

THE INFLUENCE OF PAYMENT METHODS, DISCOUNTS, AND FREE SHIPPING ON PURCHASE DECISIONS IN THE SHOPEE APPLICATION FOR GENERATION Z IN SURABAYA CITY



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Abstract

In shopping, purchasing decisions are influenced by consumer behavior, which is affected by several factors. One of the factors influencing purchase decisions is customer service. The Shopee application offers various customer services such as diverse payment methods, and monthly events like discounts or free shipping. Aligned with the services provided by Shopee, this study aims to determine the influence of payment methods, discounts, and free shipping on purchasing decisions among Generation Z in Surabaya City. The population studied consists of Generation Z in Surabaya City, and a purposive sampling technique was employed to select 100 respondents. Data collection was conducted using a questionnaire. Subsequently, the collected responses were analyzed to test the initial hypotheses using the Partial Least Squares (PLS) method, involving stages of validity testing, reliability testing, T-testing, and hypothesis testing. From the data analysis using the Partial Least Squares (PLS) method, it was found that payment methods, discounts, and free shipping significantly influence purchasing decisions. The impact of each independent variable indicates contributions of payment methods, discounts, and free shipping towards purchasing decisions on the Shopee application for Generation Z in Surabaya City.

Keywords: Discount, Free Shipping, Payment Methods

INTRODUCTION

Currently, internet users in Indonesia are dominated by Generation Z and Millennials, comprising 34.40% of the total internet user population. Generation Z uses the Internet for entertainment, daily necessities, and work-related activities. According to a survey conducted by KIC (2023), besides social media and gaming, Generation Z frequently uses three other services: e-commerce platforms for shopping, delivery services, and messaging services (Cicik et al, 2023).

Shopee is an online shopping application that offers various features to help users fulfill their needs, including paying bills, buying credit, ordering food and beverages, as well as purchasing fashion items, household goods, shoes, and more (Putri and Iriani, 2019:78). The multitude of features offered by Shopee is a significant factor contributing to its status as the number one online shopping application in Indonesia. According to Suleman (2018), the selection of online shopping applications is based on factors such as ease of transaction, fast delivery, easy payment methods, and promotions available on the e-commerce platform.

Visitor data from Similarweb (2024) indicates that over the past three months, Shopee has attracted approximately 245.8 million visitors. Aligning with the demographic of internet users in Indonesia, Similarweb (2024) reports that 63.52% of Shopee app users are Generation Z, confirming that Shopee is the top choice among Generation Z for online shopping. According to Suleman (2018), the selection of online shopping applications is based on factors such as ease of transaction, fast delivery, easy payment methods, and promotions available on the e-commerce platform.

Purchase decisions involve a selection process where two or more alternative behaviors are evaluated to make a choice (Mahkota, 2014:3; Rosyid et al, 2023). In this context, purchase decisions are among the outcomes resulting from consumer behavior. Consumer behavior, according to Sunyoto and Saksono (2021:55), is the psychological process or activities that influence conditions before, during, and after making a purchase, influenced by both controllable and uncontrollable factors.

The services offered on the Shopee application can significantly influence consumer behavior and ultimately affect purchase decisions (Anggraeni & A'yuni, 2023). Purchase decisions involve a selection process where two or more alternative behaviors are evaluated

to make a choice (Mahkota, 2014:3). E-commerce services include payment methods and periodic promotional activities such as free shipping and discounts during specific events. Based on this brief overview of services and the high user base on Shopee, the researcher aims to investigate the impact of Shopee's services—specifically payment methods, discounts, and free shipping—on purchase decisions among Generation Z in Surabaya.

REVIEW OF LITERATURE

Purchase Decision

The purchase decision is a study used to gather information about specific products by combining existing knowledge to evaluate two or more choices before making a selection (Anwar, 2015:5). According to Kotler and Keller (2007:44), indicators in purchase decisions include:

- a. Product reliability
- b. Habit in purchasing products
- c. Providing recommendations to others
- d. Making repeat purchases

Payment Methods

The digital revolution has led to a variety of payment methods, unlike conventional methods using cash, checks, or credit cards. Online payments today have transformed into digital forms such as mobile banking, QR codes, and e-wallets. The current societal preference for online payments is driven by the convenience and ease of the online payment process (Rodiah and Melati, 2020:69). According to Tussafinah (2018:37), indicators for payment methods include:

