaneously the reference group variables, online review and product return policy had a significant effect on online purchasing decisions by 23.4 percent while the rest were influenced by other factors not examined.

Based on the results of data analysis in Table 5, it was found that simultaneously the reference group variables, online review and product return policy had a significant effect on online purchasing decisions. This is evidenced by a significant value of F 0.000. Based on this, it can be concluded that this research model is fit and can be used to predict the influence of reference group variables, online review and product return policy on online purchasing decisions.

Table 5

F Test

ANOVAª					
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.284	3	3.428	10.268	.000[b]
	Residual	33.716	101	.334		
	Total	44.000	104			
a. Dependent Variable: BuyDec					
b. Predictors: (Constant), ProductReturnPol, RefGroup, OnlineRev					

Multiple Regression

Partial regression model testing is used to determine whether each independent variable forming the regression model individually has a significant effect on the dependent variable or not. The independent variable forming the regression model is said to have a significant effect if t count > t table or significant < α = 0.05. Partial regression model testing is as follows:

Table 6

Multiple Regressions

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig.
	B	Std. Error	Beta		
1 (Constant)	.607	.614		.989	.325
Ref Group (X1)	.189	.075	.222	2.535	0,013
Online rev (X2)	.411	.111	.329	3.701	0,000
Product return policy (X3)	.279	.098	.252	2.848	0,005

Based on the results of multiple regression, it can be concluded that the reference group has a significant value of 0.013< 005, means that Ha is accepted and H0 is rejected. Thus, it can be said that there is a significant influence of the reference group on online shopping decisions (H1 is accepted). Furthermore, online review has a significant value of 000 < 0.05, thus hypothesis 2 that there is an influence of online review on online purchasing decisions is accepted. Hypothesis 3 which states that product return policy affects online purchasing decisions is also accepted because it has a significant value of 0.005 which is smaller than 0.05.

Discussion

Based on the results of the study, researchers found that reference groups, online reviews and product return policies were able to describe and contribute to students' online purchasing decisions. Reference groups are one of the most powerful factors influencing consumer behaviour; shoping online of purchasing decisions. This is in same idea as [17] that the reference group variable has a significant effect on purchasing decisions. This finding is reinforced by the opinion of[9] that the reference group is an individual or group that is used as a reference that has a real influence on the individual or is used as a reference in forming affective responses and cognitive responses as well as performing behavior.

Online review as a source of information used by consumers in finding information about the products or services needed in this study was found to have a significant influence on online purchasing decisions. The results of the study are in line with those of other researchers who also prove that online reviews have an effect on purchasing decisions [12, 16]

Based on the results of the study, product return policies also affect online purchasing decisions. This is understandable because shopping online is different from purchasing offline. In purchasing online, the risk is greater that the product we purchase which is not as expected; therefore the product return policy is important in online purchasing decisions The results of this study are in line with research conducted b[20] which states that the ease of product returns affects online purchasing decisions.

Conclusion

This study was conducted to determine the effect of reference groups, online reviews and product return policies on online purchasing decisions. The results obtained from this study are the reference group, online review and product return policies have a positive and significant effect on online purchasing decisions.

For other companies that operate online, this research can be used as input to improve the level of consumer purchasing decisions when purchasing for a product. Consumers in online shopping are often influenced directly or indirectly by the people around them, and seek information based on the experiences of others after buying a

product or service they want and the existence of an easy product return policy. Therefore, the company should keep the information provided by other customers through online reviews is always positive, and provide an easy product return policy because positive information and the ease of product returns can increase the desire to buy even higher amount of purchasing.

