



# The Influence of Online Review on Consumers' Purchase Intention

Anindita R. Aditya<sup>1</sup>, Yeshika Alversia<sup>2\*</sup>

<sup>1,2</sup> Faculty of Economics and Business Universitas Indonesia, Jakarta, Indonesia

## ABSTRACT

**Objective** – The development of cafe businesses in Indonesia has recently increased, making the level of competition become tighter. This is what makes cafe business able to maintain the loyalty of the customer, due to consumers' tending to try new things or places. In this context, research was conducted to determine the impact of online reviews on a review website platform on consumer purchase intention in choosing the first visited cafe.

**Methodology/Technique** – The customer's decision-making is affected by various factors such as review platforms, other customer reviews, and property characteristics as well as the customer's profile itself. Previous research models have become a reference for this study, and this study was conducted by collecting data from questionnaires that were distributed using an online survey.

**Findings** – This study identified six features of online review content and one source attribute, namely timeliness, reviewer expertise, usefulness, volume, positive online reviews, negative online reviews, and comprehensiveness. Regression analysis was used to examine the impact of these attributes on consumer purchase intention.

**Novelty** – The results of the regression analysis showed significant relationships among variables like usefulness, volume, timeliness, positive online reviews, negative online reviews, and comprehensiveness, along with property characteristics on consumer's purchase intention.

**Type of Paper:** Empirical

**Keywords:** Online review, electronic word-of-mouth, review website platform, purchase intention

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**JEL Classification:** M30, M31, M39.

## 1. Introduction

The current changes in people's lifestyles that lead to mobile working have resulted in workers not always having to stay in the office; they can work anywhere as long as there is an Internet connection. In the digital age, individuals from all over the world can be connected. This is one of the reasons why cafes are becoming more popular. Nowadays, the rapid development of Internet technology creates change in consumer behavior patterns.

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\* Corresponding author: Yeshika Alversia

E-mail: [yeshika@ui.ac.id](mailto:yeshika@ui.ac.id)

Affiliation: Faculty of Economics and Business Universitas Indonesia, Jakarta, Indonesia

The development of the cafe business in Indonesia has recently increased, making it more competitive. This is supported by people's lifestyles because middle-class society has significantly grown. According to data from the Indonesian Ministry of Industry in 2016, the growth of the middle class and the lifestyle of the Indonesian people resulted in the coffee-processing industry in Indonesia experiencing a significant increase. This is what makes cafe business able to engage potential customers, due to lots of choices that make it easy for consumers to switch.

In this digital era, to create a trusted source for other consumers, consumers allow to share purchasing experiences through electronic word-of-mouth (eWOM). In addition, consumers can obtain detailed information through online consumer reviews, which is one form of eWOM during the selection process. Online reviews offer a large amount of data that includes consumer feedback, overall consumer ratings, food served and tested by consumers, and locations to enhance consumer experience (Jurafsky, Chahuneau, Routledge, & Smith, 2014). So, potential customers can be connected directly to the eating place by the power of online reviews before they even visit the place (Yang, Shin, Joun, & Koo, 2017).

This paper studies the factors influencing purchase decision-making in choosing the first visited cafe by measuring the impact of each feature of online reviews. Additionally, it examines the effectiveness of other affecting factors such as property characteristics. This paper aims to answer these research questions:

RQ1. Do online review factors have a significant influence on consumers in choosing a first visited café?

RQ2. Do property characteristics have a significant influence on consumers in choosing a first visited café?

## **2. Literature Review**

Electronic Word-of-Mouth (eWOM) is a statement or positive or negative information made and delivered by potential consumers, actual consumers, or previous consumers about a product or service or company itself that is available to the public via the Internet (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004). eWOM channels include e-mail, blogs, social media, online forums, chat rooms, and review sites (Blal & Sturman, 2015). eWOM has become an important factor in shaping consumers' buying behavior. The information on the consumer opinion website has more influence on consumers today (Hennig-Thurau et al., 2004).

