

Impulsive Buying Behavior in Bandung: External and Internal Stimuli

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ABSTRACT

A research conducted by POPAI (Point of Purchase Advertising Institute) in 2012 proved that 76% of in-store purchases were unplanned. The percentage of unplanned buying has shown a 70% increase compared with 1995. The purpose of this study is to empirically examine the influence of internal and external stimuli on impulsive buying and their effect on customer satisfaction. This study uses Partial Least Squares (PLS) for data analysis techniques. The PLS aims to examine the predictive relationship between the constructs to see if there is a connection or influence between these constructs. The results of this study show Internal Stimuli (X1) and External Stimuli (X2) have simultaneous effect and directly affect Impulsive Buying (Y) at 65.1%. The rest is influenced by other factors which are not included in the research model. Meanwhile, Internal Stimuli (X1), External Stimuli (X2) and Impulsive Buying (Y) effect simultaneously and those directly affects Customer Satisfaction (Z) at 74.80%. The rest are influenced by other factors which cannot be explained in the study.

Keywords: Customer satisfaction, external stimuli, impulsive buying, internal stimuli, Partial Least Squares

INTRODUCTION

Economic growth impacts on purchasing power which has the effect of stimulating the market. Increased purchasing power of people is usually due to higher income (Alfitri, 2007). The growth of the middle class in Indonesia due to improved economic condition has impacted on the shopping patterns of society (people). Indonesians prefer to patronise modern shopping centres

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such as minimarkets, supermarket and malls (<http://www.sindonews.com>) rather than traditional markets.

According to Maya Wartono, managing director of Dwi Sapta, rising Gross Domestic Product (GDP) translates into greater purchasing power. The increase in the ranks of the middle class also has significant implications for purchasing power (<http://swa.co.id>, 2014). Based on a survey conducted by AC Nielsen, there were 29 million middle-class people in Indonesia which continues to grow as their per capita income reaches USD3000 per year. The middle class have their own shopping style. According to Executive Director of Consumer Research Nielsen Indonesia, Yudi Suryanata, one of the reasons middle-class households shop at malls is to take advantage of their promotions and rewards programme (<http://www.sindonews.com>).

The Director of AC Nielsen, Yongky S. Susilo, said on Antara News (2010) that in Indonesia, a shopping centre is a centre for recreation of families, children and people. Its further research shows that the Indonesians have unique shopping characteristics. In terms of shopping habits, Indonesia ranks in the second place after Singapore.

According to Andreas Kartawinata, the Chairman of APPBI (Indonesian Shopping Center Management Association) DKI Jakarta, Indonesia has a huge market and strong spending power which saw foreign retailers investing heavily in its retail sector. Andrew explained that more than 50% of

Indonesians spend heavily on shopping. The tendency of Indonesians to spend a lot of time at the mall is greeted warmly the retail industry which has led to expansion of malls there.

There is rapid growth of modern shopping centres in metropolitan cities such as Jakarta, Bandung, Semarang, Makassar, Medan and Palembang. (Alfitri, 2007). Bandung is a big city and is littered with malls and there are at least 30 major malls here (<http://www.kompas.com>). In particular, there are seven famous malls in Bandung, namely Bandung Indah Plaza, Trans Studio Mall, Paris Van Java, Istana Plaza, Cihampelas Walk, Festival Citylink, and Braga Citywalk.

The shopping centres are local, national and international which contribute to economic growth and employment. It also has an impact on consumers' behavior in the family and urban communities (Alfitri, 2007). A research by POPAI (Point of Purchase Advertising Institute) in 2012 showed that 76% of purchases made in-store were unplanned. Purchasing decisions occur when shoppers are in the store. The percentage of unplanned buying increased to 70% from 1995 (<http://www.kompasiana.com>).

According to Muruganatham and Bhakat (2013), and Rachmawati (2009), impulse buying is influenced by four factors: External Stimuli, Internal Stimuli, Situational and Product related Demographics factors, and socio-cultural factors. Darma and Japarinto (2014) found

that 60.8% of impulse buying is affected by hedonic shopping, lifestyle and positive emotions.

According to Park, Kim and Forney (2006), hedonic shopping plays an important role in impulse buying. Therefore, often consumer impulse is driven by hedonism or others beyond economic reasons, such as a sense of fun, fantasy, social or emotional impact. Shopping lifestyle reflects people's choice in spending time and money. Impulse buying is also related to consumers having plenty of time to shop and the extra money will give them greater purchasing power. Positive emotion is defined as a mood that affects and determines the intensity of consumer decision making (Tirmizi, Rehman, & Saif, 2009).

Through the internal and external factors indicated, it will create consumer impulsive buying behavior and impact on customer satisfaction. Thus, a research to investigate impulsive buying behavior is needed.

