

The Influence of Business Location and Word of Mouth on Purchasing Decisions

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ABSTRACT

A strategic business location that is close to the target market is one of the factors that researchers believe can influence consumer purchasing decisions. This close location will make consumers decide to purchase, be satisfied, and communicate with other consumers to encourage enthusiastic other consumers to share purchasing decisions with producers who have sales points in strategic locations. Therefore, this research aims to analyze the influence of business location and word of mouth on consumer purchasing decisions. This research is quantitative research with an explanatory approach that uses a questionnaire method in collecting data. The questionnaire was distributed to Indomaret and Alfamart consumers spread throughout Indonesia with the criteria of having shopped at least 3 times. The questionnaire contains statements of agree, strongly agree, disagree, strongly disagree, and neither agree nor the same on the 16 question items asked. The result thi research show the Business Location variable can have a positive relationship and a significant influence on Purchasing Decisions because the P-Values value is positive and is below the significance level of 0.036. This is in line with the researcher's statement and the direction of the questionnaire questions above which shows that a strategic business location can increase purchasing decisions because it is easy to reach, close, and does not take a lot of time. Thus, the first researcher's hypothesis and beliefs can be justified and accepted. Apart from that, the results of the second research hypothesis and beliefs also show the same results if the Word of Mouth variable has a positive relationship and a significant influence on Purchase Decision because the P-Values value is positive and is below the 0.05 significance level, namely 0.029. It is reasoned that word of mouth or word of mouth communication between consumers can increase purchasing decisions and enthusiasm between consumers.

Keywords: Business Location, Word of Mouth, Purchase Decision

INTRODUCTION

A Danang (2015:88) defines that decision making is a cognitive process that unites memory, thinking, information processing and evaluative judgments. The situation in which a decision is taken determines the exact nature of the process in question. The process may take months, with an identifiable series of decisions made at various stages of the ongoing decision-making process. Purchasing decisions are actions taken by consumers due to perceived impulses or motives that give rise to

interest or encouragement to fulfill needs. According to (Malau, 2017), the purchasing decision is the stage where the buyer has determined his choice and made his choice and purchased the product and consumed it. Decision making by consumers to purchase a product begins with awareness of their needs and desires. In making purchasing decisions, consumers are influenced by various factors. According to (Kotler, 2017) purchasing decisions are an activity of individuals who are directly involved in obtaining and using the goods offered. Based on the two definitions above, it can be concluded that purchasing decisions are a main part of consumer behavior that leads to purchasing products or services. In making a purchasing decision, consumers cannot be separated from the factors that influence and motivate consumers to make purchases.

There are a number of factors that can influence purchasing decisions, including business location and word of mouth. Location is a strategic place where consumers can reach business places (dining places, shopping centers, etc.) easily, safely, and have a large parking area. According to (Panca, 2022) Location is a place, a physical position that has a strategic function because it can help determine the achievement of a business entity's goals. Location is defined as a distribution channel for manufacturing industrial products, while location is defined as a place of service for service industrial products.

According to (Harjadi, 2008) location is a decision made by a company regarding where its operations and staff will be located. The importance of location for service companies depends on the type and degree of interaction involved. To determine this location, companies need to look at the type of consumer interaction and services provided. The definition of location/place according to (Harjadi, 2008) is the place where a business or business activity is carried out. Important factors in business development are the location of the location in urban areas, how to reach it and the travel time from the location to the destination. The factor of a good location is relative for each type of business which is different from the definitions above, so it can be concluded that location is the place where a business operates its business and its staff to achieve the goals of a business.

According to (Kasmir, 2010), every company has at least four locations which are considered according to the company's needs, namely: 1). The location for the head office is the location for controlling the operational activities of the branches. 2). A location for a factory is a location used to process or produce goods or services. 3). The location for the building is a place to store company goods for both incoming and outgoing goods. 4). The location for the branch office is the location for the company's business activities in serving its consumers. Customer is the level of consumer feelings after comparing performance or results. what he feels compared to his expectations (Philip, 2013). From the definition above, it can be concluded that customer satisfaction is the result of the consumer's assessment that the perceived product or service can meet the consumer's expectations.

