SOCIAL SCIENCES & HUMANITIES

How Price Perception and Satisfaction Influence Online Repurchase Intention

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ABSTRACT

This research investigates how price perception, performance and satisfaction of Indonesian consumers impact online shopping experience and online repurchase intention at the same shops. The study specifically examines the important interrelationship between three variables that affect customer's intention to repurchase. The results facilitate the understanding of factors that influence repurchase intention of online shopping in Jakarta. One hundred valid responses from a set questionnaires were analysed. Regression analysis was employed to test the hypotheses. The results showed the customer's price perception and after-delivery satisfaction influenced their overall satisfaction and their intention to return to the same online shop (e-tailer). In addition, overall satisfaction influenced repurchase intention at e-tailer. Customer at- checkout satisfaction was not found to influence the overall satisfaction and their intention to return to shop at the same e-tailer. The findings suggested that customers after checking-out from an e-tailer required further favourable experiences to support their judgment and decision to return to the same online shop.

Keywords: After-delivery satisfaction, at-checkout satisfaction, intention to return online, overall satisfaction, price perception

INTRODUCTION

The dawn of the Internet age means shopping can be done online anywhere and at any time. In fact, the electronic marketplace is thriving. It is an experience to watch the retail market shifting from a real-time, bricks and mortar market to a virtual, digital market. E-commerce has created a whole

new market as platform for developing Business to Business as well as Consumer to Consumer relationship. Bricks and mortar shops have an opening and closing time which is not the case for online shopping. Now they have a new way of promoting their products through e-commerce where people can access their website 24 hours a day, seven days a week, with more advantages such as detailed information than an actual seller can provide.

According to 'E-Purchase in Indonesia', based on the Nielsen Global Online Survey, over 51% of internet users in Indonesia have shopped online. This means Indonesia is now ranked 13 out of 14 Asia Pacific Countries as having largest number of online shoppers (Nielsen Global Online Survey, 2009). The number of internet users in Indonesia in 2011 reached over 55 million, an increase of 13 million users from 2010. Internet users are mostly between the age of 15 and 64, and they use the internet more than three hours a day. The growing Internet market has been successfully identified as a potential profit generator for businesses. Kuenn (2008) pointed out that it took years of visionary programmers and ingenious entrepreneurs to introduce people to the online shopping world. It is not a miracle that built it.

The need to attract and retain customers has always been the primary objective of companies to succeed or even survive in a competitive business environment. These same objectives or principle have not changed with the advent of e-commerce (Heshan, Zhang, & Xiao, 2007).

Despite the fact that companies do everything in their power in order to attract a customer online, it is impossible to replace the physical aspects of shopping such as touching the material of a dress, seeing how a dress looks on a person based on his or her body type, and trying on a shoe and walking around in it to see how comfortable it is. Another aspect would be that instant feedback is non-existent in online shopping. Some good news, however, is that with the growth of internet usage comes a new paradigm in the word-of-mouth communication context, known as electronic word of mouth (eWOM). The EWOM transformed interpersonal traditional communication to a new generation of online communication. With the advance of technology, more consumers search information about products or services they are going to buy via the internet before the purchase is made (Gunawan, Diana, Muchardie, & Sitinjak, 2016). In online stores there is no simultaneous exchange of goods with cash as compared with bricks and mortar stores where once you pay you will get what you purchase instantly without delay. Customers are used to getting things instantly when they desire them which is an intrinsic value that they actively pursue; whereas online shopping offers a more deferred form of gratification. This is one of the reasons that makes a consumer contemplate returning to an online shop because of the waiting period, which can be frustrating at times (Wen, Prybutok, & Xu, 2011).

Based on the foregoing, this research addresses the question on *How are in-process satisfaction (at-checkout and after-delivery), price perceptions, and overall satisfaction interrelated, and how do any or all of these variables directly influence customer intention to return online?*

LITERATURE REVIEW

Customer Perception

The key to understanding and improving customer experience is customer perception (Fisher & Europe, 2009). Perception from customers can be used by companies to evaluate themselves in the way they operate. Further, perception is built through criteria, such as:

- *Overall satisfaction:* when the consumed product fulfils the customer's need, satisfaction is achieved.