- a) Convenience
- b) Effectiveness
- c) Minimizing fraud

Discounts

Discounts involve reducing the normal price of products offered to customers under specific agreed-upon conditions (Kusnanto et al, 2020:3). Discounts are a promising

marketing strategy. According to Thendeano et al (2020:40), indicators for discounts include:

- a. Amount of discount
- b. Frequency of discounts
- c. Types of products discounted
- d. Attractiveness and appropriateness of discount programs

Free Shipping

Free shipping is a sales promotion form as an incentive to buyers, stimulating the purchase process for a specified quantity of products as soon as possible. Free shipping is commonly used by e-commerce platforms as a promotional method (Auli et al, 2021:113). According to Azli et al (2022:3), indicators for free shipping include:

- a) Capturing attention
- b) Having appeal
- c) Generating a desire to purchase
- d) Encouraging consumers to make purchases

Impact of Payment Methods on Purchase Decision

Payment methods significantly influence consumer purchase decisions, especially in online shopping across various e-commerce platforms (Handayani, 2021:59). Different payment methods provide consumers with shopping convenience and facilitate transactions through options such as e-wallets, bank transfers, credit cards, and virtual money. According to Desita et al (2023:71), the type of payment method on online shopping platforms affects purchase decisions. This is because platforms offering easy, reliable, and effective payment methods build consumer trust, thereby attracting consumers to shop on those platforms.

H1: Payment methods influence purchase decisions

Impact of Discounts on Purchase Decision

Discounts are a business strategy aimed at the turnover of goods and money. Discounts influence purchase decisions, as buyers tend to choose products with discounts despite certain conditions. According to Putra et al (2018:3-4), the effectiveness of discounts, increased quantity of purchases, and a direct reduction in consumer expenditure are key aspects of discount impact. According to Fauziah (2017), discounts can influence

purchase decisions by enhancing consumer emotional appeal towards purchasing during discount periods.

H2: Discounts influence purchase decisions

Impact of Free Shipping on Purchase Decision

Free shipping is part of sales promotion efforts aimed at stimulating purchases through special selling efforts such as exhibitions, displays, demonstrations, and other sales activities that can be conducted at any time (Auli et al, 2021:116). According to Asra (2019:226), offering free shipping promotions on online shopping platforms influences purchase decisions. This is because, with free shipping promotions, consumers do not have to pay delivery fees when shopping.

H3: Free shipping influences purchase decisions

Main Variable

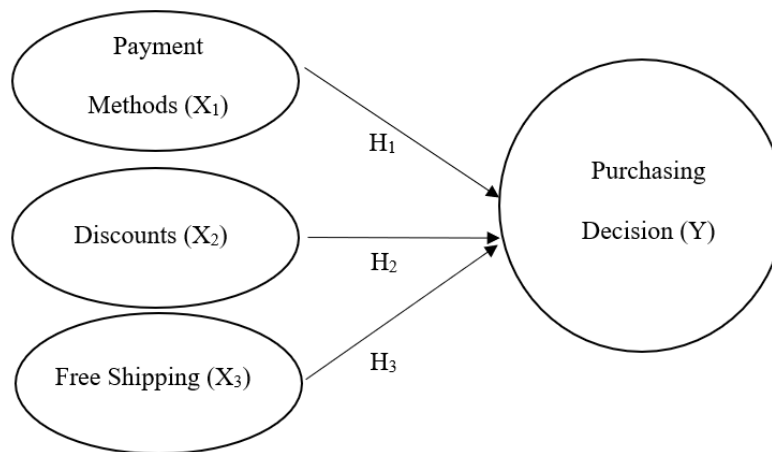


Figure 1.
Conceptual Framework

RESEARCH METHOD

This research employs a quantitative method using Partial Least Squares (PLS) with the target population being Generation Z in Surabaya who meet the following criteria: 1) Have made transactions on the Shopee marketplace, 2) Have made at least one purchase, 3) Born between the years 1997 and 2012. The sampling technique used is purposive sampling based on the Lemeshow sample size formula, resulting in a sample size of 100 respondents. Data collection utilizes a questionnaire instrument with a Likert scale weighing from 1 to 5.

