ID 84

by Miharni Tj

The Role of e-WOM towards Value Co-Creation on Sharing Economy Platform in Indonesia

Hidayat Syamsoeyadi[1] Miharni Tjokrosaputro[1*]

[1]Faculty of Economics & Business, Universitas Tarumanagara, West Jakarta 11470, Indonesia
*Corresponding author. Email: miharnit@fe.untar.ac.id

ABSTRACT

The purpose of the research is to examine the effect of electronic Word of Mouth (e-WOM) on value co-creation of ride sharing application users in Indonesia (both directly and indirectly). The method that was used is survey method with the respondents of 201 ride sharing application users (Gen Y). A convenience sampling technique was used with the data that was collected using questionnaires and analyzed using Partial Least Square-Structural Equation Modeling. The results showed that e-WOM had direct and indirect effect on value co-creation through ethical perceptions. This result suggests or imply that it is important for the company to consider ethical aspects and e-WOM marketing strategy to increase value co-creation between user and service provider.

Keywords: electronic word of mouth (e-WOM), value co-creation, ethical perceptions, sharing economy platform

1. INTRODUCTION

Recently, the development of sharing economy platform is very rapid especially in Indonesia. The needs of people also shifted from ownership economy into sharing economy. Unmitigatedly, the status of platform that implements sharing economy in Indonesia even has the title as *decacorn* (startup with valuation of more than US$ 10 billion) namely Go-Jek [1] which is currently the only and the first *decacorn* in Indonesia. Meanwhile, under decacorn, there are 7 startups with *unicorn* titles in Indonesia, namely Tokopedia, Traveloka, Ovo, Bukalapak, J&T Express, Online Tax and Xendit. Besides Go-Jek, there is Grab application that also has large market of ride sharing in Indonesia.

With the development of sharing economy platforms, there is tendency for ethical violations such as issues of data security, privacy, trust and so on [2]. This ethical issue is considered to have an important relationship in the process of value co-creation in ride sharing application so that the platform can develop until now. In contrast to e-commerce and businesses that focus on purchase intention, on the sharing economy platform itself, the important focus is creating value through value co-creation [3].

The process of value co-creation on sharing economy platform requires a catalyst (driving factor) that can make the process happen. One of the driving factors is electronic word of mouth (e-WOM) marketing [4]. This is special concern of researchers to see the relationship between variables in e-WOM (electronic Word of Mouth), ethical perceptions, and value co-creation in the ride sharing application.

Entering 2020, the world was shocked by the presence of the SARS-COV2 virus (otherwise known as the Covid-19 virus) which changed the business landscape around the world. The magnitude of the economic pressure caused by the virus has also affected economic activity on the sharing economy platform. It was found that on the sharing economy platform, especially the mobility/shared vehicle sector, service users prefer to use the platform for reasons of cleanliness and government policies rather than because of the discount/offer factor, reviews, prices, and safety [5]. Prior to the Covid-19 pandemic, hygiene issues and government policies were not a concern for service users. Most of them pay attention to the aspects of discounts/offers, reviews, and prices in using these services.

This research was conducted by taking ride sharing as the research subject. The reason for the choice is because Indonesia has 2 popular ride-sharing platform namely Go-Jek and Grab that have large market not only in Indonesia but also in South-East Asia [6].

This research will discuss about how electronic Word of Mouth (e-WOM) with the combination of ethical perceptions especially for ride sharing application users (Gen Y) can provide advantages for practitioners and academicians. Besides that, it is expected that with this research, the gap that related to sharing economy platform can be filled. Practitioners can be more confidently determine effective marketing for e-WOM by considering the influence of ethical perceptions in generating value co-creation on the sharing economy platform. The study results are provided by using PLS-SEM method with 201 Gen Y respondents around Indonesia. The implications of research are provided in the paper.

