

The Effect of Product Differentiation and Electronic Word of Mouth (E-Wom) on Consumer Purchasing Decisions of the Richeese Factory in Surabaya City

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ABSTRACT

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This study aimed to determine the effect of product differentiation and electronic word of mouth on consumer purchasing decisions of the Richeese Factory in Surabaya. This research used a quantitative research method and used the population of Richeese Factory consumers in Surabaya during the past year. A sample of 105 individuals was selected using non-probability sampling with an accidental sampling technique. Data was collected through conventional questionnaire distribution and measured using the Likert scale. The analysis utilized Partial Least Square (PLS). The results of this research indicated that each variable had a significant effect, both product differentiation and electronic word of mouth, on the consumer purchasing decisions of the Richeese Factory in Surabaya.

INTRODUCTION

Competition in the culinary industry is becoming increasingly intense and complex. Many culinary businesses are striving to gain profits. In facing this competition, company management must possess good skills and be sensitive to the ongoing competition in order to anticipate and win the business competition, thereby effectively and efficiently running the company. To confront this competition, companies need to develop a sound marketing strategy. The strategies required to achieve marketing targets start from within the company, particularly through the products they offer.

Fast-food restaurants are establishments or buildings that provide food and beverage services to consumers with a quick service approach. According to data from the Top Brand Index on the topbrand-award.com website, there are five fast-food restaurants that are popular choices among Indonesian consumers in 2022, with KFC ranking first, and McDonald's ranked second and followed by Hoka-Hoka Bento, A&W, and Richeese Factory in fifth place. According to research by Johari and Supriyono (2022) based on the TBI (Top Brand Index) parameters, purchasing decisions are a component that can serve as a foundation because the surveyed target customers have certainly made purchases from these brands. To measure a decision, indicators can be used, according to Kotler and Armstrong (2016), as follows: a) purchase certainty after obtaining information; b) purchasing based on personal preference; c) purchasing according to desires and needs; d) purchasing based on recommendations.

One of the strategies commonly used by companies is the differentiation strategy. Product differentiation strategy involves creating a product or product image that is distinct enough from existing products in order to attract consumers (Suryawan, 2022). Richeese Factory is a fast-food restaurant that employs a differentiation strategy by offering fried chicken with a unique flavor compared to its competitors, namely by offering cheese sauce and different levels of spiciness. Richeese Factory is a Quick Service Restaurant (QSR) where almost all of its menu items are served with cheese sauce. According to Kotler & Armstrong (2016:211) in their book, product differentiation can be determined and measured using indicators such as a) form; b) special features; c) style; d) design; e) uniqueness.

However, despite Richeese Factory's efforts to win the competition with its product differentiation strategy, according to the Top Brand Index survey, which represented consumer opinions, Richeese Factory was still far behind its competitors in the fast-food restaurant industry. Based on the Top Brand Index data, it was known that Richeese Factory consistently ranked fifth. Furthermore, Richeese Factory experienced a significant decline in 2022 (4,70%) compared to the previous year (5,90%). The rating of Richeese Factory (4,70%) was still far below its competitors, especially KFC (27,20%) and McDonald's (26%), which dominated the market. Richeese Factory needed to create differentiation values that were more aligned with consumer needs in order to effect purchasing decisions. Setyawan and Hutauruk (2021) stated that the

higher the value a product provides to consumers, the higher their purchasing decision would be toward that product.

The phenomenon of Richeese Factory's differentiation was also explained by several food vloggers and influencers on their respective channels or personal social media accounts. In addition to consumer feedback, other reasons can also be found through consumer reviews on the internet. According to Ansari (2022), this phenomenon falls under the category of Electronic Word of Mouth (E-WOM) activities. When people capture photos or videos of a restaurant's dishes and upload them on social media along with comments about the restaurant's dishes, it indirectly encourages others to be interested in visiting that restaurant, effectively serving as free advertising for the restaurant. Many people provide positive reviews for Richeese Factory so that others can consider them when making a purchase decision. According to Arifianti (2019), the presence of e-WOM becomes one of the factors that consumers consider when making purchasing decisions. E-WOM itself can be determined and measured through three dimensions, including a) intensity, b) valence of opinion, and c) content.

The objective of the research, based on the background that has been explained, was to determine whether product differentiation and the phenomenon of electronic word of mouth (E-WOM) for Richeese Factory on social media had an effect on consumer purchasing decisions.

