Increasing Purchase Decisions on Palm Oil Seeds through Marketing Mix and Trust

Wahyu Rafdinal
Department of Business Administration
Politeknik Negeri Bandung
Bandung, Indonesia
wahyu.rafdinal@polban.ac.id

Fatya Alty Amalia
Department of Business Administration
Politeknik Negeri Bandung
Bandung, Indonesia
fatya.alty@polban.ac.id

Abstract—This study aims to examine the impact of trust and marketing mix (product, price, place, and promotion) on the firms’ purchase decisions of palm oil seeds. To meet such aim, we carried out a purposive sampling to obtain the respondents of palm oil firm in West Sumatera. After 82 respondents obtained, to tell on which variables could affect the firms’ purchase decisions of palm oil seeds we performed PLS-SEM. The findings showed that marketing mix comprising product, price, place, and promotion could significantly affect the purchase decisions of firms in West Sumatera on palm oil seeds after mediated by trust. Based on the findings, this study may provide insights for the firms of palm oil seeds in a way to increasing their customer purchase decisions.

Keywords—product, price, location, promotion, trust, purchase decision

I. INTRODUCTION

For a long time, Indonesia is well-known as the largest supplier of palm oil over the world. Along with Malaysia, both countries can contribute around 90% in the global production of palm oil. Due its importance, the palm oil plantation sector may become a key in plantation sector and may bring great impact on the economic development of Indonesia. Though Indonesia can produce palm oil in a large quantity, the good quality of palm oil indeed matters to take into account. The quality establishment of palm oil can be started from the early phase which is choosing the fine quality of palm oil seeds. Once the palm oil seed with poor quality is planted, later we will expect to only produce the poor quality of palm oil. On the contrary, the superior quality of palm oil will be yielded after planting the superior quality of the seed itself. However, even though the seed quality plays an important role in flourishing palm oil plantation sector, it does not mean the selling activity of it could run smoothly. Yet, such offering in a qualified seeds done by the firms of palm oil seeds in West Sumatera could not guarantee the regular purchasing of palm oil seeds from the customers. Further intervention in marketing mix should be carried out by the firm throughout the evaluation process of customers before making a purchase decision. The marketing mix itself comprises product, price, place, and promotion.

The first marketing mix is product aspect. To offer the product which meets the customers’ expectation is a necessary aspect which is heavily considered by the customers and directly affects their purchase decisions [1]; [2]. The firm which can consistently produce the right product at qualified level and bring benefits for the environment could increase the customers’ purchase decisions [3].

The second aspect of marketing mix is price. Price matters in the situation where the customers experience difficulties in assessing the products value and benefits offered by the firms. The pricing will help the customers in portray the quality level based on the specified price. This idea also aligns with [1]; [4]; [5] who argued that pricing strategy will impact on purchase decision. The third aspect in marketing mix is place. The place selection will affect the customers purchase decisions since it covers how easy the customers could access the product [1]; [2]. It is necessary for the firms to consider the right place as a part of their offering to customers that the maximum profit may be gained. The fourth marketing mix is promotion aspect. Promotion matters in marketing since it helps the firm to communicate its product positioning to the customers. Hence, promotion can impact the customers’ purchasing decision [6]; [7]. The more effective promotion activity carried out by the firm, the more increasing the customers’ purchase decision. Besides the elements of marketing mix mentioned previously, trust is another important aspect to increase the purchase decision of customers. Trust is the desire of someone to the other party to conducts as one’s expectations [8]. If customers have satisfying experience with the company’s products, they will form a higher trust in their products [9]. In palm oil seed sector, the trust of customers to the firms is important to pursue since the customers will avoid the business risk as much as possible starting from the supplier selection. Based on this, this study will examine the elements of marketing mix and trust in the customers’ purchase decisions on palm oil seeds.