2. LITERATURE REVIEW

2.1. Electronic Word of Mouth (E-WOM)

Electronic Word of Mouth (e-WOM) could be defined as any positive or negative statement made by potential, actual, or former customers about a product or company, which is made available to a multitude of people and institutions via the internet [7]. It also could be said that e-WOM is sharing of information about product and services among people who interact with one another in virtual world of social media [8]. Therefore, in this study, e-WOM could be understood as information about the good or bad of a product or service that is carried out through the internet or social media so that people can see whether the product or service is useful or not. With this e-WOM, people who have not used the product or service have the information or knowledge they need before deciding to use the product or service.

2.2. Value Co-Creation

The concept of value co-creation was born from Service Dominant (SD) Logic [9] concept which states that companies increasingly rely on consumers to create shared value. This understanding has led companies to leverage consumers and their experiences to create value as they design and develop products and services. Value co-creation is mechanisms of interplay and collaboration between service providers and customers, resulting in experienced value for the parties [10]. Furthermore, it could be defined as a holistic management strategy which brings distinct agents together producing valued outcomes [11]. So, it could be understood in this study that value co-creation is a two-way value creation process between service providers and consumers to provide value to the sharing economy platform. Its process becomes efficient with the role of consumers in maintaining, using, improving, and adapting the services of the service provider to the unique situation, behavior and needs of these consumers.

2.3. Ethical Perceptions

Ethical perceptions could be defined as the relative awareness or recognition of the ethical dimension within an ethical situation [12]. In marketing, ethics also could be defined as the systematic study of how moral standards are applied in marketing, behavioral and corporate decisions [13]. In the previous research [2], ethical perceptions have 5 dimensions that affect the transactions in sharing economy platform, those are privacy, security, shared value, fulfillment/reliability, and service recovery. Meanwhile, there is one other dimension in ethical perceptions which is studied [2] but has no influence in the process, namely non-deception. Therefore, ethical aspects in marketing are related to moral standards in the company and ethical dimensions in certain situations. With the moral standards in sharing economy platform, consumers can make online transactions conveniently.

2.4. Previous Research

2.4.1. EWOM towards Ethical Perceptions

Research that discusses the relationship between e-WOM and ethical perceptions is still inadequate. Most studies discuss the relationship between e-WOM and purchasing intention [14, 15, 16] and consumer participation [17]. Therefore, in this study, we will discuss the effect of e-WOM on ethical perceptions, especially on the sharing economy platform.

2.4.2. EWOM towards Value Co-Creation

In literature presented by [4] with Systematic Literature Review (SLR) method, it is revealed that digital marketing, especially e-WOM is an effective strategy in increasing loyalty from customers and in attracting potential customers for sharing economy platforms. Positive e-WOM has been proven to increase consumer trust and loyalty digitally. From this, consumer trust and loyalty could increase the creation of shared value between consumers and service providers on sharing economy platform. The analysis was conducted based on a review of 13 selected articles (out of a total of 40 articles researched by [4]) with a focus on implementing digital marketing strategies in sharing economy. There are currently no studies that quantitatively demonstrate the effect of e-WOM on sharing economy platforms.

2.4.3. Ethical Perceptions towards Value Co-Creation

In a study conducted by [2] of 500 student responders (453 respondents) with a focus on world-famous sharing economy platforms including Uber, Air BnB, Lyft, HomeAway, Indiegogo, Spcar, and Kickstarter, used empirical data analysis using the Structural Equation Modeling (SEM) method. The data analysis aims to measure how ethical perceptions act as mediating factor between consumer participation and value co-creation. The results show that there is an influence between consumer participation on value co-creation in sharing economy platform which is even stronger with the ethical perceptions as mediating variable. Besides that, in study on Grab Bike user [18] about the effect of ethical perceptions on value co-creation showed significant results.

However, in the latest research by [19], which involved 400 respondents (only 348 respondents met the criteria) with a wider sample characteristic (not only student respondents) it was found that the direct influence between ethical perceptions and value co-creation together is not significant.

