

## **Determinant Factor on the Decision to Use the COD Payment Method : Case of Millennial Generation - Indonesia**

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### ABSTRACT

This research is to determine the effect of promotion, service quality and trust on the decision to use the e-commerce cash on delivery (COD) payment method for the millennial generation in the city of Bekasi. In this study using quantitative and descriptive research methods in which the Millennial Generation in the city of Bekasi is the object. In this study using a purposive sampling technique and using a sample of 95 respondents. The design used in this study is hypothesis testing using the structural equity model (SEM) - SmartPLS 4.0. The results of this study indicate that the three variables namely Promotion, Service Quality and Trust have an influence on the decision to use the e-commerce cash on delivery (COD) payment method for millennials in the city of Bekasi.. This research has limited research objects which only use 95 Millennials in the city of Bekasi as research respondents. This is used as a suggestion for further researchers. The novelty in this study combines the variables Effect of Promotion, Service Quality and Trust on Decisions to Use the e-commerce cash on delivery (COD) payment method for millennials in the city of Bekasi.

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## INTRODUCTION

The development of the business world in Indonesia is very rapid following the development of existing technology. One of the technologies used is the internet, where many business people carry out some of their business activities via the internet. Like e-commerce companies that use the internet as a place to conduct and develop their business. In Indonesia there are many e-commerce, the top 10 of which are as follows:

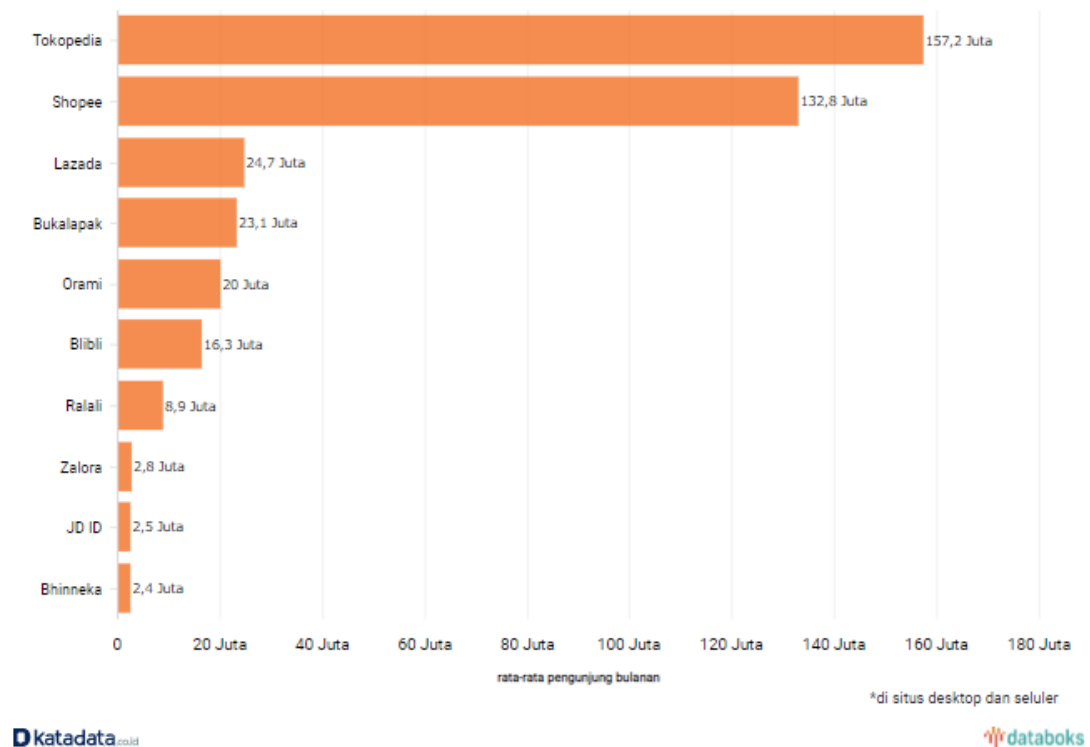


Figure 1. In Indonesia there are Many E-Commerce, the Top 10 of Which are as Follows

