THE INFLUENCE OF ELECTRONIC WORD-OF-MOUTH AND PERCEIVED VALUE ON PURCHASE INTENTION IN A SHARING ECONOMY BUSINESS OF
(A Study of Airbnb, Inc. Consumers' in Malang City)

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ABSTRACT

Throughout the years internet users in Indonesia has been increasing which engenders the era of the digital economy. This development triggered the rise of sharing economy in which Airbnb become a successful example in implementing this economic system. Despite this, the awareness for the brand has only started to grow in the past couple of years in Indonesia. Therefore identifying factors that stimulates purchase intention in consumers of Airbnb is crucial. This study aims to examine the influence of electronic word-of-mouth (e-WOM) and perceived value on purchase intention. This research used a sample of 180 people in Malang City who had booked Airbnb rental place through the website, collected by purposive sampling and a survey-based questionnaire. Data analysis was done using SPSS based multiple linear regression. In conclusion, this research reveals that e-WOM and perceived value have a significant influence partially and simultaneously on purchase intention, also that perceived value is more dominant variable in influencing purchase intention.

Keywords: E-WOM, Perceived Value, Purchase Intention, Sharing Economy, Airbnb.

ABSTRAK

Selama bertahun-tahun pengguna internet di Indonesia telah meningkat yang melahirkan era ekonomi digital. Perkembangan ini memicu maraknya ekonomi berbagi di mana Airbnb menjadi contoh sukses dalam menerapkan sistem ekonomi ini. Meskipun demikian, kesadaran akan merek baru mulai tumbuh dalam beberapa tahun terakhir di Indonesia. Karenanya, faktor-faktor pengidentifikasi yang merangsang niat pembelian pada konsumen Airbnb sangat penting. Penelitian ini bertujuan untuk menguji pengaruh elektronik dari mulut ke mulut (e-WOM) dan nilai yang dirasakan pada niat beli. Penelitian ini menggunakan sampel 180 orang yang telah memesan tempat sewa Airbnb melalui situs web di Kota Malang dengan teknik purposive sampling dan kuesioner berbasis survei. Analisis data dilakukan dengan menggunakan regresi linier berganda SPSS. Kesimpulannya, penelitian ini mengungkapkan bahwa kedua variabel, e-WOM dan nilai persepsi, memiliki pengaruh signifikan secara parsial dan juga secara simultan terhadap minat beli, walaupun persepsi nilai mempunyai pengaruh yang lebih dominan.

Kata Kunci: e-WOM, Nilai Persepsi, Niat Beli, Sharing Economy, Airbnb

INTRODUCTION

As over the years, Indonesian's intenet users increased simultaneously with the digital economy era, sharing economy is rapidly developing. According Oxford Dictionary (2015) sharing economy would be defined as an economic system in which tangible or intangible assets are utilized between individuals either for profit or non-profit online. The market in Indonesia is not an exception towards this trend. It is shown Go-Jek started in 2013 followed by other business with sharing-platform such as Grab, Uber and Airbnb. Acccording to a survey, 87% of Indonesians are likely to use product or services from others in a share community (Nielsen, 2014). That being stated, sharing economy business in Indonesia seems to be a promising industry.

Due to the nature of sharing-platform online businesses in the digital economy, electronic word-of-mouth or e-WOM is a crucial component that plays a big role for in these companies. As a peer-to-peer based businessand the existence of the Internet, the conventional word-of-mouth starts to move into another platform such as social media, blogs and the review section of the websites that become outlets for e-WOM. It becomes a source for gathering information prior the purchase for customer and simultaneously promotional tool for marketer. Evidently there is a result of research by Chevalier and Mayzlin (2006) which stated that online review affects sales in the way that is profitable for the retailer.

Aside from e-WOM, in the competitiveness of e-commerce and online marketplace especially in the service industry, providing higher quality value derived from outstanding service and distinctive products is one of the effective ways to generate more customers. According to Kanuk and Schiffman (2007) perceived value is the ratio between the customer's perceived benefits and the resources. Therefore essentially it is customer's judgment based on the worth of a product that customer gets in return of the cost that they spend. It has been proven that perceived value plays the most crucial role in conventional online hotel bookings when the customers perceived that they get higher quality hotels in exchange for reasonable price (S. Y. Kim, J. U. Kim, & S. C. Park, 2017).

