

The Influence of Customer Trust and Product Price on Purchase Decisions in Online Shopping

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ABSTRACT

The rapid advancement of digital technology has fueled the expansion of e-commerce in Indonesia, leading to a growing number of consumers engaging in online shopping. Despite this growth, consumers continue to encounter challenges in online transactions, such as concerns over product quality and transaction security. This study seeks to examine the impact of customer trust and pricing on purchasing decisions within e-commerce platforms. Adopting a quantitative research approach, data were gathered through a survey of 100 respondents and analyzed using multiple linear regression with SPSS 26. The findings reveal that both customer trust and product pricing significantly and positively influence purchasing decisions, both individually and collectively. Customer trust emerges as the most influential factor, as it strengthens consumers' confidence in the reliability of products and sellers. Additionally, competitive pricing, including discounts and promotional offers, also plays a crucial role in shaping purchasing behavior. These results highlight the need for e-commerce businesses to implement strategies that effectively build customer trust while maintaining competitive pricing to drive sales and foster customer loyalty.

Keywords: E-commerce, Customer Trust, Price, Purchasing Decisions, Marketing Strategy.

1. INTRODUCTION

The rapid advancement of digital technology has significantly reshaped various aspects of daily life, particularly in business and commerce. One of the most notable transformations is the transition from traditional transactions to electronic commerce (e-commerce). As stated by Kotler and Keller (2016), e-commerce allows consumers to shop without being restricted by time or location, providing greater convenience compared to conventional shopping methods. Indonesia, as one of the fastest-growing markets for internet users, has seen a substantial rise in the adoption of online shopping platforms. Data from the Indonesian Internet Service Providers Association (APJII, 2023) indicates that over 70% of Indonesians utilize the internet for different purposes, including online shopping. Furthermore, a report by Google, Temasek, and Bain & Company (2022) projects that Indonesia's e-commerce sector will grow to USD 104 billion by 2025, emphasizing its vast potential in the digital economy.

Despite the advantages offered by e-commerce, online consumers still encounter several challenges and risks, such as uncertainty regarding product quality, concerns over transaction security, and discrepancies between expectations and actual products received. Consequently, factors like customer trust and product pricing play a pivotal role in influencing purchasing decisions on e-commerce platforms. Trust serves as a critical element in the success of online businesses. Gefen et al. (2003) define customer trust in e-commerce as the confidence that online sellers or platforms will fulfill their promises regarding products and services. Since online transactions lack direct physical interaction between buyers and sellers, trust becomes even more crucial in reducing uncertainties and perceived risks (Kim et al., 2008).

Several elements contribute to customer trust in e-commerce, including seller reputation, transaction security, and information transparency. Consumers are more likely to trust sellers or platforms with a strong reputation, indicated by high ratings and positive reviews from previous customers (Pavlou, 2003). Personal data protection and secure payment systems are also key factors in building customer trust. A study by McKnight et al. (2002) found that trust in transaction security plays a significant role in online purchasing decisions. Additionally, clear product information, accurate descriptions, and transparent return policies further enhance customer trust levels (Gefen et al., 2003). High trust in a platform or seller increases customers' intention and decision to purchase. Conversely, if customers doubt the credibility of the seller or platform, they will be reluctant to make transactions, even if the offered price is competitive.

Aside from trust, price is a major factor influencing purchasing decisions in e-commerce. According to consumer utility theory (Samuelson & Nordhaus, 2010), consumers aim to maximize benefits at the lowest possible cost. In the context of online shopping, price serves as a key differentiator, as consumers can easily compare prices across platforms

with just a few clicks. Monroe (2003) states that price has several aspects that influence purchasing decisions, including absolute price, discounts and promotions, and perceived quality based on price. A product's price directly affects consumers' purchasing power, particularly for price-sensitive market segments. Consumers tend to seek lower prices for products with similar specifications. Moreover, discount offers, cashback, and other promotions often drive impulsive purchasing behavior (Chu et al., 2010). On the other hand, some consumers assume that higher prices indicate better product quality. The prestige-pricing theory by Vigneron and Johnson (1999) suggests that status-oriented consumers prefer higher-priced products as they perceive them to be more exclusive and of higher quality.