Based on the graph, Tokopedia is the Top 1 e-commerce with the most visitors with 157.2 million visitors in the first quarter of 2022. Judging from the many e-commerce businesses that currently exist, this makes competition between competitors even greater, which is where they have to can be more creative and innovative in serving and understanding consumer needs such as one of them through the payment methods used in e-commerce itself. With the development of online business, it is actually directly proportional to the emergence of payment methods for online buying and selling transactions. Place of purchase sales is the purchase of goods or purchases of goods by paying in advance. while the goods will be delivered later via ATM transfer. But now the payment method is mutated and provides a different ecommerce payment method. There are many payment methods that can be used in e-commerce shopping, ranging from digital wallets to cash on delivery (COD) or paying on the spot. The COD payment method is a popular method among

consumers because it is seen as more reliable, easier, simpler and reduces the possibility of fraud.



Figure 2. GoodStats

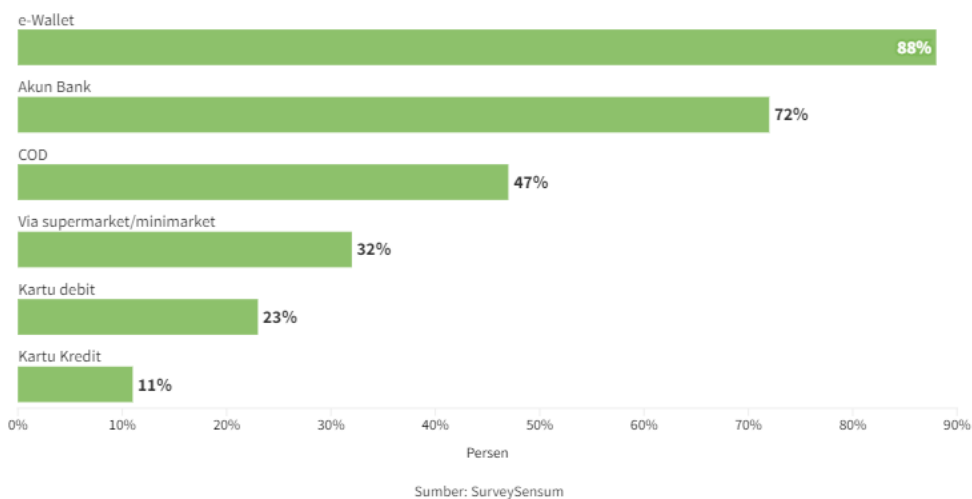


Figure 3. The Percentage of Users of the COD Method

Based on Figures 2 and 3 it can be seen that users of the COD method have decreased from 2020 to 2021. There are several factors that have caused the decline in users of the COD method, namely promotion, service quality and user trust in the method. With the high level of promotion carried out by the company, the company has the opportunity to increase the sales graph. However the quality of a product or service marketed by a company, if only a few people know the use of the product, consumers will doubt it and will never buy it (Kurniawan, 2018) (Lubis & Rianto, 2019)(Rianto, Setyawati, et al., 2022). According to (Kotler & Keller, 2009: 789) in (Lubis & Rianto, 2019) (A service is any act or performance that one party can offer to another that is essentially intangible, and does not result in the ownership of anything, whereas its production may or may not be tied to physical products). Quality services can

be continuously carried out to satisfy consumers even though the frequency of complaints, complaints and complaints from customers is relatively low.

In the field of e-commerce, according to (Pavlou, 2003) in (Gultom et al., 2020) trust is a belief that makes consumers vulnerable to the goodness of online sellers after studying their characteristics. Based on the phenomenon that occurs, the researcher examines what influences the user's decision to use the cash on delivery payment method in e-commerce in terms of promotion, service quality and trust. This research uses the millennial generation who meet the criteria and live in Bekasi City. Therefore, this study is entitled "The Influence of Promotion, Service Quality and Trust on the Decision to Use the e-commerce cash on delivery (COD) payment method for the millennial generation in the city of Bekasi".

## **THEORETICAL REVIEW**

### *Use Decision*

The decision here is a real process of buying or using. When consumers decide to buy and use a product or service, consumers will encounter a series of decisions that must be made regarding the type of product, brand, seller, and quality (Sukma et al., 2017).