II. THEORY AND HYPOTHESES DEVELOPMENT

A. Purchase Decision

Purchasing decision is a result of a set of activities carried out by the consumers in needs identification, information seeking, evaluation of several alternatives, and selection the right one. In the evaluation process, the customers will set several criteria to ease the decision making [10]. However, the customer may encounter the bounded rationality in determining the relevant criteria for evaluation due to the limited information they possess [11]. For instance, the customers tend to choose the product with higher price, since it may reflect better product quality. On the other hand, the cheaper product will present poor quality [12].

Copyright © 2019, the Authors. Published by Atlantis Press.
This is an open access article under the CC BY-NC license (http://creativecommons.org/licenses/by-nc/4.0/).
Realizing the consumers will search the relevant information as much as possible prior to evaluation process; any firm must set a strategy to affect this phase in a way to increasing the purchase decisions of customers.

In general, the purchase decisions can be influenced by a marketing mix comprises product, price, place, and promotion [13]; [2]. It means the customers will evaluate those elements in marketing mix before making a purchase decision. For example, the evaluation of product type, brand, quantity, and the access to obtain the product. Further, the Consumer Decision Model (CDM) explains that there are some key elements of product choice behaviour, namely, information sources, brand recognition, confidence, attitude, purchase intention, and purchase actions. The CDM stresses that messages from different information sources are very important for consumers to recognize a brand which help consumers ensure quality of a product. When the attitude and confidence are formed, the consumer’s desire to purchase a product is also increased. When the demand achieves in certain level, the consumer is more likely to purchase [14]. Based on this, it is necessary to fully understand the process of decision making in customers purchasing since it will help to determine the right strategy to influence each stage in purchase decision.

B. Trust

Trust is someone’s desire to the action of other party based on the expectation that they will take certain actions that are important to the trustee, regardless of their capabilities and influence of external [8]. Trust is defined as when one party has confidence in the reliability and integrity of his partners [15]. The form of trust may vary, such as interpersonal trust, organizational trust, and or intra-organizational trust [15].

For the firm, developing the trust to the customers becomes a matter in building a relationship between firm and customer. In a business context, trust can be established once there are willingness and intention to act [16]. The trust of customers will relate with their beliefs of the product attribute and benefits. The higher the level of trust the user has in the product, the more they tend to feel comfortable during the usage and can lead to making the positive ratings [15].

C. Marketing Mix

Effective marketing mix management allows marketers to create a combination of mix elements to achieve desired goals [17]. Effective marketing mix strategies can influence consumer behaviour to choose products.

The first element of marketing mix is the product. Product can be physical or service offered to the consumers who are willing to pay [17]. The right product positioning can make the consumers to differentiate our product to the competitors [18]. While offering the product to customers, it must be equipped with the core and added value which may fulfill the consumers’ needs and desires [19].

Price is the second element in marketing mix which is important to pay attention to influence the consumer’s purchase decision. Price can help the consumers to understand the value of the product [17]. Price is the amount of money paid by the customer to obtain the values offered by the product itself. The previous researches by [20]; [21] argued that price can influence the purchasing decisions. Pricing requires a special attention because it relates to consumer’s buying power as reflected through their incomes [22]. Some aspects, such as costs, competitors, and customer value are the important aspects in determining the pricing strategies [23]; [18].

The third marketing mix is the place. Place, or called as distribution, is defined as the designated process and method to allow the customers reach our products [17]. Distribution means delivering products to consumers at the right and desired time and place [24]. The place can be described in physical and non-physical channels [19]. By setting the effective placing strategy which is easy to reach by the consumers, it can influence consumer purchasing decisions.

The last element in marketing mix is promotion. Promotion activities which help disseminate information can influence the purchasing decision process and affect [17]. A research by [25] showed that promotion has a significant effect on purchasing decisions. The combination of effective promotion and consistent brand integrity can encourage the repeated purchasing by consumers [26]. Promotion activities can be carried out through any type of communication tools that can send messages to consumers [24]. The activities of promotion can also be realized through advertising, social activities, and cultural activities [27]. Promotion is the enterprise activity referring to all communication methods used to provide information and influence persuasively the prospective consumers so that they can receive products, concepts, and ideas.

