

Implementation of Construal Level Theory (CLT) on Indonesian Customers Toward Domestic as well as Overseas Online Shopping

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Abstract

The purpose of this study is to analyze the psychological distance of Indonesian consumers when buying goods online. There is one theory and four variables involved in this study: Construal Level Theory (CLT), Psychological distance, Trust, Perceived value, Purchase intention. The population selected in this study are Indonesian online shop consumers who are classified as domestic online customers and overseas online customers. The population of this study is all Indonesian consumers who have an interest in and or have purchased online products domestically and or abroad. The number of samples used in this analysis is 318 for domestic customers and 331 for overseas customers. The primary data used in this study were uploaded to the internet site using Google Forms. Sampling was done by means of non-probability sampling and purposive sampling. The survey was shared through social media such as Line, WhatsApp, Line, Facebook, and Instagram. The statistical analysis used by SEM uses Partial Least Square (PLS) with the WarpPLS 7 edition program. There are six hypotheses a and b, relating to domestic online consumers and overseas online consumers. All hypotheses based on statistical analysis are accepted, except for hypothesis 3b which shows that they are rejected. From the results of this analysis, there are very interesting findings for Indonesian consumers who buy products online.

Keywords

Construal Level Theory (CLT), Psychological distance, Trust, Perceived value, Purchase intention

1. Introduction

Indonesia has a big market for online shop market, from its population of 274.9 million, the Indonesian people who purchased goods and services in online shops are 87,1% of Indonesia's total population (Kemp, 2021). Currently, Indonesia is still in the last position for online shopping retention rates in the Asia Pacific (Liftoff, 2019). However, there is apparently unpreparedness of Indonesian consumers to accept transactions with online shops. For this reason, it might be important to study and understand Indonesian consumer behavior in relation to repeat purchases and the use of domestic and overseas online shops.

Further, trust also plays an important role as an indicator of consumer readiness for online purchases. To build a positive continuity relationship between sellers and customers, the role of trust is needed (Ahmed et al. 2021). Therefore, customers are hesitant to purchase in online shops when they are lack trust in it (Han, Nguyen and Lee, 2015). Trust is a very important factor in online auctions where customers do not have direct control over the seller's actions. Trust raises expectations of the benefits of consumer sacrifice in the buying process, which then form value (Ha et al. 2021). Previous research suggests that trust can be improved by factors such as fulfillment, privacy, and system availability (Qalati et al., 2021). Meanwhile, Construal Level Theory (CLT) as a conceptual framework to understand the influence of psychological distance. The main suggestion of CLT is the process of arousing the use of representation in guiding consumer judgment in the presence of psychological distance. In fact, unpreparedness and distrust in shopping online can be caused due to a psychological distance between buyers and sellers (Kim et al., 2012).

1.1. Objectives

This study bridges the research gap from previous studies. Based on the results of previous studies, inconsistencies have been found. In research from Zhu & Chen (2012) shows the effect of trust on perceived value is insignificant, while the results contradict other studies (e.g Kim et al., 2012; Lien et al., 2015). Study Wen et al (2011) and Lee et al (2011) also showed insignificant results from the influence of trust on repurchase intention, but other studies showed significant results (e.g Liang, 2018; Ndubisi et al., 2011) research also shows insignificant results from the effect of perceived value on repurchase intention, while other studies show significant results (e.g Olaru et al., 2007; Wu et al., 2014) and also previous studies regarding the effect of psychological distance on repurchase intention have not compared the effect on consumers with domestic and overseas online shops. Meanwhile, consumers with domestic purchases and consumers with overseas purchases may have different evaluations by psychological distance and it need to be studied for further research based on previous research suggestion (Cui, et al, 2020). Therefore, this research hopefully can give more insight regarding consumer repurchase intention between domestic and overseas online shops.

2. Literature Review

2.1 The Construal Level Theory (CLT)

This study used Construal Level Theory (CLT) as a conceptual framework for understanding the role that can be played by psychological distance in determining trust, perceived value, and repurchase intention. CLT is defined as a theory in social psychology that describes the relationship between psychological distance and the extent to which people's thoughts on an object or event whether abstract or concrete). The purpose of CLT is to explain how psychological distance influences on representation, prediction, evaluation, and behavior of an object or event (Trope et al., 2007). Psychological distance is defined as the perceived distance from the experience of an individual of an occurrence (an experience that includes interactions and feelings) (Trope and Liberman, 2003). In order to achieve success in an online shop, online shop needs to build convenience and speed (temporal), bring social participation in purchases (social), and mobility to be purchased anywhere (spatial) (Schiff, 2016). The importance of psychological distance influences psychological processes which in turn influence trust, perceived value, and repurchase intention.