There are a number of studies that show (Fitriyani et al., 2019); (Febriansyah & Triputra, 2021); (Aprileny et al., 2020); (Hadiansyah & Yanwar, 2017) & (Indah Saraswati et al., 2023) show a positive relationship and a significant influence on

purchasing decisions. Apart from business location, researchers also believe that the Word of Mouth variable can influence purchasing decision variables. According to (Sinaga et al., 2017), word of mouth communication is cheap marketing, using consumers as promoters for company products and marketing tools for organizations so there is no need to "pay" for this activity. Word of mouth communication (Word of Mouth Communication) has a very big influence on a person because the information obtained is considered real and honest and people tend to trust more product or place information that they hear from friends, relatives or people closest to them who have experience with a product. compared to information from advertisements. This will influence consumer purchasing decisions for a product (Harjadi, 2008).

According to Hasan, WoM is praise, or positive suggestions, comments or customer testimonials about their personal experiences with services and products that influence a buyer's decision or their purchasing behavior (Hasan, 2009). According to Sumardy, WoM is an activity in marketing that can trigger consumers and can stimulate them to talk about, promote, recommend corporate brands to other potential consumers (Nawang Sari, 2020). WoM Communication, or what is commonly known as the consumer word-of-mouth communication process, is the initial process of communication that can provide individual positive comments on a product or service. Communication that is usually conveyed through mouth to mouth is a communication activity that is very often used in everyday life. Communication in this way is very effective in expediting the marketing process and can provide benefits to the corporation. Communication via WoM does not require large costs because consumers who are satisfied with a corporation's products or services will spread it to other consumers (Kotler, 2017). WoM is the overall value of communication from individual to individual regarding a particular product, service or corporation at one time (Yayli, 2012).

There are a number of studies that show (Kurniawan & Saputra, 2022); (Sinaga et al., 2017); (Anggreni & Febrina Hambalah, 2022); (Nugraha et al., 2015)& (Wibowo et al., 2021) show a positive relationship and a significant influence on purchasing decisions. Based on the explanation above, it can be concluded that this research aims to analyze the influence of business location and word of mouth on purchasing decisions.

RESEARCH METHODS

A strategic business location that is close to the target market is one of the factors that researchers believe can influence consumer purchasing decisions (Sugiyono, 2019). This close location will make consumers decide to purchase, be satisfied, and communicate with other consumers to encourage enthusiastic other consumers to share purchasing decisions with producers who have sales points in strategic locations (Jonathan Sarwono, 2016). Therefore, this research aims to analyze the influence of business location and word of mouth on consumer purchasing decisions. This research is quantitative research with an explanatory approach that uses a questionnaire method in collecting data (Abdurahman, 2016). The

questionnaire was distributed to Indomaret and Alfamart consumers spread throughout Indonesia with the criteria of having shopped at least 3 times. The questionnaire contains statements of agree, strongly agree, disagree, strongly disagree, and neither agree nor the same on the 16 question items asked (Gujarati, 2013). This data can also be called primary data. These data were analyzed using the smart PLS 4.0 tool with the following research model:

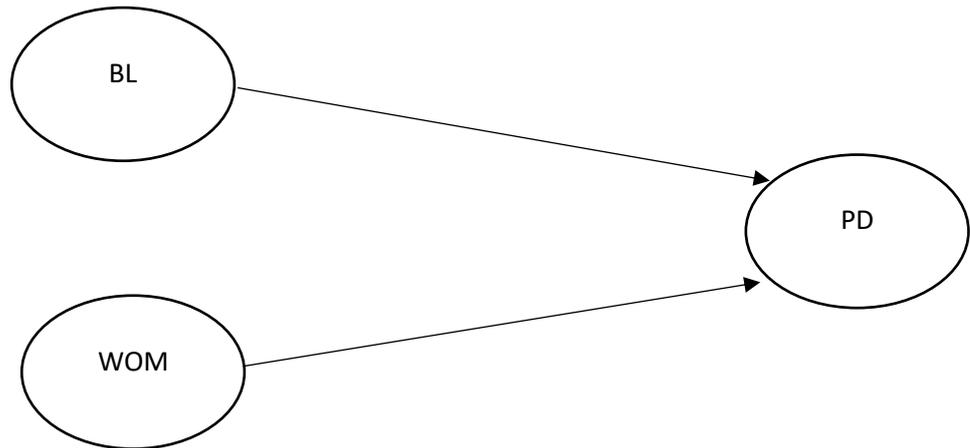


Figure 1: Model

Noted:

BL: Business Location
WOM: Word of Mouth
PD: Purchase Decision

Hypothesis:

H1: The Influence of Business Location on Purchase Decision
H2: The Influence of Word of Mouth on Purchase Decision

