ROLE ANALYSIS OF ELABORATION LIKELIHOOD MODEL IN INFLUENCES OF PURCHASING INTERESTS BY ONLINE, EMPIRICAL STUDY IN AUTHENTICTORESBY

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ABSTRACT

The number of online fraud is increasing in Indonesia, the main cause is customers who are tempted by low prices, so many online sellers are trying to increase consumer confidence by providing clear and complete information on their online stores. Through the Elaboration Likelihood Model theory, it will be seen whether customers prioritize emotions that will be represented by price sensitivity or affections represented by information transparency. This study aims to examine whether there is an influence between price sensitivity, information transparency, and buying interest for luxury goods. The object of this research is prospective buyers from AuthenticStoreSby. The sample collection method uses a purposive sampling of 130 people, which will be distributed online to AuthenticstoreSby followers in Indonesia. The SPSS application is used for multiple linear analysis of this study. The results of this study are price sensitivity and information transparency have a significant influence on consumer buying interest in luxury goods. However, information transparency does not significantly influence price sensitivity in luxury goods.

Keywords: Information Transparency, Purchase Intention, Price Sensitivity
INTRODUCTION

A lot online frauds in Indonesia is because customers tempted by cheap prices (Enda, 2020). Data from Direktorat Tindak Pidana Siber Bareskrim Polri in January 2020 can be seen that there are 1,617 reports of online fraud complaints along January 2019 to 2020. Based from the data, 35,4% online fraud reports happened via Instagram. Because of this, prospective buyers are more careful in conducting online transaction. Easiness of access about product’s informations are very important for online businesses in order to persuade buyers to make online purchase. Informations about product can be obtained directly from the seller, that’s why online sellers are required to provide a lot of product-related information and tips on their online platform to attract customers’ trust (Soares & Simoes, 2015). Known as information transparency, when seller gives more informations, it makes the seller transparent in buyers’ perspective and increase their trust to make the online transaction (Hasan, 2019). If sellers do not do the transparency, they will make prospective buyer not sure and more careful doing online purchase, whether the price offered is much lower. This can reduce the number of online frauds (Abdillah, 2020).

Based on the phenomena above, this study will examine more about online purchase intention in luxury products by seeing whether customers are more concerned about their level of cognition or emotion through Elaboration Likelihood Model theory. ELM is a persuasive communication theory that causes attitude change (Petty & Cacciopo, 1981a), which explains the existence of 2 [two] routes of thinking use by customers in making decisions. First is the central route, customers use their cognition factor or thinking in absorbing information, while the second routes is Peripheral Route which is dominated by affection factor or emotion in making decisions. This ELM theory fits this study, where the level of cognition will be represented by information transparency, which drives consumer to seek information (Schwieder, 2016) and emotional level is represented by price sensitivity (Dominique-Ferrerira, Vasconcelos & Proenca, 2016). Central Route in this research represents information transparency because it is able to influence customers cognitively for making a purchase (Jager &Plooy, 2010). Peripheral Route represents price sensitivity because it represents customer emotion for purchasing (Dominique-Ferrerira, Vasconcelos & Proenca, 2016). The object from this research is Authenticstoresby, a start-up business engaged in luxury fashion in Indonesia since 2014.

Lack of Information encourages information searching, where information transparency is considerably needed so that potential buyers do not spend a lot of energy and costs looking for complete informations about products (Jonker, 2016). If information is more transparent and easier to get, promotion cost and price sensitivity will decrease (Veselinova & Samonikov, 2018). Price Sensitivity is price changes that influences customer’s attitude in purchase decisions (Uslu & Huseynli, 2018). However, price sensitivity does not apply to people with high income and hedonic products (Sabatelli, 2016). Hedonic products are luxury item which affects someone’s emotion because they carry social status for the users (Kivetz & Zheng, 2016). Moreover, luxury items also attract middle-up market that doesn’t have big income, which this kind of market is more sensitive to price changes. (Kasztalska, 2017) In this situation, customer will consider to make a purchase in other places where have more competitive price.
Beside price sensitivity, purchase occurs because customer understands about products based on the informations that have been provided (Xiao, Yang & Iqbal, 2018), or if there are price changes in product. Purchase Intention is customer’s consideration before making a purchase. Purchase Intention occurs because of need or desires factors, where desires are usually related to emotion (Morwitz, 2014).