The data analysis method consists of validity and reliability testing, descriptive analysis, and path analysis.

RESULTS AND DISCUSSION

Respondent Characteristics

Table 1.
Age of Respondent

Age	Number of Respondent	Percentage
16-20 year	13	13%
21-25 year	86	86%
26-30 year	1	1%
Totals: 100 respondents		

Source: (Data processed privately, 2024)

Table 2.
Gender of Respondent

Gender	Number of Respondent	Percentage
Man	28	28%
Women	72	72%
Totals: 100 respondents		

Source: (Data processed privately, 2024)

Based on the questionnaire results, it is evident that 86% of the respondents fall within the 21-25 age range, which categorizes them as Generation Z. In terms of gender distribution, 72% of the respondents identified as female, while the remaining 28% identified as male. These demographic characteristics provide insights into the composition of the survey sample and are crucial for understanding how different segments of Generation Z consumers in Surabaya perceive and engage with online shopping platforms such as Shopee.

Validity and Reliability Testing

Average Variance Extracted (AVE)

Average Variance Extracted (AVE) is a measurement model that utilizes the magnitude of indicator variance values contained within latent variables. AVE convergence values are considered good or adequate if they exceed 0.5 (Ghozali, 2015:74).

Table 3.
Average Variance Extracted (AVE)

Average Variance Extracted (AVE)	
Payment Methods	0.833
Discounts	0.705
Free Shipping	0.847
Purchase Decision	0.713

Source: (Data processed using PLS, 2024)

In Table 3, it is observed that each construct under study has an AVE (Average Variance Extracted) value greater than 0.5. Specifically, for the payment method construct (X1), the AVE value is 0.833. For the discount construct (X2), the AVE value is 0.705, while for the free shipping construct (X3), the AVE value is 0.847. Furthermore, the purchase decision construct (Y) has an AVE value of 0.713. Based on these test results, it can be concluded that all constructs exhibit good validity.

Composite Reliability

Composite reliability is a test used to assess the reliability of indicators within latent variables. According to Sugiyono (2016:85), for a variable to demonstrate good composite reliability, it should have a value greater than 0.7. Table 4 presents the composite reliability values for the independent variables in this study.

Table 4.
Composite Reliability

Composite Reliability	
Payment Methods	0.937
Discounts	0.905
Free Shipping	0.957
Purchase Decision	0.908

Source: (Data processed using PLS, 2024)

According to Sugiyono (2016:85), composite reliability is used to measure the true reliability of variables. A composite reliability value below 0.7 indicates unreliable variables, compromising the accuracy and consistency of measurement instruments. Therefore, to ensure accurate and consistent results, composite reliability values should exceed 0.7. Based on the composite reliability tests conducted in this study, all independent variables

demonstrated reliable results. Specifically, the payment method variable (X1) exhibited a composite reliability value of 0.973 (>0.7), the discount variable (X2) showed a composite reliability of 0.905 (>0.7), and the free shipping variable (X3) had a composite reliability of 0.957 (>0.7). Similarly, the dependent variable in this study, purchase decision (Y), also showed a composite reliability value greater than 0.7, specifically 0.908. These findings indicate that all variables used in the study are reliable and can be considered consistent and accurate measures for assessing their respective constructs.

Coefficient of Determination

In this test, the coefficient of determination (R^2) represents the extent to which independent variables can explain the variation in the dependent variable.

Table 5.
R-Square

	R-Square	R-Square Adjusted
Purchase Decision	0,922	0,920

Source: (Data processed using PLS, 2024)

In Table 5, it is noted that the coefficient of determination (R^2) for the dependent variable, purchase decision, is 0.922. An R^2 value of 0.922 indicates that 92.2% of the variability in purchase decisions can be explained by the three independent variables, which falls into the category of very strong explanation according to Sugiyono (2006:214). He categorizes R^2 values into five categories: very weak (0-0.199), weak (0.2-0.399), moderate (0.4-0.599), strong (0.6-0.799), and very strong (0.8-1.00).

Hypothesis Testing

In hypothesis testing, a research hypothesis is considered significant if it has a P-value < 0.05 (Ghozali, 2016:77). A P-value > 0.05 indicates that the hypothesis is not significant and should be rejected. Additionally, hypothesis testing considers coefficient

values and T-statistics. Table 6 typically presents path coefficients along with their coefficients, T-statistics, and P-values.