### *Promotion*

Promotion is an activity carried out by business actors both directly and indirectly so that it can influence consumers in order to increase sales through the creation of commercial marketing merchandise (Farisi et al., 2020).

### *Service Quality*

Service quality as a measure of how well the level of service provided is able to match customer expectations (Lewis & Booms (1983) in Tjiptono Fandy and Gregorius Chandra, 2016, p. 125)

### *Trust*

According to (Setiadi, 2010), trust is an idea that describes that someone has something. Trust is one of the psychological factors that influence consumer behavior.

Promotion is an activity carried out by companies by influencing consumers directly or indirectly so that these consumers make purchasing decisions or use of goods or services. This is done in order to increase sales turnover through creating exchanges in the marketing of goods. Service is defined as a belief that allows individuals voluntarily to become customers of e-commerce service providers after considering the characteristics of e-commerce service providers. Trust is the trust of certain parties to other things in conducting transactional relations based on a belief that the person he trusts will fulfill all his obligations properly as expected

Based on the arguments above, several hypotheses are drawn as follows:

- H1. Promotion has effect on Use Decision
- H2. Service Quality has an effect on Use Decision
- H3. Trust has an effect on Use Decision

The Framework of thought is an important part in the thinking process to describe the relation of variable in research (Handayani & Rianto, 2021).

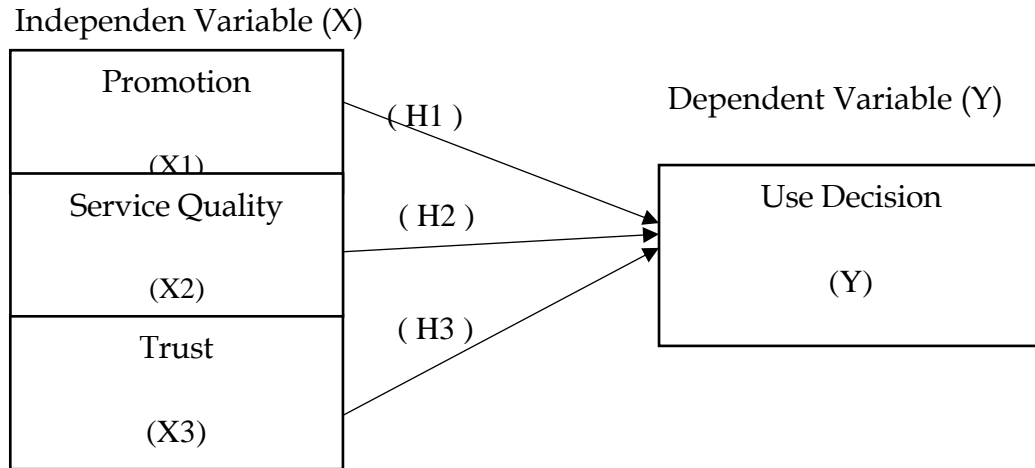


Figure 4. Conceptual Framework

## METHODOLOGY

The research method that the authors use in this study is a quantitative method and the authors use a purposive sampling method. According to Sugiyono (2016) purposive sampling is a sampling technique with certain considerations. The basic research used 95 respondents where the respondents were sampled based on the indicators of each variable which totaled 19 indicators of all variables which means 19x5 is 95 respondents. As well as in this study using primary data obtained by distributing questionnaires to the millennial generation in the city of Bekasi.

In this study the authors used the Likert scale to determine the effect of promotion, service quality and trust on the decision to use the e-commerce cash on delivery (COD) payment method for millennials in Bekasi city. According to (Rianto, Woestho, et al., 2022) the Likert scale is a question that shows the level of agreement or disagreement of respondents. This study uses the SmartPLS analysis tool to test the feasibility of the data and draw conclusions in the hypothesis. Outer model test and inner model test are analytical tools that will be used in this study.