RESULT AND DISCUSSION

Validity Test

The results of the hypothesis and researchers' beliefs above contain two things, namely the Business Location and Word of Mouth variables which can have a positive relationship and have a significant influence on purchasing decisions. To confirm and prove this hypothesis, the initial stage that must be completed is validating the 16 question items used in this research with the following results. (Sarstedt et al., 2014):

Table 1. Validity Test

Variable	Question Item	Loading Factor
	Business location can attract consumer interest	0.831

Business Location (X1)	Business location can determine purchasing decisions	0.838
	Business locations may prioritize closer stores	0.844
	Business location can increase purchasing numbers	0.829
	Business locations can make characters sell well	0.839
	The location of a business can increase a company's stock	0.832
Word of Mouth (X2)	Word of mouth communication can improve purchasing decisions	0.845
	Word of mouth communication can determine purchasing decisions	0.841
	Word of mouth communication can increase community enthusiasm	0.838
	Word of mouth communication can attract other consumers	0.841
	Word of mouth communication can create new consumers	0.827
	Word of mouth communication can make a business sell well	0.849
Purchase Decision (Y)	Purchasing decisions can be determined by the strategic location of figures	0.841
	Purchasing decisions can be determined by word of mouth communication	0.851
	Purchasing decisions can be determined by the	0.831

	interests of other consumers	
	Purchasing decisions can increase because many new consumers are created	0.844

Valid : > 0.70

Reliability Test

300 Alfamart and Indomaret consumers with the criteria of having shopped at least once and having answered the 16 research question items, have been declared valid because the loading factor value is above 0.70. The next stage is to ensure that the three variables used in this research pass the reliability test with the following results (Ghozali, 2016):

Table 2. Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
Business Location	0.841	0.801	Reliable
Word of Mouth	0.852	0.812	Reliable
Purchase Decision	0.844	0.804	Reliable

Reliable > 0.70

Path Coefficient

Based on the comprehensive results presented in tables 2 and 3 above, 14 question items consisting of 6 question items for the Business Location variable, 6 question items for the Word of Mouth variable, and 4 question items for the Purchase Decision variable have been declared valid because the loading factor values are in above 0.70. Furthermore, the values for the three variables Composite Reliability and Cronbach Alpha are above 0.70 and are declared reliable. The final stage is to find out the direction of the relationship and the P-Values of the independent variable on the dependent variable above with the following research results(Gujarati, 2013):

Table 3. Path Coefficient

Direct Influence	Variable	P-Values	Noted
	BL->PD	0.036	Accepted
	WOM-> PD	0.029	Accepted

Significant Level > 0.05

The statistical results explained in table 3 of the path coefficient above show that the Business Location variable can have a positive relationship and a significant influence on Purchasing Decisions because the P-Values value is positive and is below the significance level of 0.036. This is in line with the researcher's statement and the direction of the questionnaire questions above which shows that a strategic business location can increase purchasing decisions because it is easy to reach, close, and does

not take a lot of time. These results are also in line with research (Fitriyani et al., 2019); (Febriansyah & Triputra, 2021); (Aprileny et al., 2020); (Hadiansyah & Yanwar, 2017) & (Indah Saraswati et al., 2023). Thus, the first researcher's hypothesis and beliefs can be justified and accepted.

Apart from that, the results of the second research hypothesis and beliefs also show the same results if the Word of Mouth variable has a positive relationship and a significant influence on Purchase Decision because the P-Values value is positive and is below the 0.05 significance level, namely 0.029. It is reasoned that word of mouth or word of mouth communication between consumers can increase purchasing decisions and enthusiasm between consumers. These results are also in line with research (Kurniawan & Saputra, 2022); (Sinaga et al., 2017); (Anggreni & Febrina Hambalah, 2022); (Nugraha et al., 2015) & (Wibowo et al., 2021). Thus the two hypotheses above are believed to be acceptable.

CONCLUSION

The statistical results explained in table 3 of the path coefficient above show that the Business Location variable can have a positive relationship and a significant influence on Purchasing Decisions because the P-Values value is positive and is below the significance level of 0.036. This is in line with the researcher's statement and the direction of the questionnaire questions above which shows that a strategic business location can increase purchasing decisions because it is easy to reach, close, and does not take a lot of time. These results are also in line with research (Fitriyani et al., 2019); (Febriansyah & Triputra, 2021); (Aprileny et al., 2020); (Hadiansyah & Yanwar, 2017) & (Indah Saraswati et al., 2023). Thus, the first researcher's hypothesis and beliefs can be justified and accepted.

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