2.2. Influence of Psychological Distance on Trust, Perceived Value, and Repurchase Intention

Psychological distance is a cognitive separation between the self and other instances such as persons, events, or times. Psychological closeness has been shown to have an effect on reducing consumer uncertainty through good communication (Stafford et al., 2006) and the adoption of express delivery (Kim et al., 2017). This reduced uncertainty is the key to building trust (Moorman, 1993). The relationship of psychological distance to trust is supported by existing research. Darke et al (2006) examined the effect of psychological distance on initial trust by

comparing purchases of hybrid and pure retailers. Cui et al (2020) examined each psychological distance dimension (spatial, social, temporal distance) to trust. None of these studies have jointly presented the influence on domestic and overseas online shops. Therefore we propose the following hypothesis:

H1(a, b) Lower psychological distance has a positive effect on trust for domestic online shop customers^(a) and overseas online shop customers^(b)

Customer perceived value assumes that each customer evaluates their purchases to determine if they meet their wants or needs, then they compare that evaluation to the price they're paying. If all costs incurred are more than the benefits received, consumers will get a low perceived value (Zeithaml, 1988). Psychological distance can influence perceived value at high opportunity costs regarding the time customers have to wait the product to be served when considering online purchases at close distance and long distance. In addition, by the high psychological distance can increase delivery cost, search/effort costs, and psychological costs, which have a negative effect on perceived value. Meanwhile, consumer seek to maximize the value from transaction (Ali & Bhasin, 2019). In accordance with CLT, what is more easily accessed will be perceived more positively. This is supported by Wakefield & Wakefield (2018) that perceived value of an experience increases as the time and spatial to consume draws nearer. Therefore we propose the following hypothesis:

H2(a, b) Lower psychological distance has a positive effect on perceived value for domestic online shop customers^(a) and overseas online shop customers^(b)

Psychological distance affects the mental construal of events, in turn guiding people's choices, evaluations, and behaviors. Reducing the psychological distance from online shopping will make it more likely for consumers to believe that online shopping will produce a tangible result and thus make a purchase (Trope et al., 2007). Dholakia and Zhao (2010) state that overseas consumers have significant more distance and different level of familiarity due to overseas exposure at different cultures and communications. Edwards et al., (2009) examine that physical location, similarity, and familiarity are significant variables on online purchase decision. Other research from Febrianti & Hidayat (2022). indicate that psychological distance and perceived uncertainty are crucial factors that affect customers' decision-making behaviour in the virtual environment. Therefore we propose the following hypothesis:

H3(a, b) Lower psychological distance has a positive effect on repurchase intention for domestic online shop customers^(a) and overseas online shop customers^(b)

2.3. Influence of Trust on Perceived Value and Repurchase Intention

Trust is one important feature of the buyer and seller relationship. Trust can reduce the price of non-monetary transactions. When customers feel trust in an online seller, they tend to spend less effort in seeking information about the seller in carrying out transactions with the seller. Several previous studies have shown the influence of trust on perceived value, such as research from Maria Correia Loureiro et al. (2014). Their study proved that trust has a positive influence on the perceived value of companies in both offline and online banking. Research conducted by Chiang and Jang (2006) found that tourist trust in online hotel bookings has a positive effect on perceived value. Molinillo et al. (2017) research on online clothes proves that after consumers trust and are satisfied with e-retailers, then consumers perceive the higher value of online shopping. Therefore we propose the following hypothesis:

H4(a, b) Higher trust has a positive effect on perceived value for domestic online shop customers^(a) and overseas online shop customers^(b)