However, in practice, price is not the only factor influencing purchasing decisions. Some studies suggest that while low prices attract customers, they still consider other aspects such as trust in the seller, return policies, and previous customer experiences before making a purchase (Kim et al., 2008). Purchasing decisions in e-commerce result from the interaction of multiple factors, including customer trust and product price. According to Kotler and Keller's (2016) model of purchasing decisions, consumers follow a series of steps in the buying process, including recognizing a need, searching for information, evaluating alternatives, making a purchase decision, and assessing their satisfaction after the purchase. Within the e-commerce landscape, both customer trust and pricing significantly influence each of these stages. Consumers who feel secure and trust the seller are more likely to complete a transaction, even if the offered price is not the lowest. Conversely, if trust is low, consumers will hesitate to buy, even if the product is cheaper than competitors.

Although customer trust and price have long been identified as key factors in online purchasing decisions, there is a research gap regarding how these two factors interact and contribute to purchasing decisions on e-commerce platforms. Some customers may prioritize lower prices, while others emphasize trust before making transactions. Therefore, this study aims to analyze the extent to which customer trust influences purchasing decisions in e-commerce, examine the role of price in online purchasing decisions and how it interacts with trust, and provide recommendations for e-commerce businesses in improving their marketing strategies and services to boost sales. By understanding the relationship between customer trust, price, and purchasing decisions, this research is expected to offer deeper insights for e-commerce industry players in designing more effective strategies to enhance customer loyalty and transaction volume.

2. RESEARCH METHOD

2.1. Conceptual Framework

The conceptual model can be explained as follows:

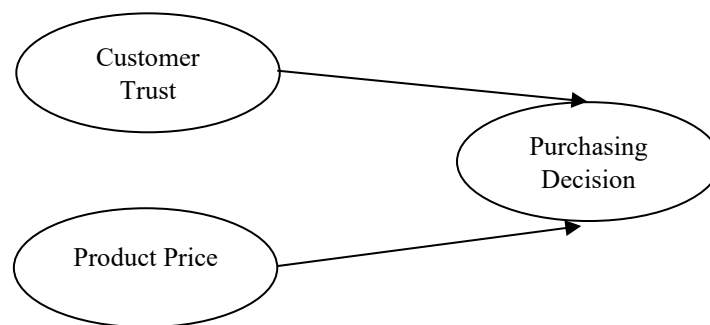


Figure 1 Conceptual Framework

Within this framework, customer trust and product price are presumed to have a direct impact on purchasing decisions in e-commerce platforms. This model aligns with the multiple linear regression analysis employed in the study to assess the effect of these two independent variables on the dependent variable.

2.2. Research Hypothesis

Based on the theoretical framework and analytical model applied in this study, the proposed research hypotheses are as follows:

- H1: Customer trust positively and significantly impacts purchasing decisions in e-commerce..
- H2: Product price positively and significantly affects purchasing decisions in e-commerce.
- H3: Customer trust and product price collectively have a positive and significant effect on purchasing decisions in e-commerce.

2.3. Research Methodology

This research adopts a quantitative approach utilizing a questionnaire method to investigate the impact of customer trust and product price on purchasing decisions in e-commerce. Data analysis is carried out using multiple linear regression. The study's population consists of consumers who have made purchases through e-commerce platforms in Indonesia. The sample is selected through a purposive sampling technique, with a total of 100 respondents. Data processing is conducted using SPSS 26. The data analysis techniques used include:

1. Classical Assumption Tests, including normality, the multicollinearity test, and the heteroscedasticity test.
2. Multiple Linear Regression Analysis, which is conducted to examine the influence of customer trust and product price on purchasing decisions, with the following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Y : Purchase Decision

X_1 : Customer Trust

X_2 : Product Price

3. Hypothesis Testing, including :

t-test (partial test): Examines the effect of each independent variable on purchasing decisions.

F-test (simultaneous test): Examines the overall model's effect on purchasing decisions.