## RESULTS

### *Result of Outer Model Test*

The outer model validity test is the extent to which the research results (1) accurately represent the data collected (internal validity) and (2) can be generalized or transferred to other contexts (external validity) (I. Ghozali & Latan, 2020). Validity testing is done by looking at content validity and

construct validity. Content validity is the extent to which instrument measurements can represent all the characteristics of the variable.

Table 1. Content Validity is Judgmental

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
PROMOTION	0.908	0.910	0.932	0.732
SERVICE QUALITY	0.897	0.900	0.928	0.764
TRU ST	0.834	0.909	0.897	0.745
USE DECISION	0.938	0.940	0.953	0.802

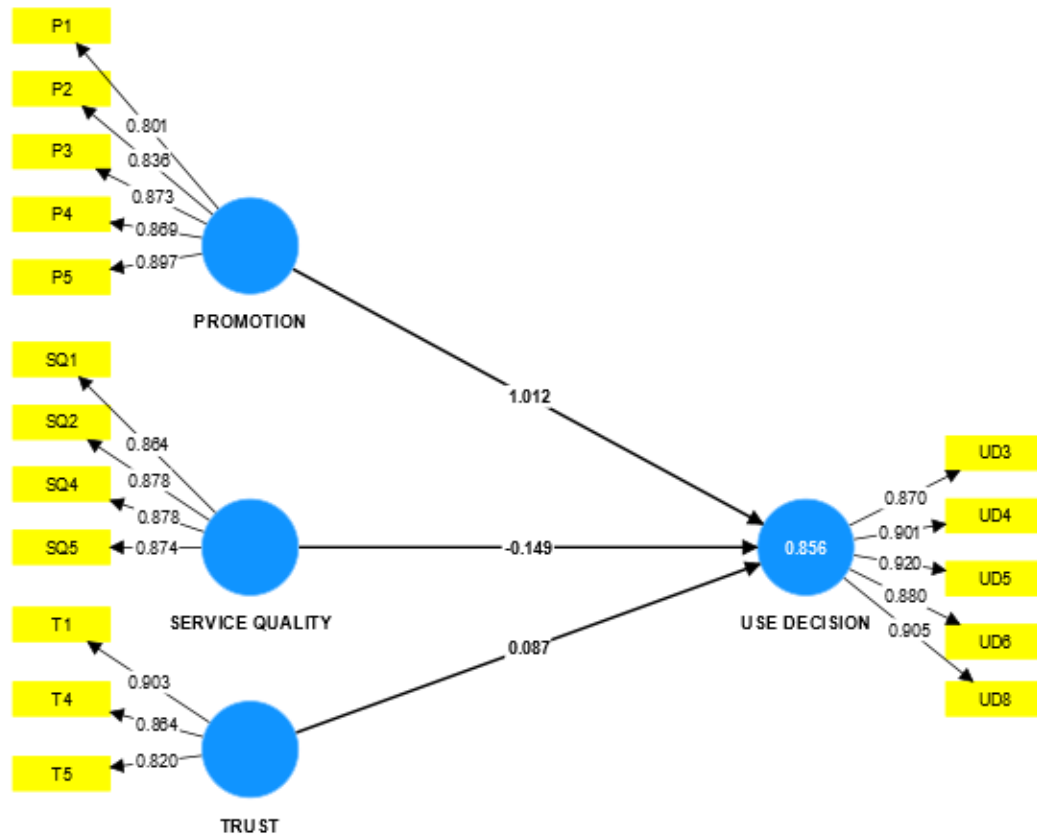


Figure 5. The Validity Test

Based on the validity test that has been carried out, it can be concluded that the entire value of the outer loading indicator statement is above 0.7 so that it can be interpreted that the data used in this study is valid and suitable for use in a study. The outer test of the reliability model is the size of the questionnaire/statement item that meets the consistent criteria, which means that this statement can have consistent results if it is used to measure in different places and times (I. Ghozali & Latan, 2020). Based on the results of the reliability test above, it can be concluded that the Cronbach's alpha value for each variable is Promotion 0.908, Service Quality 0.897, Trust 0.834 and Use Decision 0.938, which means that the value is above 0.7 so that it can be stated that the data used in this study is feasible to use. at the next stage.