Table 6.
Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistic (O/STDEV V)	P-Values
Payment Methods Purchase Decision	0.340	0.350	0.156	2.175	0.030
Discounts Purchase Decision	0.196	0.212	0.085	2.301	0.021
Free Shipping Purchase Decision	0.457	0.433	0.162	2.820	0.005

Source: (Data processed using PLS, 2024)

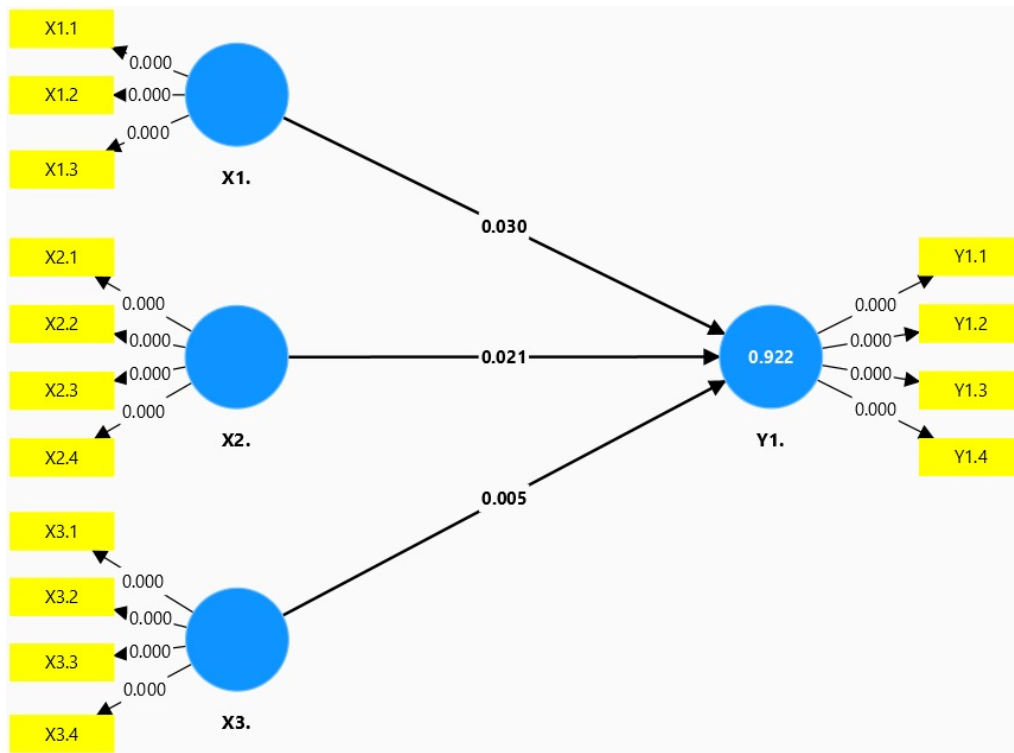


Figure 2.
Inner Model Research

Based on the analysis from Table 6, it can be concluded that the payment method variable (X1) has a significant positive influence on purchase decisions (Y). This is evident from the p-value of 0.030 (<0.05), indicating sufficient statistical evidence to support the relationship between payment method and purchase decisions. Additionally, the t-statistic value of 2.175 (>1.96) also indicates that this influence is significantly different from zero. The coefficient of 0.340 shows the magnitude of the direct impact of the payment method on purchase decisions. Therefore, based on these results, it can be concluded that hypothesis H1, which suggests a positive influence of the payment method on purchase decisions, is accepted.

Based on the results, it can be concluded that the discount variable (X2) has a positive influence on purchase decisions (Y). The p-value for the discount variable with respect to purchase decisions is 0.021 (<0.05), indicating statistically significant evidence to support the relationship between discounts and purchase decisions. Furthermore, the t-statistic value of 2.301 (>1.96) confirms that this influence is statistically significant. The coefficient of 0.196 reflects the magnitude of the direct effect of discounts on purchase decisions. Therefore, based on these findings, hypothesis H2, which posits a positive impact of discounts on purchase decisions, is accepted.