From the discussions above, the following hypothesis proposed herein as follows:

H1: Product affects significantly consumers’ purchase decisions on palm oil seeds through trust.
H2: Price affects significantly consumers’ purchase decisions on palm oil seeds through trust.
H3: Place affect significantly consumers’ purchase decisions on palm oil seeds through trust.
H4: Promotion affects significantly consumers’ purchase decisions on palm oil seeds through trust.
H5: Trust affects significantly consumers’ purchase decisions on palm oil seeds.

The researcher describes the conceptual framework as follows:

![Fig. 1. Conceptual model.](image-url)
III. METHODOLOGY

This study is served as the causative research since it determines which factors can influence the purchase decisions in seed palm oil. The causative research will examine the relationships between exogenous variables namely product, price, place, and promotion, and trust towards the endogenous variables, namely purchasing decisions.

A. Sample

A purposive sampling technique was conducted herein and successfully obtained a total of 82 respondents filling in the survey questionnaire. Our respondents were the representatives of companies, cooperatives, and individuals who have the potential to buy oil palm seeds in West Sumatra.

B. Research Instrument

To aim the research objective, we set a questionnaire to measure the effect of the marketing mix and trust on the decision to purchase palm oil seeds. To ensure the quality of respondents, we developed a questionnaire with the acceptable level of reliability and validity as shown in Table I and II.

<table>
<thead>
<tr>
<th>TABLE I. INSTRUMENT VALIDITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
</tbody>
</table>

From Table I, there are three questions not meet the validity threshold since their values of r count are less than r table (0.361). It means these are invalid and need to exclude from the research instrument. Meanwhile, the rest of questions are proven to have good reliability (Cronbach Alpha > 0.60).

IV. RESULTS AND DISCUSSION

The data that has been collected is then processed using SmartPLS software. To validate the research model that was built, measured two main parameters that were built, namely testing construct validity (convergent and discriminant) and testing internal consistency (reliability). The construct validity test can be measured by the parameters of loading score, AVE, communality, R2, and redundancy. AVE scores must be > 0.5, communality > 0.5, and redundancy is close to 1. Test reliability (reliability) can be seen from the value of cronbach’s alpha and composite reliability values. Cronbach’s alpha value must be > 0.6 and the composite reliability value must be > 0.7.

A. Outer Model Test

Convergent validity test is used to describe the correlation between constructs and indicators. The greater the correlation values the better the relationship between constructs and indicators. Correlation is declared valid with a loading factor of ≥0.5.

<table>
<thead>
<tr>
<th>TABLE III CONSTRUCT VALIDITY AND RELIABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constructs</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td>Product</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Price</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Place</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Promotion</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Trust</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Purchase</td>
</tr>
<tr>
<td>Decision</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Based on Table III, it can be stated that all loading scores are not below 0.5, so there are no indicators that must be removed from the research model, so the next step is to do a discriminant validation test.

Discriminant validity can be evaluated by looking at the AVE root and the correlation value between variables; in this case the root value of AVE should be greater than the correlation between variables. Table III shows that almost all of the AVE root values in the construct are greater than the correlation between other constructs. It can be said that discriminant validity is good.

B. Inner Model (Structural Model)

Structural model testing by entering all statements that are declared to pass the test of validity and reliability. The structural model test shows the relationship of latent variables with other latent variables.
TABLE IV DIRECT AND INDIRECT EFFECT

<table>
<thead>
<tr>
<th>Variable</th>
<th>Original Sample</th>
<th>T Statistic</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product - Trust - Purchase Decision</td>
<td>0.369</td>
<td>2.799</td>
<td>0.005</td>
</tr>
<tr>
<td>Price - Trust - Purchase Decision</td>
<td>0.223</td>
<td>2.887</td>
<td>0.004</td>
</tr>
<tr>
<td>Place - Trust - Purchase Decision</td>
<td>0.227</td>
<td>5.361</td>
<td>0.000</td>
</tr>
<tr>
<td>Promotion - Trust - Purchase Decision</td>
<td>0.161</td>
<td>2.588</td>
<td>0.010</td>
</tr>
<tr>
<td>Trust - Purchase Decision</td>
<td>0.921</td>
<td>56.521</td>
<td>0.000</td>
</tr>
</tbody>
</table>