Trust has become an essential factor in conventional markets, and has a positive impact on behavioral intentions (Hidayat et al. 2021 & Dlačić et al. 2014). The risk and uncertainty of transactions in an online store environment is high. The higher the customer trust in the online store, the lower the perceived risk of online transactions, and the greater the intention to buy on the website (Mansour et al., 2014). Moreover, with trust, online customers are willing to share more information with sellers, and that leads to more products being offered to customers and in return will earn customer loyalty (Reichheld & Schefter, 2000; Bao et al., 2016).). Chiu et al. (2009) said that trust, perceived ease of use, perceived usefulness, and enjoyment were significant positive predictors of customer repurchase intention. Also strengthened by previous research, they found the effect of trust on repurchase intention (Bart et al., 2005; Bao et al., 2016; Liu and Tang, 2018). Based on the results of empirical studies, the following hypotheses can be formulated:

H5(a, b) Higher trust has a positive effect on repurchase intention for domestic online shop customers^(a) and overseas online shop customers^(b)

Zeithaml (1988) assumes that consumers seek value maximization. Consumers prefer to transact with sellers whose products offer maximum value. Values are principles or standards held by individuals to guide behavior. Exchanges

become valuable in trading, not only in the offline environment but also in the online environment. This is supported by Sirdeshmukh et al. (2002) that in trade exchange, value serves as a superior customer goal. Indeed, empirical results have supported such a perspective by showing that value leads to repurchase intention. As in online retail research, value has a positive influence on online repurchase intentions (Pham et al., 2018). When the perceived value is high, consumers will continue to use the same e-store. Therefore, the value perceived by consumers is likely to influence consumers repurchase intentions:

H6(a, b) Higher perceived value has a positive effect on repurchase intention for domestic online shop customers ^(a) and overseas online shop customers ^(b)

Based on the literature review as explained above, the linkages of the research variables were psychological distance influences psychological processes which in turn influence trust, perceived value, and repurchase intention can be simplified to the conceptual framework of research as shown in Figure 1.

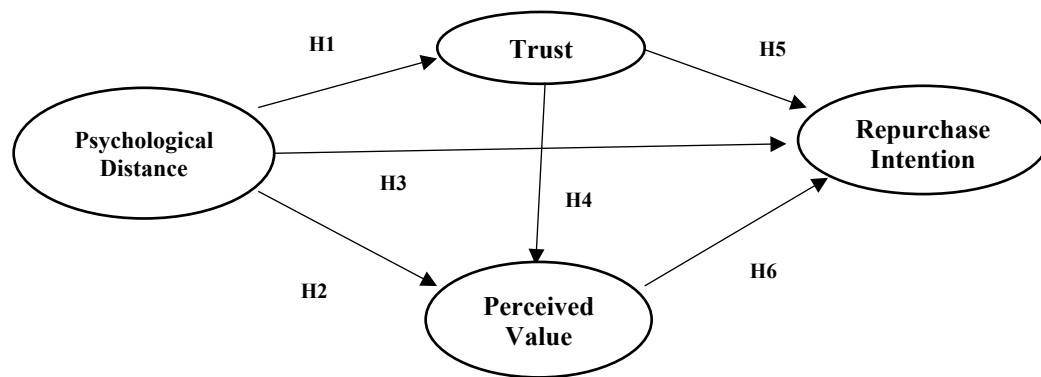


Figure 1. Research Framework

3. Methods

The population chosen in this research is Indonesian consumers of online shopping. For the purpose of classifying a respondent as a domestic or an overseas customer, the survey page asks each respondent to state the number of transactions using the online shop and whether they have ever made overseas purchases through online stores. Since the population of this study is unknown, so the number of samples used can be estimated from the variables or indicators used.

Hair, et al. (2010) offer details that, in an unknown population, the estimate of the sample can be based on the variables tested multiplied by at least 5 times. Therefore, the number of samples used in this analysis is 318 for domestic customers and 331 for overseas customers. In this study, the authors used primary data obtained directly from a survey using a questionnaire filled in by the respondents. The type of questionnaire used by the author to get answers from the research variables is a questionnaire with a closed and structured statement and to get a description of the identity of the respondents through a questionnaire with closed and semi-open statements. Evaluation of each variable is measured using a 1-5 Likert scale to obtain interval data. The primary data used in this study are uploaded to the internet site using Google Forms.

Sampling is conducted by means of non-probability sampling and purposive sampling. The survey was shared through social media such as Line, WhatsApp, Line, Facebook, and Instagram. Structural equation model analysis techniques were used in this study. The analysis used to perform SEM analysis in this study is Partial Least Square (PLS). PLS is used because it is considered to perform calculations efficiently and analysis on a sample of small and complex models (Sholihin and Ratmono, 2013). In addition to PLS can be used to explain the relationship of latent variables, PLS can also be used to confirm the theory (Chin and Newsted, 1999). The software used in this study is WarpPLS 7 edition.