2.4.4. Ethical Perceptions as Mediator between E-WOM and Value Co-creation

Study on ethical perceptions as mediator between e-WOM and value co-creation is still very limited. Until now, ethical

perceptions had been used as a mediator in study on relationship between consumer participation and value co-creation [2], relationship between social support and value co-creation [19] and relationship between authentic support and value co-creation [20]. In this study, we will show the influence of e-WOM on value co-creation with ethical perceptions as mediator.

2.5. Hypothesis Development

The focus of this research is to get relationship between electronic word of mouth (e-WOM), ethical perceptions and value co-creation. In addition, this study will examine the mediating effect of ethical perceptions on the relationship between e-WOM and value co-creation. The relationship of each variable could be seen in the research model (Figure 1). The research will start with testing the relationship between variables then the mediating variable.
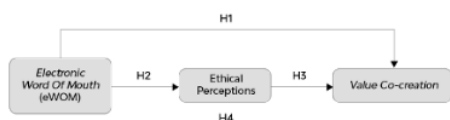

Figure 1 Research Model

Based on research model above, hypothesis of each variable can be seen as:

H_1: Electronic word of mouth has positive effect on value co-creation of ride sharing application users.
H_2: Electronic word of mouth has positive effect on ethical perceptions of ride sharing application users.
H_3: Ethical perceptions has positive effect on value co-creation of ride sharing application users.
H_4: Ethical perceptions can mediate between electronic word of mouth and value co-creation of ride sharing application users.

3. RESEARCH METHODOLOGY

The research method used here is quantitative survey, namely collecting data in the form of a questionnaire to ride sharing application users in the last 3 months (June-September 2021). Application users who are the subject of research are Gen Y (aged 18-40 years) in Indonesia. The sampling technique was carried out using the convenience sampling technique with the number of respondents who filled out the questionnaire amounting to 225 people. However, only 201 of them can be used. In detail, the sample profile can be seen in Table 1. The analysis was carried out using the PLS-SEM method [21]. The operationalization of the electronic word of mouth variable was measured using 5 indicators, ethical perception using 4 indicators, and value creation with 3 indicators. Details of these indicators and measurements can be seen in Table 2.

4. RESULTS AND DISCUSSION

Outer model. Based on the testing using SmartPLS 3.3.3, the results showed that indicator EWOM2 didn't show the correlation with the construction of measurement model (loading factor = 0.518), so the indicator EWOM2 was taken out from the testing. After re-run the testing without indicator EWOM2, the results showed that the reliability test and validity test were passed by all indicators. Standardized loading value of this model is higher than 0.60, an internal consistency reliability value of CR > 0.70 and < 0.95, convergent validity AV value > 0.50, and a discriminant validity HTMT value < 0.90. The results shown in Table 3.

Inner model. The inner model test results depict that there is no multicollinearity between e-WOM and ethical perceptions with the value < 5.

The determination coefficient (R2) of ethical perception is 0.291. This means that 29% of the ethical perceptions can be explained by e-WOM. E-WOM has a weak ability to explain ethical perceptions. The determination coefficient of value co-creation is 0.389. This implies that 39% of value co-creation can be explained by e-WOM and ethical perceptions. E-WOM and ethical perceptions have a weak ability to explain value co-creation.

The tests of hypothesis 1 revealed that e-WOM had positive effect (β = 0.312) which was statically significant (p-value = 0.000) and weak (f2 = 0.113) towards value co-creation (Table 4). This depicts that the higher the individual's e-WOM, the higher individual's value co-creation will be towards ride sharing application users.

The examination of hypothesis 2 showed that e-WOM had positive effect (β = 0.540) which was statically significant (p-value = 0.000) and strong (f2 = 0.411) towards ethical perceptions, as depicted in Table 4. This research result showed that the higher the individual's e-WOM, then the ethical perceptions of ride sharing application users will increase slightly.