Based on the analysis, it is evident that free shipping (X3) has a positive influence on purchase decisions (Y). The p-value for free shipping concerning purchase decisions is 0.005 (<0.05), indicating strong statistical evidence supporting the relationship between free shipping and purchase decisions. Additionally, the t-statistic value of 2.820 (>1.96) confirms that this influence is statistically significant. The coefficient of 0.457 indicates the magnitude of the direct effect of free shipping on purchase decisions. Therefore, based on these results, hypothesis H3, which suggests a positive impact of free shipping on purchase decisions, can be accepted.

Impact of Payment Methods on Purchase Decision

In this study, it was found that payment methods (X1) significantly influence the purchasing decisions of Generation Z in Surabaya City. The hypothesis testing results showed a p-value of 0.04 (<0.05), indicating sufficient statistical evidence to support a positive relationship between payment methods and purchasing decisions on the Shopee

online shopping application (Y). Therefore, the first hypothesis, stating a positive influence of payment methods on purchasing decisions among Generation Z in Surabaya City, is accepted.

Upon deeper analysis, the payment methods variable also demonstrated a secondary significant impact on purchasing decisions within the Shopee application for Generation Z. This finding is consistent with Nurrohmah's (2020:87) study, which highlighted the diversity of payment methods in online shopping as crucial for consumer trust in transaction processes. Another study by Ramadani et al. (2023:18) emphasized how diverse payment methods facilitate consumers in completing transactions at any time needed. These findings align with Handayani's (2021:65) research, which concluded that payment methods significantly influence consumer purchasing decisions in e-commerce contexts, thereby increasing the likelihood of consumers making purchase decisions.

Thus, this research confirms that payment methods play a crucial role in influencing purchasing decisions on e-commerce platforms, particularly among Generation Z in Surabaya City.

Impact of Discounts on Purchase Decision

Based on this research, it has been established that the variable of discount offers (X2) does not significantly influence the purchasing decisions of Generation Z in Surabaya City. According to Ghozali (2016:77), a hypothesis is accepted if it has a p-value of less than 0.05. The p-value obtained for the discount variable during hypothesis testing was less than 0.05, specifically 0.021. This indicates that the variable under study has a significant or positive impact on the dependent variable, which in this case is purchasing decisions.

Therefore, the second hypothesis stating a positive relationship between discounts (X2) and purchasing decisions among Generation Z in Surabaya City through the Shopee online shopping application (Y) can be accepted. The hypothesis testing results for the discount variable suggest that it is indeed linked to purchasing decisions among Generation Z using the Shopee app in Surabaya. This finding is consistent with research conducted by Famelia et al. (2022:133) and Jackson et al. (2021:1410), who found that discounts have a positive influence on purchasing decisions. According to Famelia et al. (2022:133), discounts are one of the reasons consumers decide to purchase certain products.

Impact of Free Shipping on Purchase Decision

In this study, it has been determined that free shipping has a significant influence on the purchasing decisions of Generation Z in Surabaya City. The p-value obtained during hypothesis testing was 0.005, which is less than the significance level of 0.05, as recommended by Ghozali (2016:77). Therefore, the third hypothesis, which posits a positive relationship between free shipping (X3) and purchasing decisions among Generation Z in Surabaya City through the Shopee online shopping application (Y), can be accepted.

Upon further analysis, it is evident that the variable of free shipping has the highest impact on purchasing decisions within the Shopee app among Generation Z. This finding aligns with research conducted by Auli et al. (2021:120), which indicates that free shipping influences purchasing decisions during online shopping. The influence of free shipping on purchasing decisions is attributed to its advantageous conditions for consumers when shopping online, as it helps save costs and time during transactions.

CONCLUSION

Based on the research conducted, it can be concluded that payment methods, discounts, and free shipping on the Shopee application influence purchasing decisions among Generation Z in Surabaya City. These findings underscore the significant contribution of quality service in e-commerce to purchasing decisions.

Drawing from the research findings, here are some recommendations for consideration and decision-making:

1. Further detailed research is necessary on the specific payment methods that most influence purchasing decisions on the Shopee platform.
2. Conduct additional studies involving variables beyond payment methods, discounts, and free shipping to gain a comprehensive understanding of consumer behavior in e-commerce.

These recommendations aim to enhance understanding and decision-making processes related to consumer behavior in online shopping environments, particularly among Generation Z.

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