In th past few years, Indonesia has been introduced to a company that has been sucessfully become the prime example of sharing economy business worldwide, namely Airbnb which has became available to Indonesian market since 2012. Airbnb is an online-based marketplace and hospitality service that enables people to share accommodations such as apartment, house, villas and rooms for lease as Airbnb host or to rent it as consumers. As an online marketplace, the website of Airbnb is mainly where the operation of the business happens. It's a platform of communication between the company, host and consumers. Therefore, its functionality is paramount in expressing the company's value and also as a place for communications between its community to be exchanged.

In Indonesia, according to a nationwide survey in the early 2017, the brand awareness of Airbnb seemed to be relatively low among the people (JAKPAT, 2017). Despite this, there was rapid change towards the end of the year in which the company has an increase for its listing and prospective guests (Bisara & Diela, 2017). It piques interest on whether e-WOM as a major component in sharing economy business platform and also the vales Airbnb created has anything to do with it. Therefore author took these two factors into consideration of the possibility on affecting the customer's behavior towards a product.

LITERATURE REVIEW

Previous Research
1. Jalilvand and Samiei (2012) conducted a research called "The Effect of Electronic Word of Mouth on Brand Image and Purchase intention: An empirical study in the

automobile industry in Iran", obtained 341 questionnaires analyzed with descriptive statistics using SPSS and AMOS structural equation program. It was found in the research that e-WOM communication has a strong positive impact on purchase intention.

2. Yeh, Chien, and A Tsai (2011) in the research titled "The Influences of Perceived Value on Consumer Purchase Intention: The Moderating Effect of Advertising Endorser". Totally 450 copies of questionnaires were dispatched and data then analyzed with SPSS. The result found when consumers buy a product, they will compare it. The higher perceived value is the higher purchase intention is.

3. Elseidi and El-Baz (2016) in the research titled "Electronic Word of Mouth Effects on Consumers' Brand Attitudes, Brand image and Purchase Intention: an empirical study in Egypt" 469 responses of questionnaires obtained and analyzed with using SPSS and structural equation modeling (SEM) technique. It was found that the influence of e-WOM on consumers' purchase intentions is significant.

4. S. Kim, J. Kim, and S. Park (2017) in the research titled "The Effects of Perceived Value, Website Trust and Hotel Trust on Online Hotel Booking Intention" collected survey 307 individuals and were analyzed by PLS analysis. According to the results, it was found that the perceived value plays the most significant role in online hotel booking context due to more reasonable price and higher quality of hotel.

Electronic Word-of-Mouth (E-WOM)

Deriving the definition from traditional WOM and the recent definition of E-WOM is the dynamic and ongoing information exchange process between potential, actual, or former consumers regarding a product, service, brand, or company, which is available to a multitude of people and institutions via the Internet (Ismagilova, Dwivedi, Slade, & D. Williams, 2017).

In order to conduct further study, e-WOM has to be a subject that is measurable. Therefore to measure e-WOM, Goyette et al (2010) has developed e-WOM measurement scales into four dimensions: Intensity, Positive Valence of Opinion, Negative Valence of Opinion and Content

Perceived Value

Kotler and Keller (2016) defined customer perceived value as "the difference between prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives. In which the total customer benefits consist of perceived monetary value while total customer cost is the perceived bundle of costs customers expect to incur.

In the context of Peer-to-Peer accommodation, Heo (2016) tested perceived value model and the results revealed that guest perceived five values towards P2P which consist of:

a. Emotional Value: the utility derived from the feelings or affective states that a product generates

b. Social value (enhancement of social self-concept): the utility derived from the product's ability to enhance social self-concept

c. Functional value (price/value for money): the utility derived from the product due to the reduction of its perceived short term and longer term costs

d. Functional value (performance/ quality): the utility derived from the perceived quality and expected performance of the product

e. Novelty Value: Novelty is one of human motivation that appeal to sensation seeking. This is an intrinsic need of tourist due to the need of tourist to explore new and different travel experiences.

Purchase Intention

The definition of purchase intention itself according to Dodds, Monroe, and Grewal (1991) is the preference or the willingness of a consumer in choosing to buy the product or the service. Purchase intention is a good tool for predicting consumer behavior. There are a few factors in which purchase intention can be measured. Deriving from the meaning itself, the clear indicator of purchase intention is the Willingness to buy from the consumer. After forming the will, consumer would then have a likelihood of purchasing the product. Which means an assessment of the actual possibility for consumer in choosing to purchase the product. The last indicator is when the consumer plan to choose the product or brand in the future.

Hypothesis

H_1 : Electronic Word-of-Mouth has a positive and significant influence towards purchase intention.