The test of hypothesis 3 discovered that ethical perceptions had positive effect (β = 0.397), which was statically significant (p-value = 0.000) and strong (f2 = 0.182) towards value co-creation as seen in Table 4. The result showed that individual's ethical perceptions influenced the individual's value co-creation on using ride sharing application.

Analysis of hypothesis 4 shown that ethical perceptions mediated between e-WOM, and value co-creation as can be viewed from p-value < 0.05 (Table 5). It's also shown that e-WOM could have direct influence on value co-creation without using ethical perceptions as mediating variable.

Table 1 Sample Profiles

	%
Gender	
Male	54.7
Female	45.3
Age	
18-22 years	6.9
23-29 years	29.4
30-40 years	63.7
Occupation	
Student	7.4
Employee	53.2
Entrepreneur	26.3
Other	12.9
Revenue per month	
< Rp. 3.000.000	12.4
Rp. 3.000.001 - Rp. 6.000.000	27.3
Rp. 6.000.001 - Rp. 10.000.000	21.4
Rp. 10.000.001 - Rp. 15.000.000	12.4
> Rp. 15.000.000	26.3
Domicile	
Java Island	62.1
Sumatera Island	4.9
Sulawesi Island	19.4
Kalimantan Island	3.4
Bali & Nusa Tenggara Island	4.4
Maluku Island & Papua	5.4

Table 2 Measurements or Indicators of Each Variable

Variables	Denotations	Indicators
Electronic Word of Mouth	EWOM1	The contact lists on my social media are mostly trustworthy.
	EWOM2	I trust the comments made by my acquaintances on social media.
	EWOM3	The ride sharing application is popular because of the large number of comments/reviews by users on the application.
	EWOM4	I became more interested in using the ride sharing application after I read the comments/reviews made by consumers
	EWOM5	In the future, I will use the app as my first choice.
Ethical Perceptions	EP1	I believe the ride sharing application will not use my personal data for other transaction purposes.
	EP2	The digital payment system on the ride sharing application is safe and verified.
	EP3	I received the product/service that matched what I ordered on the ride sharing application.
	EP4	The ride sharing application responded to my complaints quickly.
Value Co-creation	VCC1	I am willing to share my experience/suggestions on the ride sharing application service if an acquaintance asks about it.
	VCC2	I intend to buy products/services on the ride sharing application recommended by my acquaintances.
	VCC3	The experience of using the ride sharing application from my friends became my consideration when I needed a similar service on the application.

Table 3 Outer Model

Variable	Indicator	Loading	CR	AVE	HTMT EWOM	HTMT EP	HTMT VCC
Electronic Word of Mouth	EWOM 1	0.634	0.836	0.562	-	-	-
	EWOM 3	0.811					
	EWOM 4	0.805					
	EWOM 5	0.736					
Ethical Perception	EP 1	0.755	0.832	0.544	0.733	-	-
	EP 2	0.824					
	EP 3	0.707					
	EP 4	0.684					
Value Co-Creation	VC 1	0.802	0.884	0.718	0.673	0.726	-
	VC 2	0.89					
	VC 3	0.846					

Source: Data processed results (2021)
Notes: Loading: Standardized loading, CR: Composite Reliability, AVE: Average Variance Extracted, HTMT: Heteroit-monotrait ratio of correlations, EWOM: Electronic Word of Mouth, EP: Ethical Perceptions, VCC: Value Co-creation

Table 4 Inner Model

Influence	Value	Explanation
EWOM → EP	$\beta = 0.540$	Positive
	p-value = 0.000	Significant
	$f^2 = 0.411$	Strong
EWOM → VCC	$\beta = 0.312$	Positive
	p-value = 0.000	Significant
	$f^2 = 0.113$	Weak
EP → VC	$\beta = 0.397$	Positive
	p-value = 0.000	Significant
	$f^2 = 0.182$	Strong

Source: Data processed results (2021)
Notes: EWOM: Electronic Word of Mouth, EP: Ethical Perceptions, VCC: Value Co-creation

Table 5 Mediation Test Results

Influence	Coefficient	P-Value	Explanation
EWOM → VC	0.214	0.000	Significant
EWOM → EP → VC	0.214	0.000	Significant

This research confirmed that the stronger indicator for electronic word of mouth (e-WOM) happened when someone have good perceptions about ethical of using ride sharing application. Besides that, the research strengthens the finding by [2], [18], [20], in which an individual's relationship with ethical perceptions is significant in explaining value co-creation in using ride sharing application.