4. Data Collection

The number of respondents collected was 636. These respondents are divided into two groups, namely domestic and overseas purchases in online shopping. Each respondent has a different character based on gender, age, latest education, profession, and income. This respondent profile is needed to see the actual condition of the respondent and can influence

the results of this study. These respondents are divided into 318 overseas purchases and 318 domestic purchases. All respondents have made a repurchase in both online shops in six months, where the majority of repurchases are made 1-3 times (89,6%), followed by respondents purchases it 4-6 times (8,5%), respondents purchase it more than 9 times (1,3%), and respondent purchases it 7-9 times (0,6%) in a domestic online shop. The majority of respondents did repurchase 1-3 times (79,8%), followed by respondents who purchased it 4-6 times (12,5%), respondents who purchases it more than 9 times (4,4%), and respondents who purchased it 7-9 times (3,14%). The majority of respondents were below 20 years, 163 (51,3%) for domestic purchases and 166 (52,2%) for overseas purchases. For the respondent's gender in Table 1, female is the majority for both domestic and overseas online shops, 258 (81,1%) in domestic online shops and 277 (87,1%) in the overseas online shop.

To analyze the measurement model in which the first test is conducted is the validity and reliability. The validity and reliability of the data using WarpPLS 7.0 to conduct the measurement for the entire list of questions that represent each tested variable. Hair et al., (2010) stated that the convergent validity has two requirements for the data used to be considered good, namely: loading values above 0,5 and p-value under 0,05. The total sample in this study of 636 respondents with a proportion is 318 respondents who repurchase in a domestic online shop and 318 respondents who repurchase in an overseas online shop.

Table 1. Convergent Validity Test Result

Item	Domestic Online Shop					Overseas Online Shop				
	PD	TR	PV	RI	P value	PDO	TRO	PVO	RIO	P value
PD1	0.795				<0.001	0.967				<0.001
PD2	0.768				<0.001	0.967				<0.001
PD3	0.846				<0.001	0.760				<0.001
TR1		0.831			<0.001		0.791			<0.001
TR2		0.855			<0.001		0.805			<0.001
TR3		0.800			<0.001		0.843			<0.001
TR4		0.753			<0.001		0.724			<0.001
PV1			0.891		<0.001			0.873		<0.001
PV2			0.891		<0.001			0.873		<0.001
RI1				0.804	<0.001				0.710	<0.001
RI2				0.923	<0.001				0.912	<0.001
RI3				0.916	<0.001				0.897	<0.001

Table 2. Reliability Test Result

Items	Domestic Online Shop	Overseas Online Shop
PD	0.845	0.929
TR	0.884	0.870
PV	0.885	0.865
RI	0.913	0.881

Source: Warp-PLS 7 data analysis result, 2021.

Table 1 showed that the value of all the factors loading in this study was above 0,5. According to Hair et al., (2010), when the AVE value of more than 0,5, then the value is met construct validity and convergent validity of the test results showed that all the variables have met the minimum criteria of 0,5 AVE. The testing result of reliability in Table 2 indicated all value of each variable is above 0.7, which means that all variables are reliable to conduct further analysis (Hair, et al, 2010).

5. Results and Discussion

To analyze the data that has been collected from the respondents, the measurement model being tested is the validity and reliability test. The validity and reliability of the data used WarpPLS 7.0 to measure the entire list of questions representing each variable being tested. Hair et al., (2010) stated that convergent validity has two conditions so that the data used is considered good, namely: a loading value above 0.5 and a p-value below 0.05. The number of samples in this study was 636 respondents with the proportion being 318 respondents who made repeat purchases at domestic online stores, and 318 respondents from overseas online stores.

Based on testing the Convergent Validity Test and Reliability Test, the results showed that the value of all the factors loading in this study was above 0,5. According to Hair et al., (2010), when the AVE value of more than 0,5, then the value is met construct validity and convergent validity of the test results showed that all the variables have met the minimum criteria of 0,5 AVE. The testing result of reliability also indicated all value of each variable is above 0.7, which means that all variables are reliable to conduct further analysis (Hair, et al, 2010).