Coefficient of Determination (R^2): Measures how well the independent variables explain the dependent variable.

3. RESULT AND DISCUSSION

3.1. Result

3.1.1. Classical Assumption Tests

3.1.1.1. Normality Test

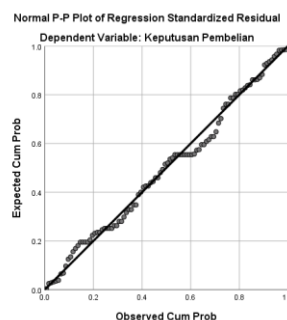


Figure 2 Normal P-P Plot

Based on the Normal P-P Plot, the data points follow a diagonal line, indicating that the residuals in the regression model tend to be normally distributed. The Kolmogorov-Smirnov test results show a Sig. value of 0.200, which is greater than 0.05, confirming that the residuals are normally distributed. Thus, the normality assumption in regression is satisfied, and the regression model is valid for further analysis.

3.1.1.2. Multicollinearity Test

Table 1 Result of Multicollinearity Test

Variable	VIF
Customer Trust (X1)	1.010
Product Price (X2)	1.010

The multicollinearity test results indicate that the VIF values for Customer Trust (X_1) and Product Price (X_2) are both 1.010, which is well below the tolerance threshold of $VIF < 10$. This suggests that there is no multicollinearity in the regression model, meaning that the independent variables do not exhibit excessively strong correlations with each other.

3.1.1.3. Heteroscedasticity Test

The heteroscedasticity test assesses whether residual variance remains consistent across the model.

Table 2 Result of Heteroscedasticity Test

Variable	Sig.
Customer Trust (X ₁)	0.267
Product Price (X ₂)	0.896

The heteroscedasticity test results indicate that the Sig. values for Customer Trust (X₁) (0.267) and Product Price (X₂) (0.896) are both greater than 0.05. This confirms that heteroscedasticity is not present in the regression model, ensuring that the residual variance remains constant. Therefore, the regression model meets the assumption of homoscedasticity.

3.1.2. Model Test

Table 3 Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.347	.121	.103	1.61225

The R Square value is 0.121 or 12.1%, indicating that Customer Trust and Product Price collectively explain 12.1% of the variability in purchasing decisions. The remaining 87.9% is influenced by other factors beyond this research model. Although the R Square value is relatively low, it still demonstrates a relationship between the independent variables and purchasing decisions.

3.1.3. Model Significance Test (ANOVA Test)

Table 4 Result ANOVA Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.623	2	17.311	6.660	.002
	Residual	252.137	97	2.599		
	Total	286.760	99			

The ANOVA test results show an F-value of 6.660 with a significance of 0.002. Since the significance value is < 0.05, it can be concluded that the regression model used in this study is statistically significant. In other words, Customer Trust and Product Price collectively influence purchasing decisions in e-commerce.

3.1.4. Partial Influence Test (t-test and Regression Coefficient)

Table 5 Result of t-test

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	14.469	1.846	7.837	.000
	Customer Trust	.308	.115	2.679	.009
	Product Price	.224	.102	2.204	.030

Based on the t-test and regression coefficient results, the regression equation is obtained as follows:

$$Y = 14.469 + 0.308X_1 + 0.224X_2$$

The coefficient for Customer Trust (X₁) is 0.308, with a significance level of 0.009 (< 0.05), indicating a significant and positive effect on purchasing decisions. This implies that as customer trust in the seller or e-commerce platform increases, the probability of making a purchase also rises. Similarly, the coefficient for Product Price (X₂) is 0.224, with a significance value of 0.030 (< 0.05), signifying that product price also exerts a positive and significant impact on purchasing decisions. This means that when products are offered at more competitive prices, consumers are more inclined to complete a purchase. Therefore, both customer trust and product price are confirmed as key factors influencing purchasing decisions in e-commerce.

3.2. Discussion

Based on the results of the regression analysis, this study confirms that customer trust and product price significantly influence purchasing decisions in e-commerce. These findings align with previous research, which has shown that trust and price are key factors in online purchasing decisions (Gefen et al., 2003; Kim et al., 2008; Pavlou, 2003).