5. CLOSING

5.1. Conclusions and Implications

The study results stated that all hypotheses (H1 to H4) are supported by the data. So, it can be concluded that e-WOM has a positive and significant effect, although weak on value co creation (H1) on the use of the ride sharing application, e-WOM also has strong and positive influence on ethical perceptions (H2). In addition, ethical perceptions have

strong and positive influence on the value co-creation (H3) on the use of the ride sharing application. Regarding the mediation effect, ethical perception has positive and significant influence between e-WOM value co-creation on the use of the ride sharing application. In this case the hypothesis H4 is supported by the data. Overall, the results of these studies support previous research [2], [18], [20] on ethical perceptions having a significant influence on the value co-creation.

With the results of this study, it can be a valuable input for sharing economy platform companies, especially on the ride sharing application that e-WOM marketing strategies can increase active participation of service users in using the application. The application of ethical factors such as privacy, security, shared value, fulfillment/reliability, and service recovery are also an added value for the company in increasing such participation.

The implication of this research is that it could fill the gap in the limited research, especially between the e-WOM and ethical perceptions variables in sharing economy platform. Therefore, the results of this study can encourage further research on sharing economy platforms, especially in Indonesia. As managerial implication in this research, it is highly recommended for sharing economy platform companies to continue to maintain ethical aspects in running their business, especially for matters related to data security, secure and verified payments, appropriate services, and handling customer complaints properly. This is to keep consumers able to use these services, which of course also increases the number of service providers through the application. In addition, the consideration of using electronic word of mouth marketing is also important in increasing the value co-creation of the sharing economy platform. Therefore, companies need to encourage consumers to share their experiences using the application and provide comments on social media about their impressions of using the services on the application.

5.2. Limitations and Suggestions

Regardless of the approach taken in this study, there are still limitations, especially in terms of the scope of the age studied (Gen Y). In addition, most of the respondents are still concentrated in Java Island (62.1%) which has the highest level of use of the ride sharing application in Indonesia. Therefore, it is recommended to conduct research in certain areas in Indonesia such as Sulawesi Island, Sumatra Island, and others with broader respondents such as Gen Z. In addition, there are still several aspects that can be researched to enrich the study, especially in the realm of the sharing economy platform, such as user-generated content factors, digital marketing, key opinion leaders that have the potential to increase the value co-creation on the sharing economy platform.

REFERENCES

[1] Aksara, D. (2021, September 21). Bisnis: Big Alpha. Retrieved from Big Alpha Website: https://bigalpha.id/news/ada-anggota-baru-ini-daftar-unicorn-indonesia-paling-update

[2] Nadeem, W., Juntunen, M., Hajli, N., & Tajvidi, M. (2019). The Role of Ethical Perceptions in Consumers' Participation and Value Co-creation on Sharing Economy Platforms. Journal of Business Ethics, doi: 10.1007/s10551-019-04314-5.

[3] Prahalad, C., & Ramaswamy, V. (2004). Co-Creation Experiences: The Next Practice in Value Creation. Journal of Interactive Marketing 18(3), 5-14.

[4] Diges, L. P., & Debasa, F. (2020). The Use of Digital Marketing Strategies in the Sharing Economy: A Literature Review. Journal of Spatial and Organizational Dynamics, Vol. VIII, Issue 3, 217-229.

[5] Vinod, P. P., & Sharma, D. (2021). Covid-19 Impact on the Sharing Economy Post-Pandemic. Australasian Accounting, Business and Finance Journal, doi:10.14453/aabfj.v15i1.4.