THEORETICAL FRAMEWORK

Elaboration Likelihood Model (ELM)

The theory used in this study is Elaboration Likelihood Model (ELM) regarding the theory of attitude changes caused by communication, where the type of communication is persuasive one. (Petty & Cacciopo, 1981a). There are 2 [two] routes related to persuasive communication; first, someone carefully and wisely consider about benefits of informations received and this is known as central route. The Second one is peripheral route, where someone does not pay attention to benefits from informations provided, which in this case, affective association [emotion] is more dominant so that non-context matters are observed, such as interesting sources. Elaboration likelihood model happened when individuals has determined how he will examine information received, then we’ll know which route is formed (Cyr et al., 2018). According to Kane (2017), in ELM individual can also use logics toward an argument or only pay attention to the outward appearance (such as length of a message or the expertise of messeger).

Information Transparency

Informational transparency is a process of determining where information is available to the market, including prices, product’s specification and supplier information. Transparent informations means that all informations provided by sellers are comprehensive and are not edited, so market does not become biased. Biased market itself means a market provides information about prices and products but not fairly and clearly presented. Transparency is very useful for a market that has a lot of sellers, because it will reduce price noise in the market (Brogaard et al., 2003; Granados et al., 2006). Information is obtained externally, such as personal selling, advertisment, and consultation program from seller. Or buyer can do the direct inspection or direct observation toward product. (Olshavsky & Wymer 1995). Information transparency is so important, it is effective and efficient for making buyer effortless in doing information searching.

Price Sensitivity

Price sensitivity is a reaction arises from buyer toward price changes and price variation in market, and the focus in decisions making for consumer is price (Monroe, 1973; Rihn et al., 2018). Supported by Al-Mamun et al. (2014), price sensitivity shows individual’s reaction to price changes, and also shows how much consumers willing to spend to buy products or services. In addition, loyal customers are less sensitive to price changes, and vice versa (Kanghyung and Thanh, 2001). Price sensitivity is low on high-quality products (Kagan, 2019). Also supported by Wakefield & Inman (2003), that price sensitivity is lower on products that have high hedonic values and high-income customers. Purchase decisions occurs because of needs or experience, and if items purchased have impacts for their social status, for example if a brand is used, it gives status for the owner. People want to get higher positions and ranks in social hierarchy, so they eventually buy products from brand considered capable of increasing their social status. (O’Cass and Frost, 2002).
Purchase Intention

Purchase intention is defined as consumer motivation to consider purchasing an item on a particular brand (Morinez et al., 2007; Shah et al., 2012; Shalehjadeh & Pool, 2016). The measurement for purchase intention are customer’s trust, previous purchase experiences in other places, orientation toward brand and also the quality (Thamizhavanan & Xavier, 2019). Added with Shafiq et al. (2011)’s opinion, purchase is influenced by price, product design and packaging, product knowledge, quality, and also through recommendation of actor/actress or influencer, and also relation.

In purchase intention indicator, customers’ trust is influenced by seller’s knowledge about the products they sell, and also recommendation from actor/actress or influencer and also relation. Previous online or offline purchase experience in other places has influences customer in determining a purchase. The last indicator is orientation toward brand and quality, which is influenced by price, design, product and packaging, quality from the goods sold. This happens because there are groups of people who really care about the brand because of “prestigious” effect brought by brand when owner is wearing it. Usually a brand carries high price, well-designed product and quality and also comes with good packaging.

Relation Inter-Variable

Price Sensitivity toward Purchase Intention

Huang et al. (2017) stated that price sensitivity is low toward luxury product that targets high-income market. So price changes that occur in high-end market does not have significant effect on purchase intention. Different opinion came from Mamun et al. (2014) and Liu et al. (2016), they stated that price sensitivity tends to be high toward purchase intention when products are daily necessities, online-marketed products and product with low quality and price. So, from 2 [two] theories above, it can be concluded as the first hypothesis:

H1: Price sensitivity has influences toward purchase intention in luxury products.