C. Hypothesis testing

Based on the results of hypothesis testing shows that the product has a significant effect on purchasing decisions through trust with a significance level of 0.005 and path coefficient of 0.369. Price has a significant effect on purchasing decisions through trust with a significance level of 0.004 and path coefficient of 0.223. Location has a significant effect on purchasing decisions through trust with a significance level of 0.000 and path coefficient of 0.227. Promotion has a significant effect on purchasing decisions through trust with a significance level of 0.010 and path coefficient of 0.161. Trust has a significant effect on purchasing decisions with a significance level of 0.000 and path coefficient of 0.921. Therefore, Hypothesis 1, 2, 3, 4, and 5 were supported. The results have changed the conceptual model, which is presented in Fig. 2.

![Model results](image)

**Fig. 2. Model results.**

V. DISCUSSION

Based on the results, the product in marketing mix can positively affect the purchase decision on palm oil seeds through trust. The better the product offered, the higher the purchase decision of oil palm seeds if the consumer believes in the product. In other words, it can be emphasized that the better the quality of oil palm seeds, the more diverse choices of types of oil palm seeds, the better packaging of oil palm seeds, and the guarantee or guarantee of the quality of oil palm seeds will make the candidate decide to buy oil palm seeds. The positive value of path coefficient on product to purchase decisions indicates that the product has a positive or direct effect on purchasing decisions. If the product variable has increased, while other variables are assumed to be fixed, then it can increase purchasing decisions.

This results is in line with previous studies that pointed out that the product influences purchasing decisions [1]. The product with quality which is in accordance with expectations can influence purchasing decisions. Companies must produce the right products that have a good influence on the environment in order to increase purchasing decisions [3].

The testing of the second hypothesis shows that prices have a positive and significant effect on palm oil seed purchase decisions through trust. The more attractive the price offered, the higher the purchase decision of palm oil seeds if consumers believe. In other words, it can be emphasized that the better the selling price of oil palm seeds, the suitability of the price of oil palm seeds with the quality, and the competitiveness of the price of oil palm seedlings, it will make the candidate decide to buy oil palm seeds.

The findings of this study prove that the decision to purchase palm oil seeds is determined by price variables. The more attractive the price offered can increase the purchase decision of oil palm seeds. Price variable is seen from the selling price of oil palm seedlings, the suitability of the price of oil palm seedlings with the quality, price competitiveness of oil palm seedlings.

The positive value on price to purchase decision shows that prices have a positive or direct effect on purchasing decisions through trust. If the price variable increases or gets better it can increase purchasing decisions through trust. The results of this study are in line with several previous studies which showed that there was a price effect on purchasing decisions [28]; [29]; [20]. Price sensitivity has an effect on purchasing decisions [30]. Companies must focus on communicating value to customers through prices, companies must also guard against competitor prices and check how much the impact on product purchases [31]. Consumers can consider more value for lower prices [32] or affordable prices [27].

The results of testing the third hypothesis show that the place has a positive and significant effect on the decision to purchase palm oil seeds through trust. This means that the level of purchase decisions can be influenced by place variables. This proves that easy access to places, place visibility, the environment supporting the products offered, guarantees the distribution of oil palm seeds, and the adequacy of oil palm seeds are factors that can cause prospective consumers to decide to buy palm oil seeds.

Based on the findings of this study it can be said that the decision to purchase palm oil seeds is influenced by place. This proves that easy access to place, place visibility, the environment supports the products offered, guarantees the distribution of oil palm seeds, and the adequacy of oil palm seeds is a factor that influences prospective consumers to buy palm oil seeds. The choice of place and product distribution channels of the company can facilitate prospective customers to get the products offered by the company. The place determined by the company is able to influence purchasing.
decisions because prospective customers see access to the place. Access to places in obtaining oil palm seedlings is a consideration of potential customers because of the place because if the place is far enough from the highway and difficult to access, it will be an additional cost for consumers. In addition, places that are close to competitors also influence purchasing decisions. Guaranteed availability of oil palm seeds, waiting time for seed purchase queues, and the adequacy of oil palm seeds contribute to influencing purchasing decisions. Products must be promoted in a good way to increase consumer awareness and should also be distributed in the right place [3]. The results of this study are in line with several previous studies which showed that there were place influences on purchasing decisions [33]; [34].