THEORETICAL REVIEW

Product Differentiation

To attract consumers, companies must build a good strategy and have more value than their competitors. One strategy that can be done is product differentiation strategy. The definition of Griffin in Dejawata (2014:2), writes that product differentiation is the creation of a product or product image that is quite different from products that have been circulating with the intention of attracting consumers. Traditionally, differentiation has been defined as the act of designing a set of meaningful differences in a company's offering. Meanwhile, in his book Kotler & Keller (2017: 9), stating product differentiation is the act of designing a series of meaningful differences to distinguish the company's offer from competitors' offers. From the two definitions above, it can be concluded that product differentiation is the activity of modifying a product to make it more attractive, the aim of which is to attract consumer intentions. According to Kotler & Armstrong (2016:211) in their book, product differentiation can be determined and measured using indicators such as a) form; b) special features; c) style; d) design; e) uniqueness.

Electronic Word of Mouth (E-WOM)

According to Serra-Cantalops et al. in Rufaida (2021), electronic word of mouth (e-WOM) is defined as all informal communication directed at consumers via internet technology related to the characteristics of certain goods

and services, or sellers. Meanwhile, according to Thurau, et al., in Arianthi (2020) says electronic word of mouth is a statement made by actual, potential or previous consumers regarding products or companies where this information is available to people or institutions via internet media. According to Kamtarin quoted in Arianti (2020) the dissemination of information through electronic word of mouth is carried out through online media or the internet such as through blogs, microblogs, e-mail, consumer review sites, forums, virtual consumer communities, and social networking sites that can lead to interaction between one consumer and another, with online social communication it will automatically be able to help consumers share experiences about the products or services they get in the buying process. E-WOM itself can be determined and measured through three dimensions, including a) intensity, b) valence of opinion, and c) content.

Purchasing Decisions

According to Kotler in Irda et al (2019) that purchasing decisions are a process for solving a problem which consists of analyzing or identifying needs and also wants, searching for information, assessing sources of selection, there are alternative purchases. Purchasing decision is an integration process in combining a knowledge in evaluating two or more alternative behaviors and choosing one of them. Schiffman and Kanuuk in Aisyah (2017) state that purchasing decisions are choosing from two or more alternative purchase decision options, which means that a person can make a decision that must have several alternatives available. Basically, consumer buying behavior is the process of choosing, buying and using a product to meet the needs of companies in running their business. They must always monitor changes in consumer behavior so that they can anticipate changes in consumer behavior to improve their marketing strategy (Farisi, 2018). Basically, consumer buying behavior can be influenced by many things, not always consumers buy according to their needs. According to Kotler and Armstrong (2016) there are 4 indicators in purchasing decisions including a) The stability of buying after knowing the product information, b) Decided to buy because like it the most, c) Buy because it suits your wants and needs, d) Bought because of recommendations from others

METHODOLOGY

This research used a quantitative research design, using the Likert scale as the measurement tool for each research variable. The research population consisted of consumers who had purchased at Richeese Factory in Surabaya within the past year. Non-probability sampling was used as the sampling method, specifically employing an accidental sampling technique. As a result, a sample size of 105 individuals was obtained. Data collection for the study was conducted using a Google Form questionnaire, and the link to the questionnaire was distributed conventionally through QR code scanning at several Richeese Factory outlets in Surabaya.

RESULTS

Based on a total of 105 respondents, the majority of respondents were in the age range of 18-26 years, accounting for 85,7%, while the remaining 14,3% were in the age range of 27-50 years. Regarding gender, the number of female respondents dominated, with 72 individuals or 68,6% of the total respondents, while the number of male respondents stood at 33 individuals or 31,4%.