Information Transparency toward Purchase Intention

According to Bhaduri & Jung (2011), information transparency affects purchase intention, if the company becomes more transparent then “transparency” is added value in advertising, when the product has very clear and accurate informations, the higher likelihood of customers to make a purchase. Supported by the research of Pan (2014) and Aqmarina (2019), transparency product improves purchase decision for customer through brand trust and loyalty. Perceived Information Transparency has a significant influence on purchase intention through words of mouth. Based on the research above, hypothesis can be formulated:

H2: Information transparency has influences toward purchase intention in luxury products.

Information Transparency toward Price Sensitivity

According to Madhavan (1996) and Granados et al. (2012), information transparency has negative influences toward price sensitivity, the effect of the price changes will be lower if more useful information is shared to customers. Different result on the research by Sihite et al. (2015), price sensitivity is not influenced by information provided, but the information provided should be included in the price paid by customer, this study states that price sensitivity is more influenced by promotion being
held. Based on the research results that have been mentioned, a hypothesis determined:

H3. : Information transparency influences toward price sensitivity toward luxury products.

Conceptual Framework

RESEARCH METHODOLOGY AND DISCUSSIONS

Research Object
The questionnaires are distributed to 130 people. Using purposive sampling method, which means that the researcher took samples by certain considerations so that the data obtained could be more representative (Sugiyono, 2018). The respondent who can fill this survey are those who have not ever made purchases in Authenticstoresby and live in Indonesia.

Research Variable Description
The mean of price sensitivity variable is 3.642. This shows that the answers from the respondents agreed that price sensitivity is important. The average mean of information transparency variable, from the total of 8 questions, is 3.408 which means they are quite agree. For the average of purchase intention variable, is 3.392. In detail, it can be seen from data above that the mean of value of each statement is categorized as agreed and quite agreed for the respondent answer results.

Validity Test
All items have significance values smaller than 0.05 and r calculation ≥ r table. So, these two requirements prove that all statements in this research can be stated as valid.

Reliability Test
The data results of reliability test shows that each variable has the value of Cronbach Alpha> 0.6. In price sensitivity price variable, there is the value of Cronbach Alpha as 0.76, information transparency variable has the value of Cronbach Alpha as 0.747 and purchase intention variable has the value of Cronbach Alpha as 0.717. Therefore, the conclusion of reliability test results from the three variables are reliable because all values of Cronbach Alpha from each variable is more than 0.6.

Normality Test
The normality test results of this study indicate that the significance is 0.00, which can be concluded that the data in this study are not normally distributed. However, these data can still used because although the data are not normally distributed, they do not reduce effectivity of r as inferential and the parameter’s estimation. In addition, the value of variance can also stand independently of the form of distribution, interpretation of r2, the proportion of variance in one variable can be explained by another, regardless from form of distribution (Zeller & Levine, 1974).
Multicolinearity Test
The Multicolinearity test in this study shows that the tolerance value of each variable > 0.1 and VIF of each variable < 10, the conclusion on this research, there is no multicolinearity.

Heteroscedasticity Test
The conclusion obtained is not the occurrence of heteroscedasticity in model 1 because all variables used in this study have a significance value > 0.05. Likewise in model 2 that the significance value on the moderating variable with a sig value of 0.903 which is also > 0.05, so it can be concluded that model 2 also does not occur heteroscedasticity.

Multiple Linear Regression Analysis
To find out the magnitude of the effect of price sensitivity variables, transparency of information on buying interest, multiple linear regression analysis is performed. The test results of multiple linear regression can be seen in the Table 1 below this:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>(Constant)</td>
<td>2.166</td>
<td>0.440</td>
</tr>
<tr>
<td></td>
<td>Sensitivitas Harga</td>
<td>0.196</td>
<td>0.086</td>
</tr>
<tr>
<td></td>
<td>Transparansi Informasi</td>
<td>0.207</td>
<td>0.089</td>
</tr>
<tr>
<td>2.</td>
<td>(Constant)</td>
<td>2.112</td>
<td>2.088</td>
</tr>
<tr>
<td></td>
<td>Sensitivitas Harga</td>
<td>0.209</td>
<td>0.500</td>
</tr>
<tr>
<td></td>
<td>Transparansi Informasi</td>
<td>0.221</td>
<td>0.551</td>
</tr>
<tr>
<td></td>
<td>Moderasi</td>
<td>-0.003</td>
<td>0.131</td>
</tr>
</tbody>
</table>

a. Dependent Variabel: Minat Beli
Source : Data Processed

Based on Table 1 in model 1, it can be concluded that the result of multiple linear regression calculation in this research is:

\[ Y = 2.166 + 0.196X_1 + 0.207X_2 + \varepsilon \]