Kock (2018) states that a model has a Goodness of fit value if the p-value for APC (average path coefficient), ARS (average R-squared), and AARS (average adjusted R-squared) is less than 0.05. The results in Table 3 showed that the model in this study has good goodness of fit, APC value (p<0.001), ARS value (p<0.001), and ARS value (p<0.001) both in a domestic and overseas online shop. When the AVIF (average block VIF) and AFVIF (average full collinearity VIF) values should be less than 5 and ideally less than 3.3 (Kock, 2018). The results of the AVIF and AFVIF values in Table 3 is 1.255 and 1.478 for domestic online shop and 1.317 and 1.344 for overseas online shop, respectively.

Table 3. Model Fit and Quality Indices

Indicator	Domestic Online Shop	Overseas Online Shop
<i>Average path coefficient (APC)</i>	P<0,001	P<0,001
<i>Average R-squared (ARS)</i>	P<0,001	P<0,001
<i>Average adjusted R-squared (AARS)</i>	P<0,001	P<0,001
<i>Average block VIF (AVIF)</i>	1.255	1.317
<i>Average full collinearity VIF (AFVIF)</i>	1.478	1.344
<i>Tenenhaus GoF (GoF)</i>	0.446	0.391

Source: Warp-PLS 7 data analysis result, 2021.

Multicollinearity testing itself was carried out to ensure that there were no similarities between variables that could lead to biased results, based on these results, it can be concluded that there were no multicollinearity problems in this study. Based on Kock (2018), the Tenenhaus GoF value explains that the model is said to have fit if the GoF value is 0.10, the GoF value is 0.25 if the GoF value 0.50. The result of the GoF value in Table 3 is 0.446 and 0.391 for domestic and overseas online shops, so based on these results, the model in this study has a great fit. Overall, based on all the indicators of the fit model, it can be concluded that the model in this study is fit.

The result of hypothesis testing will divide into two parts, domestic and overseas online shops. In order to get more insight into the impact of each variable on repurchase intention in an online shop, the researcher compared the result between domestic and overseas online shops. Based on the researcher's measurement of psychological distance, the higher value reflected lower psychological distance. The results of Figure 2, Figure 3, and Table 4 below show that the lower psychological distance has a positive influence on trust ($\beta_a = 0.48$, $\beta_b = 0.49$, and p-value < 0.01), it can be concluded that H1a and H1b are accepted. This indicates that the lower psychological distance can improve trust in domestic and overseas online shops.

The results of Figure 2, Figure 3, and Table 4 show that lower psychological distance has a positive relationship with perceived value ($\beta_a = 0.19$, $a = 0.21$, and p-value < 0.01), it can be concluded that H2a and H2b are accepted. This shows that a lower psychological distance can increase the perception of the value of domestic and foreign online stores. As per the CLT, something more accessible would be considered more acceptable. Further, the results of Figure 2, Figure 3, and Table 4 show that lower psychological distance has a positive effect on repurchase intention ($\beta_a = 0.25$, $a = 0.09$ and p-value < 0.01, p-value = 0.06), so it can be concluded that H3a is accepted, and H3b is not accepted. This shows that a lower psychological distance can increase repurchase intentions at domestic online stores, and conversely, repurchase intentions at overseas online stores cannot be explained because the effect is not significant. However, apparently reducing the psychological distance from online shopping will make consumers more confident that online shopping will produce tangible results and thus make a purchase (Dholakia and Zhao 2010).

In addition, the results of Figure 2, Figure 3, and Table 4 also show that trust has a positive effect on the perceived value ($\beta_a = 0.36$, $a = 0.24$, and p -value < 0.01), it can be concluded that H4a and H4b are accepted. This suggests that trust can increase the perceived value of domestic online stores. Trust can reduce the price of non-monetary transactions (Kim et al., 2012). By reducing the non-monetary price component, perceived trust in online sellers can increase the acquisition benefits and non-monetary aspects of transaction benefits, which in turn increases the perceived value as a total benefit when shopping with online sellers (Kim et al., 2012).

Still, Figure 2, Figure 3, and Table 4 show that trust has a positive effect on repurchase intention ($\beta_a = 0.18$, $b = 0.12$ and p -value < 0.01 , p -value = 0.02), thus it can be concluded that H5a and H5b are accepted. This shows that trust can increase repurchase intention at domestic online stores. The more customer trust in online stores, the lower the perceived risk of online transactions, and the greater the intention to buy on the website (Mansour et al., 2014). Moreover, with trust, online customers are willing to share more information with sellers, and that leads to more products being offered to customers and in return will earn customer loyalty (Reichheld & Schefer, 2000; Bao et al., 2016).