Table 1 Respondents' Answers Regarding Product Differentiation Statement Scores

	Statement Score					Total
	1	2	3	4	5	
X1.1	0	1	13	50	41	105
X1.2	0	0	4	39	62	105
X1.3	0	1	10	41	53	105
X1.4	0	4	24	53	24	105
X1.5	0	1	10	41	53	105

Source: Data processed in 2023

- a. The first indicator of product differentiation was product variety, with the statement "Richeese Factory offered a diverse range of menu options." It obtained the highest score of 4, indicating that 50 individuals, or 47,6% of respondents, agreed with the statement;
- b. The second indicator of product differentiation was uniqueness, with the statement, "Richeese Factory created its own value among other brands." It obtained the highest score of 5, indicating that 62 individuals, or 59% of respondents, strongly agreed with the statement;
- c. The third indicator of product differentiation was style, with the statement, "The presentation of Richeese Factory's products was appealing." It obtained the highest score of 5, indicating that 53 individuals, or 50,5% of respondents, strongly agreed with the statement;
- d. The fourth indicator of product differentiation was design, with the statement, "The menu and packaging of Richeese Factory were better compared to other brands." It obtained the highest score of 4, indicating that 53 individuals, or 50.5% of respondents, agreed with the statement;
- e. The fifth indicator of product differentiation was uniqueness, with the statement, "Richeese Factory's

cheese sauce was unique and in line with its motto." It obtained the highest score of 5, indicating that 53 individuals, or 50,5% of respondents strongly agreed with the statement.

Table 2 Frequency of Respondents' Answers Regarding E-WOM

	Statement Score					Total
	1	2	3	4	5	
X2.1.1	3	15	26	37	24	105
X2.1.2	0	9	32	37	27	105
X2.2.1	0	2	25	51	27	105
X2.2.2	0	6	23	47	29	105
X2.3.1	0	2	25	50	28	105
X2.3.2	1	4	21	51	28	105

Source: Data processed in 2023

- a. The first indicator of electronic word of mouth (E-WOM) from the intensity dimension, with the statement "I often see or access information about Richeese Factory through social media," obtained the highest score of 4, indicating that 37 individuals, or 35,2% of respondents agreed with the statement;
- b. The second indicator of electronic word of mouth (E-WOM) from the intensity dimension, with the statement "Many people discuss Richeese Factory on social media," obtained the highest score of 4, indicating that 37 individuals or 35,2% of respondents agreed with the statement;
- c. The third indicator of electronic word of mouth (E-WOM) from the opinion dimension, with the statement "There are many positive responses from Richeese Factory customers on social media," obtained the highest score of 4, indicating that 51 individuals or 48,6% of respondents agreed with the statement;
- d. The fourth indicator of electronic word of mouth (E-WOM) from the opinion dimension, with the statement "Many people recommend Richeese Factory on social media," obtained the highest score of 4, indicating that 47 individuals or 44,8% of respondents agreed with the statement;
- e. The fifth indicator of

electronic word of mouth (E-WOM) from the content dimension, with the statement "The information about Richeese Factory's variety on social media is interesting and accurate," obtained the highest score of 4, indicating that 50 individuals or 47,6% of respondents agreed with the statement; f. The sixth indicator of electronic word of mouth (E-WOM) from the content dimension, with the statement "The information about Richeese Factory's prices on social media is interesting and accurate," obtained the highest score of 4, indicating that 51 individuals or 48,6% of respondents agreed with the statement.

Table 3 Frequency of Respondents' Answers Regarding Purchase Decisions

	Statement Score					Total
	1	2	3	4	5	
Y1.1	0	1	16	56	32	105
Y1.2	0	7	14	45	39	105
Y1.3	0	2	12	46	45	105
Y1.4	1	9	23	44	28	105

Source: Data processed in 2023

- a. The first indicator of purchase decisions, with the statement "I buy Richeese Factory products because the information is accurate," obtained the highest score of 4, indicating that 56 individuals or 53,3% of respondents agreed with the statement; The second indicator of purchase decisions, with the statement "I buy Richeese Factory products because they suit me compared to other brands," obtained the highest score of 4, indicating that 45 individuals or 42,9% of respondents agreed with the statement; The third indicator of purchase decisions, with the statement "I buy Richeese Factory products based on my desires and needs," obtained the highest score of 4, indicating that 46 individuals or 43,8% of respondents agreed with the statement; The fourth indicator of purchase decisions, with the statement "I buy Richeese Factory products based on

recommendations from others," obtained the highest score of 4, indicating that 44 individuals or 41,9% of respondents agreed with the statement

Data Analysis, Hypothesis Testing, and Measurement Model (outer model)

Convergent Validity

The validity of indicators was measured by examining the Factor Loading values from variables to their respective indicators. It was considered valid if the value was greater than 0,5 and/or the T-Statistic value obtained was greater than 1,96 (Z value at $\alpha = 0,05$). Factor Loading represented the correlation between an indicator and its variable. If the validity value was greater than 0,5, it was considered to have met the validity criteria. Similarly, if the T-Statistic value was greater than 1,96, the significance was considered to be met. In the case of the Product Differentiation variable (X1), the Electronic Word of Mouth dimension (X2), and the Purchase Decision variable (Y), the Factor Loading values (original sample) were greater than 0.50 and/or significant (T-Statistic value greater than the Z value at $\alpha = 0,05$ (5%) = 1,96). Therefore, the estimation results of all reflective indicators in this study were considered to have met the convergent validity or good validity.