The results of testing the fourth hypothesis show that promotion has a significant effect on the decision to purchase palm oil seeds through trust. This proves that advertising, personal sales, promotions, and publicity are not factors that can cause potential consumers to decide to buy palm oil seeds. The findings of this study prove that the decision to purchase palm oil seeds is influenced by promotional variables. The better advertising, personal sales, sales promotions, and publicity can affect prospective consumers to buy palm oil seeds.

Promotion aims to encourage demand and create purchasing decisions. Promotions by oil palm seed producers ensure that prospective customers decide to buy palm oil seeds because effective advertising and publicity can improve purchasing decisions. Palm oil seed producers should be vigorous in advertising palm oil seedlings so that potential customers know about palm oil seeds through these advertisements. In addition, publicity in the form of socialization and seminars can also be done to influence purchasing decisions.

Promotion is essentially a form of marketing communication that aims to encourage demand. Companies must provide critical thinking before advertising products, it is very important for companies to list functions, designs or use of their products before advertising, this will help avoid misleading information about products [3].

The results of the fifth hypothesis analysis show that trust has a positive and significant effect on purchasing decisions for oil palm seeds. That is, the higher the trust, the higher the decision to purchase palm oil seeds.

Customer trust is an important characteristic of every relationship [35]. So, increasing trust means strengthening relationships. Trust can also be determined by product quality [36]. Trust is a special psychological state that can only occur in certain relationships. When a customer trusts the service provider, he has confidence in service quality and product quality from the service provider [37]. In this study, the higher the trust, the higher the decision to purchase palm oil seeds.

VI. CONCLUSION

Based on the results of data analysis and discussion, conclusions can be drawn from these results. The marketing mix elements consisting of products, prices, locations, and promotions affect the purchase decision of palm oil seeds through trust. The better quality of the product offered, the more attractive price, the more effective promotion, and the easier distribution can increase the purchase decision of oil palm seeds if the consumer believes in the company and the marketing mix elements offered.

Based on the results of the research and conclusions obtained in this study, the suggestions are to increase the purchase decision of oil palm seeds by making policies regarding products, guarantee the quality of oil palm seeds, and increase the choice of oil palm seeds palm oil. Then implement price policies such as adjusting the price of oil palm seed by providing the selling price of oil palm seeds with high value for prospective customers, improve the selling price of oil palm seeds, selling prices oil palm seedlings that are in accordance with the ability of consumers, increase the competitiveness of the price by offering prices of oil palm seeds cheaper than competitor prices. Then implement a more effective distribution strategy such as easy access to location, location visibility, the environment to support the products offered, and give distribution guarantee of oil palm seeds. Furthermore, implementing an effective promotion strategy by conducting advertising, personal sales, sales promotions, publicity, and seminars that can influence prospective consumers to buy palm oil seeds.

All marketing mix elements can influence purchasing decisions for oil palm seeds if consumers believe. To increase this trust, oil palm seed companies can increase attention to customers, improve their integrity, and increase their competency as providers of palm oil seeds.

VII. LIMITATIONS AND FUTURE RESEARCH

There are some weaknesses in this study such as the number of samples which is only limited to buyers of oil palm seeds in West Sumatra so the scope of the research is wider in the future. In addition, this study only analyzes purchasing decision factors only from trust and marketing mix strategies. In fact, there are many other factors that determine the decisions of oil palm seeds.

The present research is subject to certain limitations, which should be considered in future research. From these weaknesses, future research is expected to increase the number of research samples and the broader scope of research. In addition, it is also necessary to analyze other factors that influence the buying behaviour of oil palm seeds by adding relevant variables.

REFERENCES