[6] Lauria, Vinnie. (2021, November 10). 05-19-21 | POV. Retrieved from Fast Company Website: https://www.fastcompany.com/90637879/gojek-grab-tokopedia-uber-dominance

[7] Hennig-Thurau, T., Gwinner, K., Walsh, G., & Gremler, D. (2004). Electronic word-of-mouth via consumer-opinion platforms: What motivates consumers to articulate themselves on the Internet? . Journal of Interactive Marketing 18(1), 38-52.

[8] Sulthana, A., & Vasantha, S. (2019). Influence of electronic word of mouth eWOM on purchase intention. International Journal of Scientific and Technology Research, 8(10), 1-5.

[9] Vargo, S., Maglio, P., & Akaka, M. A. (2008). On Value and Value Co-Creation: A Service Systems and Service Logic Perspective. European Management Journal 26(3), 145-152.

[10] Gronroos, C., Strandvik, T., & Heinonen, K. (2015). Value Co-Creation: Critical Reflections. Helsinki: CERS, Hanken School of Economics.

[11] Prahalad, C., & Ramaswamy, V. (2004). Co-Creation Experiences: The Next Practice in Value Creation. Journal of Interactive Marketing 18(3), 5-14.

[12] Wittmer, D. (2000). Ethical sensitivity in management decisions: developing and testing a perceptual measure among management and professional student groups. Teaching Business Etchics, 4:2, 181-205.

[13] Laczniak, G., & Murphy, P. (2018). The role of normative marketing ethics. Journal of Business Research, 95, 401-407.

[14] Kunja, S., & GVRK, A. (2018). Examining the effect of eWOM on the customer purchase intention through value co-creation (VCC) in social networking sites (SNSs). Management Research Review, MRR-04-2017-0128.

[15] Saa'it, N., Kanyan, A., & Nazrin, M. F. (2016). The Effect of E-WOM on Customer Purchase Intention. International Academic Research Journal of Social Science 2(1), 73-80.

[16] Bataineh, A. (2015). The Impact of Perceived e-WOM on Purchase Intention: The Mediating Role of Corporate Image. International Journal of Marketing Studies, doi : 10.5539/ijms.v7n1p126.

[17] Martinez-Gonzalez, J. A., Parra-Lopez, E., & Barrientos-Baez, A. (2021). Young Consumers' Intention to Participate in the Sharing Economy: An Integrated Model. Sustainability 2021, 13, 430., doi:10.3390/su13010430.

[18] Sumi, & Tjokrosaputro, M. (2020). Pengaruh Customer Participation Dan Customer Ethical Perception Terhadap Value Co-Creation. Jurnal Manajerial dan Kewirausahaan, Volume II No. 4/2020, 1079-1085.

[19] Nadeem, W., & Al-Imamy, S. (2020). Do ethics drive value co-creation on digital sharing economy platforms? Journal of Retailing and Consumer Services, Vol. 55, p. 102095, doi: 10.1016/j.jretconser.2020.102095.

[20] Al-Imamy, S., & Nadeem, W. (2021). Is this real? Cocreation of value through authentic experiential augmented reality: the mediating effect of perceived ethics and customer engagement. Information Technology & People, ahead-of-print, doi: 10.1108/ITP-07-2020-0455.

[21] Reinartz, W., Haenlein, M., & Henseler, J. (2009). An empirical comparison of the efficacy of covariance-based and variance-based SEM. International Journal of Research in Marketing, 26(4), 332-344.

ID 84

8 www.ijstr.org
Internet Source
1 %

9 Kunja Sambashiva Rao, Bramhani Rao, G.V.R.K. Acharyulu. "Examining ePWOM-purchase intention link in Facebook brand fan pages: Trust beliefs, value co-creation and brand image as mediators", IIMB Management Review, 2021
Publication
1 %

10 icsmm.net
Internet Source
1 %

Exclude quotes	On	Exclude matches	< 1%
Exclude bibliography	On		