Discriminant Validity

Convergent validity of latent variables is considered good if the Average Variance Extracted (AVE) value is greater than 0,5. The AVE testing results for the Electronic Word of Mouth (X2) variable, with a value of 0,617769, and the Purchase Decision (Y) variable, with a value of 0,522690, indicate AVE values above 0,5. Therefore, it can be concluded that overall, the constructs (dimensions) and variables in this study had good validity. However, the AVE testing result for the Product Differentiation (X1) variable, with a value of 0,455766, indicates an AVE value below 0,5. Therefore, it can be concluded that the validity of the Product Differentiation variable in this study was less satisfactory.

Table 4 Average Variance Extracted (AVE)

	AVE
Purchase Decision (Y)	0,522690
Product Differentiation (X1)	0.455766
E-WOM (X2)	0.617769

Source: Data processed in 2023

Composite Reliability

To measure the reliability of constructs, Composite Reliability was used, and a value above 0,70 was considered to indicate that the indicators were consistent in measuring their latent variables. The testing results for Composite Reliability of the Product Differentiation (X1) variable, with a value of 0,806241, the Electronic Word of Mouth (X2) dimension and variable, with a value of 0,905703, and the Purchase Decision (Y) variable, with a value of 0,811159, indicated Composite Reliability values above 0,70. Therefore, it can be concluded that overall, the constructs (dimensions) and variables in this study were reliable.

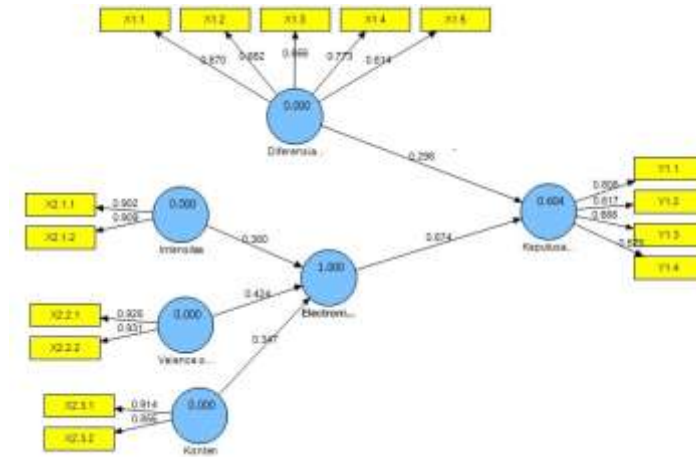
Table 5 Composite Reliability

	Composite Reliability
Purchase Decision (Y)	0.811159
Product Differentiation (X1)	0.806241
E-WOM (X2)	0.905703

Source: Data processed in 2023

Model PLS Analysis

Figure 1 Outer Model Output SmartPLS



Source: Data processed in 2023

R-square

The inner model testing can be conducted by examining the R-Square values in the equations between latent variables. R² explains the extent to which the exogenous (independent) variables in the model can account for the endogenous (dependent) variables. The R² value of 0,603977 indicates that the model is able to explain the phenomenon of Purchase Decision (Y) effected by the independent variables, namely Product Differentiation (X1) and Electronic Word of Mouth (X2), with a variance of 60,39%. The remaining 39,61% is explained by other variables outside the scope of this study (beyond the Product Differentiation and Electronic Word of Mouth variables).