### **2.1 Usefulness of online reviews**

Usefulness of online reviews occurs when online reviews are believed to facilitate consumers' purchase decision-making process (Park & Lee, 2009). One predictor of effective consumer intention to comply with reviews is the usefulness of online reviews (Cheung, Lee, & Rabjohn, 2008; Park & Lee, 2009). Chen, Dhanasobhon, and Smith (2006) found that the quality of a review positively influences consumer decision-making. 79% of the readers of online reviews of restaurants reported that the reviews had a significant influence on their purchase decisions (ComScore Inc., 2007). Hence, the current study proposes the following:

H1. The usefulness of online reviews positively influences consumers in choosing a first visited cafe.

### **2.2 Reviewer expertise**

Consumers can get to know market mavens, and in making their purchasing decisions, consumers follow these market mavens. Thus, in making persuasive information, the characteristics of communicators of senders and receivers play an important role. (Dholakia & Sternthal, 1977). According to that, the current study proposes the following:

H2. Reviewer expertise positively influences consumers in choosing a first visited cafe.

### **2.3 Timeliness of online reviews**

The current, up-to-date, and timely message is a reference to timeliness. Consumers perceive higher credibility if the timeliness of a message is higher. Consumers also look for relevant and time-related information when searching for information. (Cheung, Lee, & Rabjohn, 2008). As such, another hypothesis is proposed:

H3. The timeliness of online reviews positively influences consumers in choosing a first visited cafe.

### **2.4 Volume of online reviews**

Volume is measured by the total number of interactive messages and is one of the important attributes of WOM (Liu, 2001). Consumers' interest in visiting a restaurant's web page can be significantly increased by the volume of consumer reviews (Zhang, Ye, Law, & Li, 2010). Hence, the current study proposes:

H4. Volume of online reviews positively influences consumers in choosing a first visited cafe.

### **2.5 Valence of online reviews**

Positive (benefits gained) or negative (benefits lost) product attributes constitute message valence (Maheswaran & Meyers-Levy, 1990). From the perspective of information recipients, Westbrook (2006) showed that consumers' loyalty, purchase decision, and product evaluation can be influenced by positive and negative information. In summary, the following two hypotheses are proposed:

H5a. Positive online reviews positively influences consumers in choosing a first visited cafe.

H5b. Negative online reviews negatively influences consumers in choosing a first visited cafe.

### **2.6 Comprehensiveness of online reviews**

Detailed and specific knowledge is needed for consumers to make decisions in unfamiliar situations (Anderson, 1996; Money, Gilly, & Graham, 2006). The most important factors that could affect usefulness and enjoyment are review length and food images (Yang, Hlee, Lee, & Koo, 2017). Thus, the following hypothesis is proposed:

H6. The comprehensiveness of online reviews positively influences consumers in choosing a first visited cafe.

### **2.7 Property Characteristics**

Besides the above discussed independent variables, the researcher has incorporated property characteristics in the proposed conceptual model to include any effect of those variables in customers' decision-making (Alabdullatif & Akram, 2018). The characteristics of a property include food quality and atmosphere.