- *Product/Service reliability:* the more a consumer can depend on the product/service to fulfil their needs, the more positive perception they will have towards the company**.**

- *Flexibility (to customer needs)* the more flexibility customers have with the company they make a purchase from, the more positive they become, as they experience convenience.

- *On-time delivery***:** when a company delivers products/services at the time promised, customers

begin to trust the company. This builds positive perception in the customers' mind, as they believe the next purchase made will satisfy them in the same manner.

Customer Intention

Customer intention is the plan to make a purchase. It is important for companies to predict customers' intention to meet demand. Underestimating and overestimating customers' demand is one of the companies' biggest mistakes because it leads to a dramatic failure (Blackwell, D'Souza, Taghian, Miniard, & Engel, 2006). According to Blackwell et al. (2006), intentions are *"subjective judgments about how we will behave in the future"*. Predicting customers' intention can help companies figure out certain aspects like the location in which the customer will purchase the product; how much they will purchase; and when they will make the purchase. Relying on customers' past behaviour can help in predicting customers' future behaviour. Past behaviour gives companies an idea on what kind of products customers prefer. Amazon.com has a database-driven website that incorporates personalisation and customisation. When users register at Amazon, the website records information about the user in its database. Among the types of consumer intentions are:

- *Purchase intentions*: represents what a customer thinks they will buy. Purchase intention is the plan

to purchase a product or service. Customers first plan what they need, and then actually decide what to do about it. Purchase intention can come from personal need or influenced by others such as family, friends, etc.

• *Repurchase intentions*: represents whether customers anticipate buying the same product or brand. It is customers' plan on purchasing the same product or service they have once purchased. If a customer plans on making a repurchase, it means they are satisfied. That is why they make a repeat purchase of that particular product or brand.

• *Shopping intentions:* indicate customers' plan for product purchases. When planning to buy a product, customers always consider where the product can be obtained before directly making a purchase. Few alternatives will be considered before getting the product.

Customer Satisfaction

When consumers' expectations are matched with the perceived information, satisfaction is achieved. Nevertheless, when companies fail to encounter customers' expectations, dissatisfaction occurs. When a customer feels satisfied, there is an assurance that the evaluation will be stored in the memory for future decisions (Blackwell et al.,

2006). Online retailers need to provide customers with prompt service delivery and a personalised service as their primary marketing and distribution channel. These online retailers must not fail to ensure that there are enough staffs to answer a customer's questions and show reliability. Customer representatives can help customers feel more 'at home' shopping in that particular website.

For a customer to return online and make more purchases, he or she needs to feel satisfied. There is a mutual relationship in loyalty and customer satisfaction in both environments, i.e. the online and offline environments.

The success of online shopping depends on the satisfaction of the customers. Customer satisfaction is greatly influenced by customer service (fulfilment of customers' specific needs), reliability of the system, product portfolio, ease of use of the product, and security of the website. Additionally, there are behavioural aspects that also affect the intention to shop online including recommendations from others, repurchase intention, price sensitivity and complaining behaviour of the customer (Zeng, Hu, Chen, & Yang, 2009).

Online e-tailers can include a few additional attributes such as online chat and forum to improve customer satisfaction and website usefulness. These additional attributes contribute to a high growth of the website's interactivity which leads to providing a better website for customers

to shop online. Hence a pleasant shopping experience adds up to repurchase intention (Wen, Prybutok, & Xu, 2011). The satisfaction customers derive from making purchases at a particular online store will eventually lead to the building of customer loyalty which is an important determinant of the overall growth and success of a business (Atchariyachanvanich, Sonehara, & Okada, 2006).