H_2 : Perceived value has a positive and significant influence towards purchase intention.
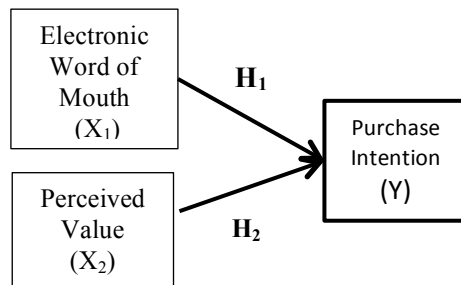
Figure 1. Hypothesis model

RESEARCH METHOD

This research was directed in accordance with the problem formulation and research objectives, this research used a quantitative method with an explanatory research, examined and analyzed variables of Electronic Word-of-Mouth and Perceived Value towards Purchase Intention on Airbnb Consumers in Malang City. The samples in this research were people who reside in Malang City between the range of age 18-35 and who has booked Airbnb rental place. This reaseach collected 180 responses by purposive sampling and online questionnaire. In this research, data analysis was done using SPSS based multiple linear regression.

RESEARCH RESULTS AND DISCUSSION

Table 1. The Result of Validity Test

Item	R Calculated	Significance	R Table	Explanation
WOM1	0.429	0.000	0.146	Valid
WOM2	0.708	0.000	0.146	Valid
WOM3	0.597	0.000	0.146	Valid
WOM4	0.616	0.000	0.146	Valid
WOM5	0.615	0.000	0.146	Valid
WOM6	0.653	0.000	0.146	Valid
WOM7	0.752	0.000	0.146	Valid
PV1	0.743	0.000	0.146	Valid
PV2	0.753	0.000	0.146	Valid
PV3	0.782	0.000	0.146	Valid
PV4	0.766	0.000	0.146	Valid
PV5	0.793	0.000	0.146	Valid
PI1	0.883	0.000	0.146	Valid
PI2	0.880	0.000	0.146	Valid
PI3	0.848	0.000	0.146	Valid

Source: Primary Data Processed, 2019

From table 1. above, it can be seen that the value of sig. r item questions are smaller than 0.05 ($\alpha = 0,05$) or the calculated r value is greater than r table (0.3) which means that each item variable is valid, so it can be concluded that these items can be used to measure research variables.

Table 2. The Result of Reliability Test

No	Variable	Cronbach Alpha Coefficient	Explanation
1	Electronic Word of Mouth (X1)	0,715	Reliable
2	Perceived Value (X2)	0,824	Reliable
3	Purchase Intention (Y)	0,839	Reliable

Source: Primary Data Processed, 2019

From Table 2. it is known that the value of Cronbach's alpha for all variables is greater than 0,6. From the provisions mentioned earlier, all variables used for research are reliable.

Table 3. Summary of Regression Results

Dependent Variable	Independent Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Explanation
		B	Std. Error	Beta			
Y	(Constant)	2.571	1.180		2.178	0.031	
	X_1	0.100	0.034	0.201	2.972	0.003	Significant
	X_2	0.390	0.046	0.578	8.546	0.000	Significant
R :	0.724						
R Square :	0.524						
Adjusted R Square :	0.518						
F Calculated :	97.36 6						
Sig. F :	0.000						
F table:	3.047						
t table :	1.973						

Source: Primary Data Processed, 2018

The regression equation obtained based on table 3. is as follows:

$$Y = a + 0{,}201\, X_1 + 0{,}578\, X_2 + e$$

From the table above, it is found that constant or intercept of 2,571 means that the average value of Purchase Intention is 2,571 if there is no independent variable. The regression coefficient b_1 is 0,201 meaning Purchase Intention will increase by 0,201 units for each additional one unit of X1 (Electronic Word of Mouth). Regression coefficient b_2 is 0,578, meaning Purchase Intention will increase by 0,578 units for each additional one unit of X2 (Perceived Value).

The results of the adjusted R (coefficient of determination) is also shown to be 0,518. This means that the 51.8% Purchase Intention variables will be influenced by Electronic Word of Mouth (X_1) and Perceived Value (X_2). While the remaining 48,2% Purchase Intention variables will be influenced by other variables not discussed in this study.

For the hypothesis testing, tested by t test between X1 (Electronic Word of Mouth) and Y (Purchase Intention) show t count = 2,9172 While t table (α = 0,05; db residual = 177) is 1,973. Because t count > t table is 2,972 > 1,973 or sig value t (0,003) $<\alpha$ = 0,05 then the effect of X1 (Electronic Word of Mouth) on Purchase Intention is significant.

The same results of the t test between X2 (Perceived Value) and Y (Purchase Intention) show t count = 8,546. While t table (α = 0.05; db residual = 177) is 1,973. Because t count> t table is 8,546> 1.973 or the value of sig t (0.000) $<\alpha$ = 0.05, then the effect of X2 (Perceived Value) on Purchase Intention is significant.