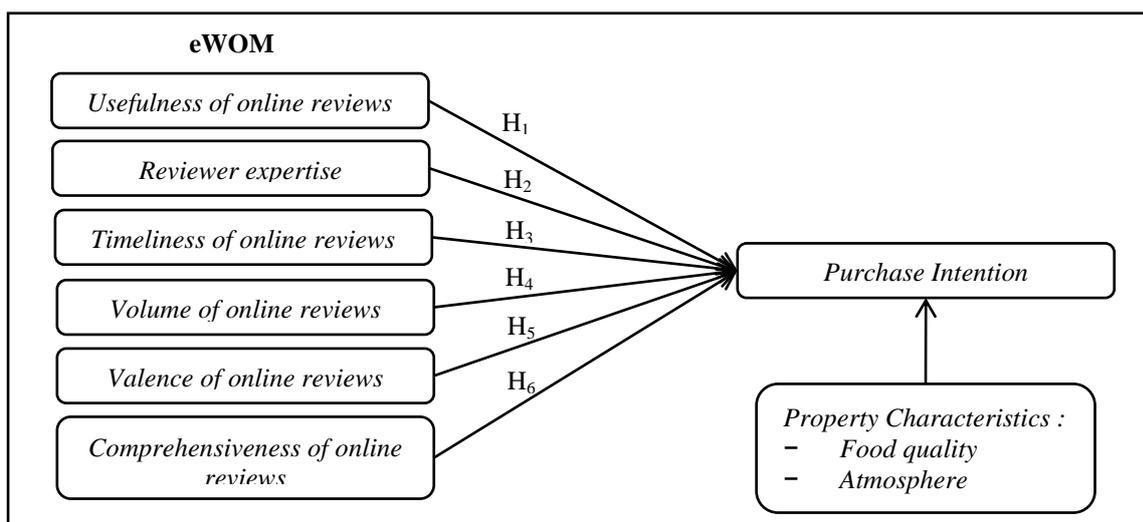


Figure 1. Conceptual framework

### 3. Research Methodology

#### 3.1 Data and sample selection

This study is empirically tested by collecting data from questionnaires that were distributed using an online survey. The survey consisted of three sections, including respondents' demographics, online review features, and property characteristics. Each factor is measured using a Likert scale ranging from 1 (one) to 6 (six), where 1 indicates that the factor is very unimportant/strongly disagree and 6 indicates that the factor is very important/strongly agree. The questionnaire was made for online reviews on review websites platform such as Zomato, Qraved, TripAdvisor, etc.

#### 3.2 Regression model

A validity test is considered valid or this research can be continued if the Kaiser Meyer Olkin (KMO) limit of measure of sampling adequacy is  $> 0.5$  (Malhotra, 2010). A reliability test is carried out after the measuring instrument is declared valid. Reliability is a value that shows the consistency of a measuring instrument in measuring the same symptoms. This test is done by looking at the value of Cronbach's alpha. A low Cronbach's alpha value indicates that this variable contributes little to construct measurements. Thus, if the Cronbach's alpha coefficient is  $< 0.6$ , the variable is considered to be eliminated (Ha, Yoon, & Choi, 2007). If the Cronbach's alpha coefficient is  $\geq 0.6$ , then the variable is considered reliable. Regression analysis was used to examine the impact of these attributes on consumer purchase intention.

### 4. Results

#### 4.1 Respondents' profiles

We received 987 collected questionnaires, but only 653 respondents could pass the screening questions. The respondents are dominated by females (92,6%) and fell in the age group of 18-34 years. In terms of educational background, the overwhelming majority held a bachelor's degree (50,1%). The occupation of respondents is mostly private employees (34,3%) and students (33,5%). 44,1% of respondents visit a cafe 3-5 times/month, with monthly expenses mostly in the range of 0 - Rp 3.000.000,- per month. It was found that the most widely used review website platform is Zomato (52%), followed by TripAdvisor (21,3%)

## 4.2 Validity and reliability

The table below indicates that all the constructs fulfill the required conditions for the validity and reliability of each construct, according to Malhotra (2010).

Table 1. Validity and reliability.

Variable	KMO	Cronbach's Alpha
Usefulness	0.853	0.828
Expertise	0.790	0.785
Timeliness	0.676	0.795
Volume	0.780	0.805
Positive	0.684	0.770
Negative	0.672	0.763
Comprehensiveness	0.742	0.916
Purchase Intention	0.714	0.885

*N*=653

## 4.3 Regression analyses

The relationship between the seven attributes and respondents' purchase intention was tested by regression analysis. Reviewer expertise is not proven to have significant impact on purchase intention because of the Sig. Value, which is above the level of significance at 5% (0,714). Based on the results of the regression analysis, six out of the seven hypotheses are supported, and property characteristics variables show a significant influence on purchase intention.