Figure 2 R-square

	R-Square
Purchase Decision (Y)	0.603977
Product Differentiation (X1)	
E-WOM (X2)	

Source: Data processed in 2023

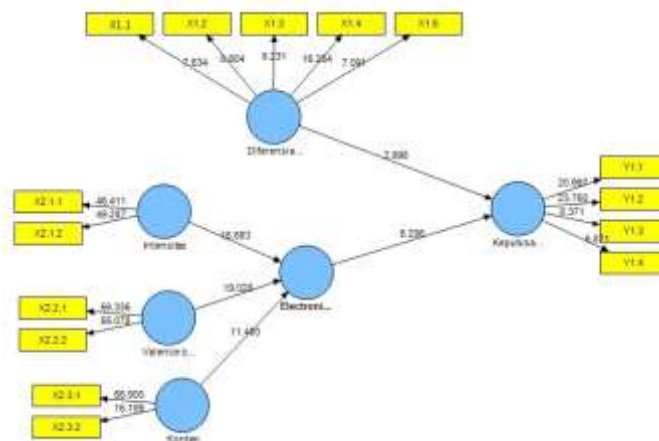
Hypothesis Testing

Hypothesis 1: Product Differentiation had a positive effect on the Purchase Decision of Richeese Factory consumers in Surabaya city, which was accepted. The path coefficient was 0,296492, and the T-Statistic value was

2,995825 > 1,96 (from the $Z\alpha = 0,05$ table), indicating a significant (positive) result.

Hypothesis 2: Electronic Word of Mouth had a positive effect on the Purchase Decision of Richeese Factory consumers in Surabaya city, which was accepted. The path coefficient was 0,573949, and the T-Statistic value was 6,296004 > 1,96 (from the $Z\alpha = 0,05$ table), indicating a significant (positive) result.

Figure 3 Inner Model Output SmartPLS



Source: Data processed in 2023

DISCUSSION

The Effect of Product Differentiation on Purchase Decision

Based on the conducted research, it was found that product differentiation has a significant effect on the Purchase Decision of Richeese Factory consumers in Surabaya. The factor loading results indicate that the design attribute is the indicator with the most significant effect on the Purchase Decision variable for Richeese Factory products. The design attribute, including the changes in packaging, is one of the key elements of their product differentiation strategy. These findings are consistent with previous studies conducted by Johari and Supriyono (2022), Febriono (2020), and Anwar and Siswanto (2020), which also demonstrated a positive and significant effect of product differentiation on purchase decisions.

The Effect of Electronic Word of Mouth on Purchase Decision

Based on the conducted research, it was found that Electronic Word of Mouth (E-WOM) has a significant effect on the Purchase Decisions of Richeese Factory consumers in Surabaya. The factor loading and path coefficient results indicate that the valence of opinion dimension within Electronic Word of Mouth has the strongest effects on the Purchase Decision variable for Richeese Factory products, with the most influential indicator being customer

recommendations. The more positive and extensive the electronic word of mouth activities regarding Richeese Factory on social media, the better the consumers' purchase decisions. These findings are consistent with previous studies conducted by Arifianti (2019), Rufaida (2021), and Sari and Purwanto (2022), which also identified a positive and significant relationship between E-WOM and purchase decisions.

CONCLUSIONS AND RECOMMENDATIONS

Product differentiation has an effect on the purchase decisions of Richeese Factory consumers in Surabaya. The better Richeese Factory is at creating unique value through its product differentiation strategy compared to other brands, the more likely consumers are to make a purchase. Electronic word of mouth (E-WOM) also has an effect on the purchase decisions of Richeese Factory consumers in Surabaya. The quality of information about Richeese Factory on social media, coupled with the frequency of positive responses from consumers discussing Richeese Factory, leads to higher purchase decisions. Richeese Factory should maximize its product differentiation efforts, focusing on its food and beverages' design to further increase consumer purchase decisions. Additionally, Richeese Factory should pay attention to the voice of customers to continuously evaluate and improve its products, and generate more recommendations from satisfied customers to attract new consumers online.

FURTHER STUDY

Limitations or weaknesses in this research lies in the process research, researchers realize that in a study there must be a lack and a lot of a weakness. One of them is from the questionnaire collection session, sometimes the answers given by consumers are not in accordance with the statements that researchers give, sometimes researchers also give statements that are almost the same but have different meanings. Consumers answer with the same answer. Therefore one of the results of data processing that has been carried out states that there are indicators that are less valid. It is hoped that future researchers will be more objective and specific in making a statement regarding the variables studied, so that the source of information is more valid and able to be more precise in solving the problem of decreasing Richeese Factory purchasing decisions.

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