References

1. Adam, S.M., et al., *Determinants of E-Commerce Users' Behaviour on Tax Compliance Intention in Nigeria: A Conceptual Model.* International Journal of Intellectual Discourse, 2021. **4**(1): p. 88-103.
2. Shang, W., W. Deng, and J. Liu, *Decision-making Neural Mechanism of Online Purchase Intention through Two Clues—Price and Seller's Reputation Based on Brain Evoked Potential Analysis.* NeuroQuantology, 2018. **16**(5).DOI: https://doi.org/10.14704/nq.2018.16.5.1417.
3. Su, X., *Consumer returns policies and supply chain performance.* Manufacturing & Service Operations Management, 2009. **11**(4): p. 595-612.DOI: https://doi.org/10.1287/msom.1080.0240.
4. Sagarik, D., *RETHINKING AND RESHAPING THAILAND'S NATIONAL E-PAYMENT IN THE POST-COVID ERA.* International Journal of eBusiness and eGovernment Studies, 2021. **13**(1): p. 240-262.
5. Sudapet, I.N., et al., *e-WISATA ANDROID APP DESIGNED FOR TOURISM, REGIONAL GDP, AND TAX OF REGIONAL GOVERNMENT BUDGET IN INDONESIA: THE CONTEXT OF INDISTRIAL REVOLUTION 4.0.* International Journal of eBusiness and eGovernment Studies, 2021. **13**(1): p. 202-219.
6. Faridatuz, Z. *The Influence of Marketing Knowledge, Market Orientation and Marketing Capabilities Towards Marketing Performance in UMKM*. Forum Manajemen Indonesia.
7. Fauziya, S. and I. Lutfi, *The influence of reference group and perceived quality toward purchase decision of decorative cosmetics for lips without the halal label.* 2017. **12**(3).
8. Fianto, A.Y.A., D. Hadiwidjojo, and S. Aisjah, *The influence of brand image on purchase behaviour through brand trust.* Business Management and Strategy, 2014. **5**(2): p. 58.DOI: https://doi.org/10.5296/bms.v5i2.6003.
9. Mollenkopf, D.A., R. Frankel, and I. Russo, *Creating value through returns management: Exploring the marketing–operations interface.* Journal of Operations Management, 2011. **29**(5): p. 391-403.DOI: https://doi.org/10.1016/j.jom.2010.11.004.
10. Lutfie, H. and R. Hidayat. *Descriptive Analysis of Reference Group and Family to Decision Purchase Phone Touchscreen.*
11. Johan, A., B. Rosadi, and T.A. Anwar, *PRODUCT RANKING: MEASURING PRODUCT REVIEWS ON THE PURCHASE DECISION.* JOURNAL OF BUSINESS STUDIES AND MANAGEMENT REVIEW, 2021. **4**(2): p. 105-110.
12. Lee, N.R. and P. Kotler, *Social marketing: Behavior change for social good.* Vol. 10. 2019: Sage Publications.
13. Setiawan, M.I., R.D. Nasihien, and M.I.M. Masirin, *DEVELOPMENT OF eMOBILITY MOBILE APP BASED ON GEOGRAPHIC INFORMATION SYSTEMS: INTEGRATIING PUBLIC TRANSPORTATION, REGIONAL GDP, REGIONAL GOVERNMENT BUDGET REVENUES AND EXPENDITURES (APBD) IN INDONESIA.* International Journal of eBusiness and eGovernment Studies, 2021. **13**(1): p. 220-238.
14. Widodo, S. and R.S. Hayu, *THE ROLE OF PERFORMANCE AND NEW SERVICES DEVELOPMENT ON SUSTAINABLE COMPETITIVE ADVANTAGE IN INDONESIAN PRIVATE UNIVERSITIES.* International Journal of eBusiness and eGovernment Studies, 2021. **13**(1): p. 117-141.
15. Shaharudin, M.R., et al., *The mediating effects of product returns on the relationship between green capabilities and closed-loop supply chain adoption.* Journal of cleaner production, 2019. **211**: p. 233-246.DOI: https://doi.org/10.1016/j.jclepro.2018.11.035.
16. Astria, P.V., *The Inluence of Brand Loyalty and Online Review toward Purchase Decision of Cosmetic Product in Online Shopping (Case Study Of Maybelline Cosmetics).* 2019. **43**(4): p. 54-65.
17. Ataman, M.B., C.F. Mela, and H.J. Van Heerde, *Consumer packaged goods in France: National brands, regional chains, and local branding.* Journal of Marketing Research, 2007. **44**(1): p. 14-20.DOI: https://doi.org/10.1509/jmkr.44.1.14.

18. Prasetyo, C.A., et al., *The Influence of Online Customer Review and Price on Purchase Decision Through Shopee in Covid-19 Period (Survey of Shopee Customers in Bandung in 2020).* Psychology and Education Journal, 2021. **58**(3): p. 544-552.

19. Atchariyakarn, N. and J. Zhang, *A systematic review of perceived value toward online review on s-commerce platform.* International Journal of Research in Business and Social Science (2147-4478), 2021. **10**(3): p. 46-52.DOI: https://doi.org/10.20525/ijrbs.v10i3.1127.

20. Sanjaya, C., *THE INFLUENCE OF ZALORA BRAND AMBASSADOR, PAYMENT CONVENIENCE, AND RETURN POLICY TOWARD E-TRUST AND ITS EFFECT TOWARDS PURCHASE INTENTION.* Jurnal Manajemen Update. **8**(2).

21. Bonifield, C., C. Cole, and R.L. Schultz, *Product returns on the internet: a case of mixed signals?* Journal of Business Research, 2010. **63**(9-10): p. 1058-1065.DOI: https://doi.org/10.1016/j.jbusres.2008.12.009.

22. Waluya, A.I., M.A. Iqbal, and R. Indradewa, *How product quality, brand image, and customer satisfaction affect the purchase decisions of Indonesian automotive customers.* International Journal of Services, Economics and Management, 2019. **10**(2): p. 177-193.DOI: https://doi.org/10.1504/IJSEM.2019.100944.

23. Wardhani, A.K. and T.T. Guan, *Identifying Online Purchase Behaviour Through Price Perception, Marketing Communication and Web Design.* Arts and Design Studies, 2020. **21**(5): p. 54-65.