In model 2, it can be concluded that the calculational result of multiple linear regression in this research is:

\[ Y = 2.112 + 0.209X_1 + 0.221X_2 + (-0.003)X_1X_2 + \varepsilon \]
Notes:

\[ Y = \text{Purchase Interest} \]
\[ X_1 = \text{Price Sensitivity} \]
\[ X_2 = \text{Informational Transparency} \]
\[ X_1X_2 = \text{Moderation} \]
\[ \varepsilon = \text{Residual} \]

**Test F**

In model 1, can be seen that the results of the F test significance are 0.002 and the significance value of the F test in model 2 is 0.006. This F test value < 0.05 so it can be concluded that the regression used in this research is accordance with the data available.

**Hypothesis Test**

To measure the effect of each independent variable partially influencing the dependent variable, a t test was performed. Based on the results of the t test, H1 has a significance value for 0.025. H2 has a significance value of 0.022. For H3 has a significance value of 0.979. The results of H1 and H2 have a significance value below 0.05 so that H1 and H2 in this study were accepted. But the results of H3 above 0.05 so that the third hypothesis is rejected.

**Determination Coefficient Analysis (R²)**

The results of the coefficient of determination of 0.093 or 9.3% which has the conclusion that the relationship between variable price sensitivity and transparency of information on buying interest is 9.3% and the rest is influenced by other variables not examined in this study. But it can be seen from R2 Change in model 2 is 0.000 which means that the Information Transparency variable has a significant effect but has no effect in this research model. This happened because the number of samples in this study were 130 people where to prove the relationship between variables required a larger sample size (Filho et. Al., 2013). In addition, respondents who fill out surveys are more oriented towards low prices regardless of the amount of information provided by the seller.

**CONCLUSIONS AND SUGGESTIONS**

**Conclusions**

After the research conducted and the data processing of the answers obtained from the questionnaires, so it can be concluded that:

1. *Price sensitivity* has a significant effect on purchase intention in luxury products, so the first hypothesis can be accepted. This research also found that price sensitivity makes respondents more interested in buying a product at that are in accordance with the quality expected by respondents.

2. *Information transparency* has a significant effect on purchase intention in luxury products, so the second hypothesis in this research can be accepted. Information transparency gives consumers basic information about a product being sold. This is considered important to meet the needs of consumers in order to increase consumer confidence in products and sellers that increase consumer buying behavior or buying interest.

3. Information transparency has no influence on price sensitivity to luxury goods, so the third hypothesis in this study is accepted. Information about a product is
considered to be included in the price the consumer will pay to the seller. Therefore, the more transparent the information obtained by consumers, has no effect because consumers will still make purchases in places that offer more competitive prices.

**Limitations and Suggestions**

The limitations of this study are about the scope of prospective customers from AuthenticStore by the quantitative research used. Respondents who are prospective Authenticstoresby customers. The limitations of this study are in the samples taken only from prospective customers and Authenticstoresby followers. This results in potential customers from the goods other luxury that may have different characteristics and spending budget that cannot be included in this study.

The suggestions for luxury goods’ sellers to keep providing transparent information and also pay attention to prices offered to consumers in order to compete in the luxury goods market, because consumers in the luxury goods market have the same price sensitivity as other goods markets. So with the results of this study can help sellers of luxury goods to increase buying interest from consumers using information transparency and price sensitivity. So the seller can provide transparent information by providing detailed product specifications with prices along with the value of the product. For further research, it is suggested to make other variables that can influence buying interest in luxury goods. Other variables such as communication or brand collaboration that has an influence on consumer buying interest in luxury products. This is done to be able to examine the interest in buying luxury goods products with different variables. Because with the existence of other studies with different variables, it will be easier to find out consumers' buying interest in luxury goods.

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