3.2.1. The Influence of Customer Trust on Purchasing Decisions

The t-test results indicate that customer trust has a positive and significant impact on purchasing decisions, with a coefficient value of 0.308 and a significance level of 0.009 (< 0.05). This means that the higher the level of customer trust in the seller or e-commerce platform, the greater the likelihood of completing a transaction. Trust in e-commerce involves several factors, including seller reputation, transparency of information, secure payment systems, and customer data protection (Gefen et al., 2003). McKnight et al. (2002) emphasized that customers are more willing to make purchases when they feel confident that the seller is trustworthy and that their transactions are secure. Customer trust is particularly crucial in e-commerce due to the lack of direct interaction between buyers and sellers. When consumers believe that the products match their descriptions, their personal data is secure, and the seller has a reliable track record, they are more likely to proceed with a purchase. Conversely, a lack of trust in the seller or platform can hinder purchasing decisions, even if the offered price is lower than that of competitors. This finding is consistent with the research of Kim et al. (2008), which identified trust as a primary factor in reducing uncertainty in online transactions.

3.2.2. The Influence of Product Price on Purchasing Decisions

Regression analysis also reveals that price has a positive and significant impact on purchasing decisions, with a coefficient value of 0.224 and a significance level of 0.030 (< 0.05). These results support the consumer utility theory proposed by Samuelson and Nordhaus (2010), which suggests that consumers aim to maximize their benefits while minimizing costs. In e-commerce, price is a key differentiating factor because consumers can easily compare prices across multiple platforms in real time. According to Monroe (2003), price influences purchasing decisions in several ways, including absolute price (the actual cost of the product), discounts and promotions, and perceived quality based on price. Consumers are often more inclined to purchase a product with a lower price if they perceive that the value obtained outweighs the cost. Research by Chu et al. (2010) also confirms that promotional strategies such as discounts, cashback, and free shipping can significantly increase purchase intention. However, price is not the sole determinant of purchasing decisions. Some consumers may be willing to pay a higher price for products sold by more trustworthy sellers. This supports the prestige pricing theory by Vigneron and Johnson (1999), which suggests that in certain cases, higher prices enhance perceptions of product quality and exclusivity. Therefore, while price is an essential factor, purchasing decisions are also strongly influenced by consumer perceptions of quality and trust in the seller.

3.2.3. The Impact of Organizational Culture on Employee Performance

The results of the F-test demonstrate that customer trust and product price together have a significant impact on purchasing decisions, with an F-value of 6.660 and a significance level of 0.002 (< 0.05). Although the R Square value is 0.121, indicating that only 12.1% of the variation in purchasing decisions is accounted for by these two variables, the findings still emphasize the crucial role of trust and price in shaping consumer behavior. Additionally, other elements such as product quality, ease of transactions, and social influences also contribute to purchasing decisions. These findings suggest that e-commerce businesses should balance pricing strategies and customer trust to boost sales. While competitive pricing attracts customers, it is not enough to drive purchases if trust is lacking. Therefore, e-commerce platforms and sellers should focus not only on offering attractive prices but also on building credibility through transparent information, providing excellent customer service, and ensuring secure payment systems.

Overall, this study supports the proposed hypotheses, confirming that customer trust and price have a positive and significant influence on purchasing decisions in e-commerce. By understanding how these factors shape consumer behavior, businesses can develop more effective strategies to enhance customer trust and optimize pricing, ultimately increasing customer loyalty and transaction volumes.

4. CONCLUSION

This study concludes that customer trust and product price have a positive and significant influence on purchasing decisions in e-commerce. Customer trust, which is shaped by seller reputation, transparency of information, and

transaction security, plays a crucial role in encouraging consumers to complete their purchases. Meanwhile, competitive pricing, including discounts and promotions, is also a key factor influencing purchasing decisions. Collectively, both variables contribute to purchasing decisions, although other factors may also play a role. Therefore, e-commerce businesses should balance competitive pricing strategies with efforts to build customer trust to increase sales and enhance customer loyalty.

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