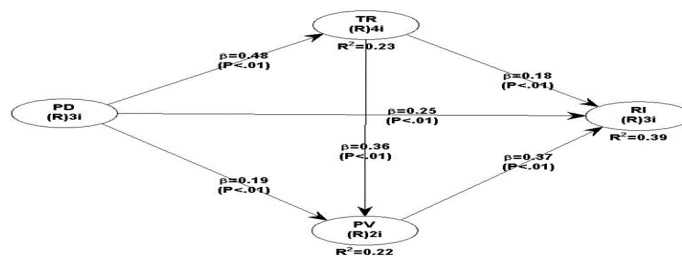


Figure 2: *: $p < 0.05$, **: $p < 0.01$, ***: $p < 0.001$,
Research Model Result of Domestic Online Shop

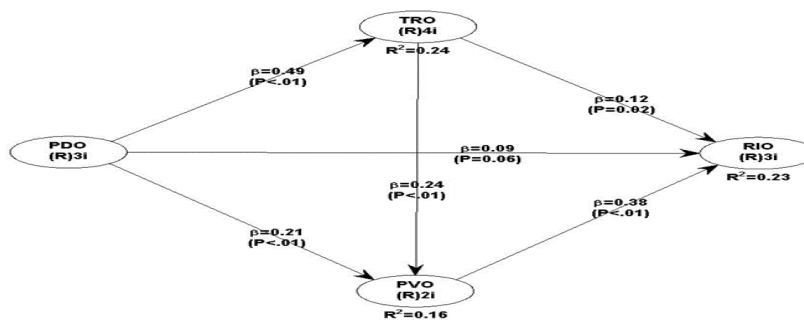


Figure 3. *: $p < 0.05$, **: $p < 0.01$, ***: $p < 0.001$,
Research Model Result of Overseas Online Shop

Finally, the results of Figure 2, Figure 3, and Table 4 show that the perceived value has a positive influence on repurchase intention ($\beta_a = 0.37$, $\beta_b = 0.38$, and p -value < 0.01), it can be concluded that H6a and H6b are accepted. This indicates that the perceived value can improve repurchase intention on domestic as well as on overseas online shops. Zeithaml (1988) assumes that consumers seek value maximization. Consumers prefer to make transactions with

sellers whose products offer maximum value. This is supported by Sirdeshmukh et al. (2002) study previously. This result summary of all hypotheses can be seen in Table 4.

Table 4. Model Path Analysis for Hypothesis Testing

Variable	$(\beta \ \& \ p\text{-value})$ Domestic				$(\beta \ \& \ p\text{-value})$ Overseas			
	PD	TR	PV	RI	PD	TR	PV	RI
Psychological Distance (PD)								
Trust (TR)	0,48**				0,49**			
Perceived Value (PV)	0,19**	0,36**			0,21**	0,24**		
Repurchase Intention (RI)	0,25**	0,18**	0,37**		0,09	0,12**	0,38**	

**p<0,05 (Hair, *et al.*, 2010) Source: Warp-PLS 7 data analysis result, 2021

6. Conclusion

Based on the research outcome, it shows that the majority of hypotheses have a positive and significant effect, except one hypothesis which is psychological distance does not have a significant effect on repurchase intention in an overseas online shop. This finding is interesting, it indicates that the customer does not directly repurchase in an overseas online shop, the researcher assumes the customer tends to gain their trust and good value toward overseas online, this was supported by previous research, by Huang and Chang (2017) found that there is a barrier between the customer and overseas online shop, and it makes them carefully choosing to purchase or not in overseas in an online shop.

This research provides cross-border online shop owners, domestic or overseas, with a deeper knowledge of cross-border shoppers' mindsets and the variables that motivate them to purchase across national borders. Based on our result, the owner of an overseas online shop needs more effort to gain a good perception of their customer which leads to repurchasing in their online shop, because their customer still carefully chooses which one is a good overseas online shop. Overseas consumers have significantly more distance and different levels of familiarity due to overseas exposure to different cultures and communications, in order to compete with domestic online shops, gaining trust and bringing good value to their customers are priority strategies for owners of overseas online shops.

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