E-Commerce

According to Laudon and Traver (2011), e-commerce is defined as: "the use of the internet and the web to transact business. More formally, it is digitally enabled commercial transactions between and among organizations and individuals". The success of e-commerce depends largely on the fulfilling the three aspects of E-commerce (Heshan et al., 2007) namely Information Quality, System Quality and Service Quality.

MATERIALS AND METHODS

Research Model

The measurement variables were adapted from Jiang and Rosenbloom (2005). The independent variable, customer price perception, was measured by one construct item, variable customer satisfaction at check put point measured by six constructs or items and, variable customer satisfaction after delivery measured by four constructs or items. For dependent variables, 'customer overall satisfaction' and 'customer intention

to return' to the same e-retailer were each measured by one construct or item. The scope of this research is Jakarta's customers that have been into online shopping for several years. The focus is on customers between 17 and 35 years old because they are the most exposed to the internet, reside in the greater Jakarta area, the capital city of Indonesia. The sample was drawn from students and faculties of two private universities in Jakarta. A self–administered questionnaire was distributed during January to February 2015, and 100 valid responses out of 200 distributed questionnaires were collected. The method of distributing the questionnaire was the offline method where questionnaires were distributed directly and personally to the respondents in their specific location. The reason for using the offline method was to get a higher response rate rather than distribution through email or online.

Data was further analysed for validity, reliability, and regression was employed to test the hypotheses. Data analysis was conducted by employing SPSS data analysis software.

This research model shows interrelationships among variables that developed the related '7 Hypothesis of Customer Intention to Return Online' based on 'price perception', 'attribute-level performance', and 'satisfaction unfolding over time' are depicted in Figure 1:
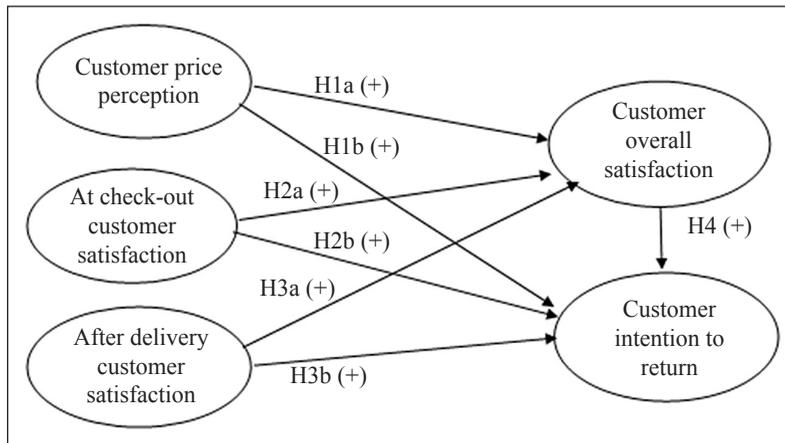
Figure 1. Research model

RESULTS AND DISCUSSION

The respondents' monthly spending on online shopping was between Rp1,000,000 to Rp1,500,000 (29%), between Rp700,000 to Rp1,000,000 (21%) and the rest spent between Rp2,000,000 to Rp3,000,000.

They shop online in a month between 1 to 3 times (49%), 39% between 4 to 6 times, and a 12% of them shop online more than 6 times a month. Seventy six percent were comfortable in doing shopping online due to ease of use, simplicity, broad selection of goods, prompt delivery service, competitive price, while another 24% of respondents claimed that they felt less comfortable shopping online. Table 1 provides summary of hypotheses testing result.

Table 1
Summary hypotheses testing

Hypotheses	Statement	t-value	Sig
H1A	Price perception has effect on overall satisfaction	2.476	0.015 → supported
H1B	At check-out satisfaction has effect on overall satisfaction	1.829	0.070 → not supported
H2A	After delivery satisfaction has effect on overall satisfaction	9.560	0.00 → supported
H2B	Price perception has effect on intention to return	2.803	0.006 → supported
H3A	At check-out satisfaction has effect on intention to return	1.124	0.264 → not supported
H3B	After delivery satisfaction has effect on intention to return	6.201	0.00 → supported
H4	Overall satisfaction has effect on intention to return	13.383	0.00 → supported

CONCLUSION

This research found that 'after delivery satisfaction' and 'price perception' play a very important role in influencing customers to return online. However, after delivery satisfaction has a stronger effect compared with price perception. At-checkout satisfaction had the least effect on customer's intention to return.