DISCUSSION

The research finding indicates partially, the electronic word of mouth positively influences customer purchase intention. This is in line with the findings of the previous researches that also found a significant and positive influence of e-WOM on Purchase intention like Jalilvand and Samiei (2012) and Zangeneh et al (2015). Also in accordance to previously mentioned researches, Elseidi and El-Baz (2016), stated that consumers are

interested in reading pleasant and unpleasant experiences before they make a purchase decision. Especially, when one has a positive attitude toward an online review, it is more likely for that the person to purchase the product discussed favorably in the review.

The indicators used to measure e-WOM in this research are intensity, valence of opinion and the content. The appearance of those indicators will trigger purchase intention. Just as found by Vo (2017), positive e-WOM information drives customers to make purchases while the unfavorable ones deters people from acquiring products and services. Therefore, it is believed from the result of this research that the intensity or amount of e-WOM, its valences and the content becomes the information that would stimulate customers in having the intention of Airbnb customer to rent Airbnb rental place.

Also based on the result of the analysis in this research, perceived value has significant influence on purchase intention. It was also found from the result that perceived values has the more dominant influence over Purchase intention. Moreover, this findings is in accordance to the previous research done by Yeh et al. (2011) who also found that perceived value is significantly affected purchase intention, and this finding is also reinforced by a statement from S. Y. Kim et al. (2017) in their research with the subject of hotel online booking which is similar to Airbnb that stated that perceived value plays a significant role in online hotel booking context.

In this research perceived value was measured by its five dimensions, therefore if Airbnb would like to trigger the increase of their perceived value of the customers, they have to enhance those indicators. By strategizing to give appropriate price and evoke values that enhance the pleasurable experience of staying in Airbnb rental place, the company could engender costumer to increase the likelihood of purchasing or renting through Airbnb.

From the results that were gained from the tests done, two independent variables, all variables have positive effect. It was shown from the result of the test that Electronic Word of Mouth and Perceived value partially and simultaneously influences Purchase Intention. Therefore, Electronic Word of Mouth and Perceived Value on Purchase Intention have a positive direction, in which when Electronic Word of Mouth and Perceived Value increase, then will cause an increase in Purchase Intention. It means that the consumers who has booked through Airbnb were basing their desicion based on electronic word of mouth that they have read and the values that they perceived of Airbnb service as a company.

Implication

In this research, the findings shown that electronic word of mouth and perceived value as do positively and significantly influence the purchase intention partially and simultaneously. Based on this result, it is important for sharing economy businesses and specifically Airbnb to generate both in order to stimulate purchase intention further. As an online marketplace, the company's online presence is crucial therefore ensuring the functionality and convinience in of the website would encourage prospective consumers. Also by creating and delivering values for the consumer Airbnb could be perceived better as a brand piquing purchase intention. If both factors can be improved and resulting in growing purchase intention in people, eventually it would lead to more sales for the company.

LIMITATION

There are other factors that play the role in forming purchase intention for sharing economy business' consumers that this research has not yet explored. Therefore conducting other research with other variables would be necessary in order to identify other factors that could form purchase intention in consumers. It would be better for them

to target more widely population and adding the more specific characteristic to the sample. As this research is only expected to target the Airbnb consumers in Malang City.

CONCLUSIONS & SUGGESTIONS

Conclusions

From this research and the analysed data it could be concluded that Electronic Word of Mouth has a significant effect on purchase intention. Meanwhile, Perceived Value also has a significant effect on purchase intention and also has the more dominant influence. Aside from its partial influence, both of these independent variables simultaneously influences Purchase intention.

Suggestions

As the research found Electronic Word of Mouth has a significant influence on purchase intention, it is expected that the company should make efforts in trying to generate e-WOM as much as it can, by improving the functionality and convinience of its website. Airbnb could also train the hosts in order to handle negative valence for a quick recovery and maintain overall positive valence.

In this research perceived value have a significant effect and also the more dominant variable in influencing purchase intention, therefore it is essential for Airbnb to stimulate it more. As the main concern for perceived value is the cost expended, airbnb could prevent overpricing, by suggesting range of price based on the criteria of facilities offered. Airbnb also could try to encourage hosts to provide added value such as experiences that comes within staying at the rental place.

Given that both independent variables in this research are very important in influencing purchase intention, it is hoped that the results of this research can be used as a reference for further researchers to develop this research by considering other variables, which are other the ones that are outside the variables that have been included in this research.

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