*Result of Inner Model Test*

The inner test is a structural model to predict or estimate the relationship between latent variables in research that has been developed in the previous discussion (P. D. H. I. Ghozali & Latan, 2015). Based on the inner model test that has been carried out, the results obtained state that the Promotion variable (X1) has an influence on the Use Decision (Y) variable in using the e-commerce cash on delivery (COD) payment method for the millennial generation in Bekasi city with a p-value the value is 0.000 which is less than 0.05 ( $0.000 < 0.05$ ) so that the first hypothesis (H1) is accepted. This also happens to the Service Quality variable (X2) which has an influence on the Use Decision (Y) in using the e-commerce cash on delivery (COD) payment method for the millennial generation in Bekasi city with a p-value of 0.013 which is higher than smaller than 0.05 ( $0.013 < 0.05$ ) so that the second hypothesis (H2) is accepted. Finally, the Trust variable (X3) also influences the Use Decision (Y) in using the e-commerce cash on delivery (COD) payment method for the millennial generation in Bekasi city with a p-value of 0.019 which is less than 0.05 ( $0.019 < 0.05$ ) so that the third hypothesis (H3) is accepted.

**DISCUSSIONS**

Table 2. The Results of the Analysis Obtained

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
PROMOTION -> USE DECISION	1.012	1.008	0.054	18.589	0.000
SERVICE QUALITY -> USE DECISION	-0.149	-0.145	0.060	2.479	0.013
TRU ST -> USE DECISION	0.087	0.091	0.037	2.348	0.019

Based on the results of the analysis obtained in this study, there are several factors that can influence the use decision of the e-commerce cash on delivery (COD) payment method for millennials in the city of Bekasi. The results of the first study show that the Promotion variable has an influence on Use Decision in the e-commerce cash on delivery (COD) payment method for the millennial generation in Bekasi city. The results of this study are in line with previous research conducted by (Widiyanti, 2020), whose results show that promotion has an effect on the decision to use. This explains that the effect of promotion in introducing manufactured goods can influence consumers so that consumers buy their products so that they can boost sales if the promotion is carried out properly.

The results of the second study show that the Service Quality variable has an influence on Use Decision in the e-commerce cash on delivery (COD) payment method for the millennial generation in the city of Bekasi. The results of this study are in line with previous research conducted by (Lawu et al., 2021), whose results show that service quality influences usage decisions. This explains that service quality has the company's ability to provide services to customers. Service quality as a measure of how well the level of service provided is able to match customer expectations.

The results of the third study show that the Trust variable has an influence on Use Decision in the e-commerce cash on delivery (COD) payment method for the millennial generation in the city of Bekasi. The results of this study are in line with previous research conducted by (Tri Anggono et al., 2018) whose results show that trust influences the decision to use. This explains that trust is one of the psychological factors in influencing consumer behavior. In online transactions, trust arises when one of the parties involved has received assurance from the other party, and is willing and able to fulfill his obligations.

## **CONCLUSIONS AND RECOMMENDATIONS**

This research is to determine the effect of promotion, service quality and trust on the decision to use the e-commerce cash on delivery (COD) payment method for the millennial generation in the city of Bekasi. In this study using quantitative and descriptive research methods in which the Millennial Generation in the city of Bekasi is the object. In this study using a purposive sampling technique and using a sample of 95 respondents. The design used in this study is hypothesis testing using the structural equity model (SEM) – SmartPLS 4.0. The results of this study indicate that the three variables namely Promotion, Service Quality and Trust have an influence on the decision to use the e-commerce cash on delivery (COD) payment method for millennials in the city of Bekasi.. This research has limited research objects which only use 95 Millennials in the city of Bekasi as research respondents. This is used as a suggestion for further researchers. The novelty in this study combines the variables Effect of Promotion, Service Quality and Trust on Decisions to Use the e-commerce cash on delivery (COD) payment method for millennials in the city of Bekasi.

## **FURTHER STUDY**

The results of this study are expected to add updates related to the effect of promotion, service quality and trust on the decision to use the e-commerce cash on delivery (COD) payment method for the millennial generation in the city of Bekasi. It is hoped that further researchers can add other variables so that a better update can be created from this research.



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