From the survey, it was noted more males (56% of respondents) shopped than the females. It was assumed that woman would be more prevalent when it comes to shopping, but this research has proven differently. The findings revealed that the majority who shopped online were between 26 and 35 years of age. This is due to the fact that most of the customers that shopped online were MBA students who were also employees. They earn a living and likely to make a purchase online instead of going to the mall directly to save time.

'In-process satisfaction (at-checkout and after-delivery)', 'price perceptions', and 'overall satisfaction' had an effect on 'customer intention to return'. When making a purchase online, every customer expects the whole shopping process to work out well. From the minute a customer decides to make a purchase until the transaction period he or she expects everything to be quick and easy. Therefore, the entire shopping process plays an important role in building customer's intention to return. If in the middle of making a purchase, customer finds a hurdle in one of the processes, there is a high probability that the customer will not return. There is an interrelationship between price perceptions, in-process satisfaction, service quality and behavioural intentions (Jiang & Rosenbloom, 2005). A combination of these help to generate demand through pre-sales service and transactions as well as fulfilling demand by completing orders and providing after-sales service in the e-retail industries. Customers rely on the entire experience when forming intentions and making repurchase decisions.

'Customer after-delivery satisfaction with the store's fulfilment reliability' has an effect on 'Customers' overall satisfaction' and 'Customers' intention to return' to the e-tailer.

Customers can only consider an online shop reliable when the delivery is made on time, when the product is delivered as promised and a trouble-free tracking system can be used by customers. When an e-tailer is considered 'reliable', they will receive a positive response from the customer. Thus, reliable e-tailers should have the power to generate higher overall customer satisfaction and their intentions to return to the store.

'Customer's overall satisfaction with the whole transaction process' has an effect on 'Customers' intention to return to the e-tailer'. Customers overall satisfaction is the evidence of whether the customers like or does not like the experience using a particular shopping website. If they liked it, the chance of returning to make another purchase is higher. When customers are dissatisfied with the experience they had in the website, they will not return to that website for the next purchase.

'Customer at-check out satisfaction' was not found to significantly affect 'overall satisfaction' and intention to return to an e-tailer. When customers prior to an online purchase decide to check-out a shopping website, they will have to experience further processes to actually feel satisfied (of the whole online shopping process) that leads to a decision to return (to the same e-tailer). Providing conveniences such as faster checkout and minimising complexity of the website's system may increase satisfaction and retain customers.

Managerial Implications

Price perception. Marketers should not charge too high or too low a price that would make customers be sceptical about the product because customers cannot touch the product before making a decision to buy it. The price charged should be competitive so customers can compare prices with other sites. The website should offer other services such as free delivery, chat forum and order-tracking. Management of the online shopping site need to ensure that information about price is easily accessible by customers and are up-to-date.

At-checkout satisfaction. Marketers should understand that convenience in shopping is important for customers. Convenience such as faster checkout helps in retaining customers as these customers do not like to go through hassle to make a purchase especially if the purchase is just a single item. Management of the online shopping site needs to make sure that the site's system is always ready to be used and accessed by all customers and there should be no complications when a customer makes a purchase.

After-delivery satisfaction. After delivery service is another very important aspect in online shopping. Customers feel like they are being well treated especially when companies provide them with after-delivery services. After-delivery service can be in the form of updates through e-mails or member card online for future discounts or delivery on time. Marketers need to come up with new and unique ideas to please customers after they make a purchase. The relationship does not end when they make payment. Managers need to make sure that the after-delivery service provided is not less than that provided by another company.

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