Table 2. The results of regression analysis of purchase intentions.

Variable	Beta	T	Sig.	VIF
Usefulness of online reviews	0.128	3.697	0.000	1.184
Reviewer expertise	0.013	0.366	0.714	1.192
Timeliness of online reviews	0.071	1.926	0.048	1.335
Volume of online reviews	0.349	8.764	0.000	1.554
Positive online reviews	0.122	3.331	0.001	1.326
Negative online reviews	0.086	2.386	0.017	1.280
Comprehensiveness of online reviews	0.069	1.920	0.049	1.256
Food quality (PC)	0.074	1.665	0.096	1.335
Atmosphere (PC)	0.159	3.585	0.000	1.335

## 5. Discussion

Usefulness of online reviews and online purchase intentions has a positive relationship in this study. This finding is the same as those of previous studies in that consumer decision-making is influenced by the number of helpfulness votes because consumers are currently in an information overload situation (Chen, Dhanasobhon, & Smith, 2006).

On the other hand, reviewer expertise does not have a positive impact on purchase intention. One possible explanation for this finding may be that eWOM that occurs among people who know each other is more

effective (Erkan & Evans, 2018). Platforms like review websites allow users to communicate anonymously (Kozinets, de Valck, Wojnicki, & Wilner, 2010; Moran & Muzellec, 2017).

Volume of online reviews also has a positive impact on purchase intention. Some studies argue that consumers produce better attitudes and behaviors if there is a large volume of information on the website (Wang, Chou, Su, & Tsai, 2007). The higher the number of reviews, the more messages will be processed by users, which will result in a more positive inclination for future purchases (Matute, Polo-Redondo, & Utrillas, 2016).

Furthermore, there's a significant impact of positive and negative online reviews on purchase intentions. The current results are consistent with those of Ye, Law, and Gu (2009), who found that positive online reviews contribute significantly to an increase in hotel bookings. In another study, Lee, Park, and Han (2008) also found that consumers pay attention to online consumer reviews, and their attitudes become unfavorable as the proportion of negative online consumer reviews increases.

Also, comprehensiveness significantly influences people's purchase intentions. Cheung et al. (2008) showed that the comprehensiveness of online reviews is one of the most effective elements of online postings in terms of the extent to which people are willing to accept and adopt online reviews, and will further encourage confidence in making decisions.

So far as the effect of the property characteristics is concerned, we also find a significant positive effect of various property characteristics such as food quality and atmosphere, which can play a considerable role in forming customers' purchase intentions.

## 6. Conclusion

This paper studies the factors influencing purchase decision-making in choosing a first visited cafe by measuring the impact of each feature of online reviews. Additionally, it aims to examine the effectiveness of other affecting factors such as property characteristics. Usefulness of online reviews, volume of online reviews, positive online reviews, negative online reviews, and comprehensiveness of online reviews have a significant impact on purchase intentions in review website platform. This study also finds a significant positive effect of property characteristics on customers' purchase intentions.

The study provides some important insights for cafe managers, who can develop their strategies for engaging potential customers. Managers might encourage their customers to emphasize the suggested review characteristics so that other potential customers may take advantage of these reviews in finalizing their decision. The cafe manager can pay more attention to the most encouraging factors that attract customers to make purchases, and thus increase accuracy based on users' behavior towards online reviews.

One limitation of this study is that the segments surveyed to get the results are not sufficiently varied in terms of gender and age. Consequently, the results may not be generalized to the overall population. A crowdsourcing service can be used to spread the questionnaire among different demographics and obtain a more diversified dataset. Future research also could investigate firms' online and offline marketing strategies and compare their effectiveness. It would be worthwhile for marketers and practitioners to empirically examine different information channels to optimize their promotional efforts and adjust their resource allocation accordingly.

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