Internal Stimuli of Impulsive Buying

Internal stimuli are related to different personality of individuals. Consumers who have more positive emotional responses to the retail environment are more likely to make impulsive purchases. According to Virvilaitė, Saladienė and Žvinklytė (2011), internal stimuli are composed of:

- a) Emotional and Cognitive estimation; emotional and cognitive estimation;

- b) Hedonic motives; pleasure, novelty, surprise, fun and positive emotions; and
- c) Involvement in fashion; fashion trends, news, celebrities and famous brand products.

External Stimuli of Impulse Buying

External factors of impulse buying are related to marketing cues or stimuli that are placed and controlled by marketers in an effort to lure consumers into buying behavior (Youn & Faber, 2000). External stimuli are associated with the shopping environment and marketing environment. Environmental expenditure includes the size of the store, ambience, design, and format while the environment relates to marketing and advertising sales activity. Impulse buying is considered relevant at the current spending scenarios due to innovative sales promotion, creative messages and the use of appropriate technologies of retail stores (Schiffman & Kanuk, 2010).

The components of external stimuli factors are:

- a) Shop environment: exposition of goods, colours, window decoration and music;
- b) Shop staff: attention and goodwill as well as efficient consultations; and
- c) Integrated marketing communications; price discounts, quantity discounts, coupons and lottery.

Impulse Buying

Harmancioglu, Finney and Joseph (2009) distinguish two types of consumer purchase:

planned and unplanned purchases. Planned purchases involve searching for information that takes time and is followed by rational decision-making. Unplanned purchases are all purchases made without a plan in advance, including impulsive behavior.

Making decisions in impulse purchases are influenced by cognitive and affective problems in a person, where the latter is more prominent than the former (Coley & Burgess, 2003), which are influenced by external stimuli related to the price factor. Impulsive purchases are made up of two elements:

- 1) Affective, namely the psychological processes in a person which refers to the emotions, feelings and mood (mood). This process has three components:
 - a) Irresistible Urge to Buy
 - b) Buying Positive Emotion
 - c) Mood Management
- 2) Cognitive, namely an individual's psychological processes that refer to structures and mental processes that include thinking, understanding and interpretation. The process consists of three components:
 - a) Cognitive Deliberation
 - b) unplanned Buying
 - c) Disregard for the future

Customer Satisfaction

Consumer satisfaction relates to expectations of consumers about the products and services in accordance with product performance and customer service. Consumer satisfaction is

a good estimator of future consumer buying behavior according to Carpenter, Moore and Fairhurst (2005). Customer satisfaction is affected by the hedonic and utilitarian shopping value (Babin, Darden, & Griffin, 1994). Further, there are three dimensions in measuring customer satisfaction, namely:

- a) Attributes Related to Product is the dimensions of satisfaction which is related to the attributes of the product, such as the value obtained vis a vis the price of the product which determines satisfaction and product benefits.
- b) Attributes Related to Service is the dimensions of satisfaction which is related to service attributes, such as warranty, service fulfilment processes, or delivery and settlement if there is a problem.
- c) Attributes Related to Process is the dimensions of satisfaction with regard to the attributes of the decision to buy or not from manufacturers, such as ease of getting information, employee mannerisms and company reputation.

Based on literature review, consumer behavior is influenced by environmental factors (external factors) and the encouragement of consumer (internal factors). Many theoretical and empirical studies on impulsive purchasing research focused on internal and external stimuli factors that shape impulsive buying behavior. The research framework for this study is as follows:

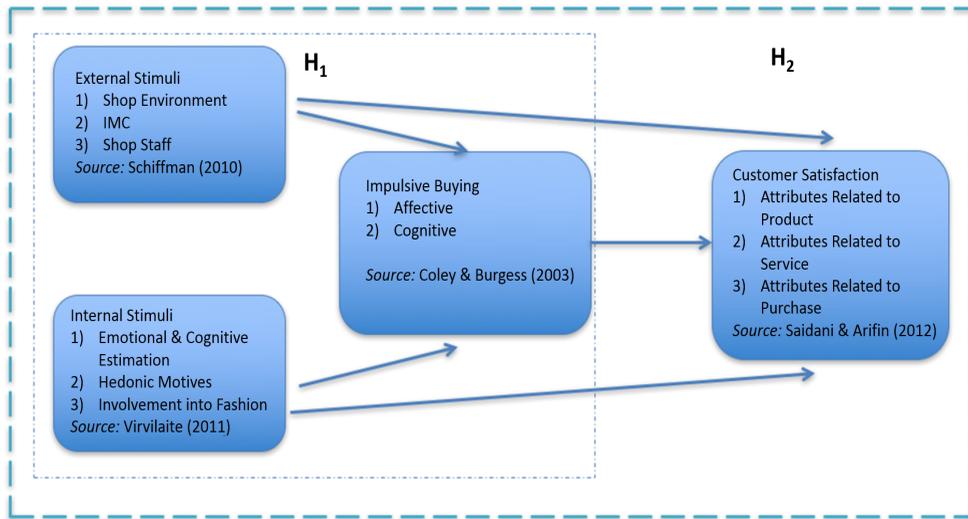


Figure 1. Research framework

The hypotheses proposed in this study are:

- H₁: Positive and significant impact of Internal and External Stimuli on impulse buying.
- H₂: Positive and significant impact Internal and External Stimuli on Impulsive Buying stimuli.

METHODS

This research investigates the influence of internal and external stimuli influence on customer satisfaction through impulsive buying behavior. The exogenous variable of this research is External Stimuli (X1) comprising shop environment and staff. Internal Stimuli (X2) with indicators are emotional and cognitive estimation, hedonic motives, and involvement into the fashion. Meanwhile the endogenous variable of

Impulsive Buying Behavior (Y) comprise affective elements and cognitive elements. Then Customer Satisfaction (Z) comprises attributes related to product, attributes related to service and attributes related to purchase.

Based on the aim and the variable stated above, this research is categorized as descriptive and verifiable. Descriptive study is usually structured and are specifically designed to measure the characteristics described in the research question. The type of data in this study is quantitative.

Quantitative analysis is a systematic scientific research on the parts and phenomena and their relationships (Zikmund, Babin, Carr, & Griffin, 2010). The goal is to develop and use mathematical models, theories and hypotheses associated with the phenomenon.

The population for this study is those who live in Bandung, West Java. The sampling technique of this study is a non-probability sampling. The sampling method is purposive sampling. Purposive sampling technique was used with certain considerations. The consideration in using this technique is used because the samples in this study were people who regularly visit at least one Mall in Bandung.

The population of this study are 2,470,802 people. (<http://bandungkota.bps.go.id/>), so the sample size can be determined by using the Slovin formula. Based on consideration of the 95% confidence level with an error level ($\alpha = 0.05$), (the calculation formula of Slovin), the samples of this study are 405 respondents.

The data collection techniques used are observation, questionnaire and literature study. In addition, the research applies Partial Least Square (PLS) method as the data analysis and hypothesis testing technique. PLS is used to confirm the theory by verifying the relation between the latent variables. It can be used to simultaneously analyse the built constructs through reflective and formative indicators which is impossible to do in SEM because of the unidentified model. Structural equation modeling (SEM) is a family of statistical models that seek to explain the relationship among multiple variables.

Partial Least Squares (PLS) has two tests that must be done, that are test of the outer model and inner models. Outer model or measurement model is to gauge the indicators that can explain the latent variables. Reflective indicators are tested with convergent validity, discriminant validity, cronbach alpha and composite reliability, while the inner model or structural model are used to test the effect of one variable latent with other latent variables. In other words. Testing is done by looking at the percentage of R2 for the dependent latent variable that is modelled under the influence of the independent latent variables. The stability of these estimates was tested by using t-statistics obtained through bootstrapping procedure.

RESULTS AND DISCUSSION

The result of Structural Model Testing (Inner Model)

Inner model testing was conducted to investigate the relationship among construct, significant score and R2 of the model of the research. It was conducted by observing R2 score in endogen latent variable and t score in each exogenous latent variable to endogen latent variable from the result of bootstrapping. The Path Diagram of Inner Model can be seen in Figure 2 as follows:

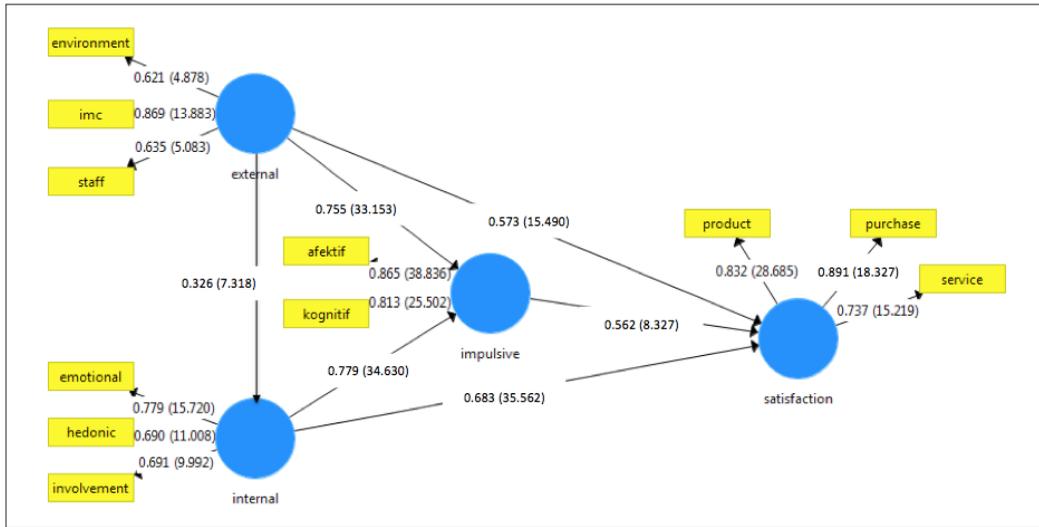


Figure 2. Inner structural equation modelling

In Figure 2, we can see that t-score from each variable of latent exogenous to endogen variables. To test a hypothesis, two-tailed test was adopted with significant of error 5%. So, the critical score which must be fulfilled in testing this hypothesis is 1.96

(Ghozali, 2011). If the score of T-score is higher than critical score, 1.96, there is a significant effect/influence between exogenous latent variables and endogen latent variable. Those scores can be seen in Table 1 as follows:

Table 1
t-count results of each research variable

Variable Relationship	t-Count	Parameter Coefficient	Critical Value	Conclusion
External – Impulsive	33.153	0.755	1.96	H ₁ accepted
Internal – Impulsive	34.630	0.779	1.96	H ₁ accepted
External – Satisfaction	15.490	0.573	1.96	H ₁ accepted
Internal – Satisfaction	35.562	0.683	1.96	H ₁ accepted
Impulsive – Satisfaction	8.327	0.562	1.96	H ₁ accepted

Based on the results in table 1, results of hypothesis testing are discussed as follows.

A. Hypothesis Testing 1 (Influence of External Stimuli and Internal Stimuli to Impulsive Buying). The relationship

between external stimulation and impulsive buying showed that H₀ was rejected but H₁ was accepted. It was reflected from t-score 33.153 which was higher than 1.96 so external stimulation had a significant effect on impulsive buying of mall customers in

Bandung. The coefficient parameter of the effect of external buying to impulsive was 0.755, which means external stimulation has positive effect on impulsive buying.

The relationship between internal stimulation and impulsive buying showed that H₀ was rejected which means H₁ was accepted. It was reflected in t-score 34.630 which was higher than 1.96 so internal stimulation had a significant effect on impulsive buying. The coefficient parameter of internal stimulation to impulsive buying was 0.779, which means internal stimulation has a positive effect to impulsive buying.

B. Hypothesis Testing 2 (Influence of External Stimuli and Internal Stimuli through Impulsive Buying to Customer Satisfaction). The relationship between external stimuli to customer satisfaction showed that H₁ was accepted. It was found that t-score 15.490 was higher than 1.96 so external stimuli had a significant effect on customer satisfaction. The coefficient parameter of external stimuli to customer satisfaction was 0.573 which means external stimuli had a positive effect on customer satisfaction.

The relationship between internal stimuli and customer satisfaction showed that H₁ was accepted. It was found that t-score 35.562 was higher than 1.96 so internal stimuli had a significant effect and customer satisfaction. The coefficient parameter of internal stimuli to customer satisfaction was 0.683 which means internal stimuli had a positive effect on customer satisfaction 0.683.

The relationship between impulsive buying to customer satisfaction showed that H₁ was accepted. It was found that t-score 8.327 was higher than 1.96 and so impulsive buying had a significant effect on customer satisfaction. The coefficient parameter of impulsive buying to customer satisfaction was 0.562 which means internal stimulation had a positive effect on customer satisfaction.

CONCLUSION

Based on the research which examined 405 respondents, some conclusions can be made to answer the research questions. They are:

- External Stimuli (X₁) and Internal Stimuli (X₂), have direct effect simultaneously on Impulsive Buying (Y) at 0.651= 61.5%. The rest were due to factors that cannot be explained in this research
- External Stimuli (X₁) and Internal Stimuli (X₂) had direct effect simultaneously to Customer Satisfaction at (Z) 0.748= 74.80%. The rest were affected by factors that cannot be explained in this research.

Suggestions

- Based on result of this study, External and Internal stimuli had a significant effect on impulsive buying, so the management of malls in Bandung should stimulate affective and cognitive behavior of consumers.
- Indirect effect of internal stimuli on customer satisfaction through impulsive

buying is significant by 29.90%, so that to increase customer satisfaction of customers mall in Bandung, the management have to create a good buying experience and they are satisfied with the product, service and process of buying.

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