

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

The internet plays a very important role in our daily life right now in that people can talk through the internet to one who is actually on the other side of the Earth, can send e-mail or chat through social media around the clock, can search information about literally anything, can play game with their friends or random strangers, and people even can buy things online. And so, Internet shopping has been widely accepted as a way of purchasing products and services. It has become a more popular means in the Internet world of ours today (Bourlakis et al., 2008).

It actually provides the consumers with more information and choices to compare products and prices. It contains more choices and convenience, making it easier to find anything online (Butler and Peppard, 1998). Online shopping has been proved to provide more satisfaction to modern consumers seeking convenience and speed, especially in this time and age where ‘slow’ is not a word people want to hear.

Thus, with online shopping growing with the trend, of course the number of e-commerce websites will do too. And with the increasing number of e-commerce websites growing over the years, it is no doubt that the number of online shoppers tend to increase as well. Shopping online is so much easier that it has its own magnetic force.

It can make consumers shop in these websites instead of going to the actual shop to buy the product. It is simpler and more effective if the topic is talking about the time consumed.

It is learned that in 2015, a staggering percentage of more than 35% of fashion items are bought online in Indonesia, with handphones and gadgets coming second at around 12% (KOMINFO, Ministry of Communication and Information Technology, Indonesia). The revenue in the e-commerce market amounts to more than US\$7 million in 2017 alone, and that is revenue, imagine the sales. The revenue is expected to show an annual growth rate of 18.5% resulting in a market volume of more than US\$16 million in 2022. Fashion shopping took around US\$2.5 million in revenue alone and user penetration is at 10.6% in 2017 and expected to reach about 16% in 2022. In 2016, it is also found that a significant amount of the e-commerce customers is of age group 16-35.

**Table 1.1 Percentages of E-Commerce Customers by Age Group**

9 – 15	21.3%
16 – 25	23.8%
26 – 35	21.7%
36 – 45	20.9%
46 – 55	15.3%
56 - 65	7.1%

**Source: KOMINFO, Ministry of Communication and Information Technology, Indonesia.**

There has also been an increase over the years for the sales in e-commerce in Indonesia as the consumers are getting more value in shopping online than in brick and mortar retail stores. With the convenience and the easiness of shopping at the back of their own computers, consumers can shop online at any given time of the day, in the morning or at night.

One particular website that is very prominent in the whole of Southeast Asia and of course, Indonesia included, is Zalora. Zalora is founded in 2012 and since then the Zalora Group has operated in 10 countries – Singapore, Indonesia, Malaysia & Brunei, the Philippines, Thailand, Vietnam, Hong Kong, Taiwan, Australia and New Zealand. Zalora's website has an estimation of 90 million visits in 2016, which is an increase from its 50 million visits in 2015. 50% of its consumer traffic comes from mobile phones and the percentage of successful transactions from the mobile phones is even higher, at 55%. Zalora has more than 100 thousand different products and also a staggering 50 million downloads for its mobile app. Its revenue in 2015 itself is at US\$234 million which makes it one of the most prominent fashion e-retailer in the world.

In Indonesia itself, Zalora ranked top 8 in 2017, with the rest of the top 10 websites being marketplaces and not e-retailers. And their mobile application was also top 5 in the app store in 2017. In March 2018, Zalora already gained an estimate of 4.850 million visits in 3 months alone, placing Zalora 9th place within the top 10 e-commerce sites in Indonesia 2018. With marketplaces like Tokopedia, Lazada,

Bukalapak, Blibli, etc. placing in the top 10, no other fashion e-retailers like Zalora is found.

Consumers can also get description and details from an online product catalog. For the consumers, it is very much important to get information about the product no matter whether the time of day and day of the week. Through information, the consumers and prospects are making decision to purchase your products or not. Unlike in brick and mortar shops, consumers can go back again and again to get the information that they need for their shopping. In e-commerce, consumers can get their queries clarified and track their delivery status when the goods are being sent to them. If any doubts arise while handling the products, the consumers can easily contact the business through internet.

Out of these numbers that this research has, how many of the customers are actually planning on buying or shopping in those websites? Most of the time the customers are actually planning on shopping, and that is why the customers went to these e-commerce websites. On the other hand, what about those customers that didn't actually plan on shopping but did so anyway? Many customers ended up buying things online even if they were not planning to buy them in the first place. No, it is not unplanned purchase since an unplanned purchase is when a customer may make a purchase without prior planning because something in the store, such as a point of purchase (POC) display, triggers a reminder that the customer need something. Unplanned purchases are normally made because of the need of the

customer. In this research, the researcher will be dwelling about impulse purchasing. An impulsive purchase is a purchase that is made spontaneously and usually without regard to costs or negative consequences. They are usually motivated by the need for immediate self-gratification.

Impulse purchasing is different from unplanned purchasing, though. For example, when a customer goes shopping and sees a winter jacket for sale which the customer bought right away even when the customer wasn't thinking of buying when the consumer went out that day since the customer remembers that there is a trip to a cold country soon, which will be unplanned purchasing. On the other hand, impulse purchasing would go something like this: a customer goes to a store to look for a pair of jeans. The customer went on to try out a few pairs of jeans but none came to his liking. The customer then went on to head out of the store when the customer suddenly saw the jacket that is on the mannequin. The customer knows he/she has a lot of jackets at home and don't actually need a new one. The customer still bought the jacket anyway since he/she liked it that much. And the thing is that the customer bought that jacket while fully knowing that he/she has enough jackets at home and a new one will just be a waste of space and money for him/her. Knowing all that, the customer still bought the jacket. That is impulse buying.

Impulse buying is a common and unique aspect of consumers' lifestyle. Retailers realize the importance of this phenomenon, and

through store layouts, product packaging, and in store promotions, they have tried to get consumers to be impulsive in stores (Dholakia, 2000). Through time, impulse buying has also been made easier by new innovations, such as credit cards, telemarketing, and e-money. Consequently, impulse buying accounts for a large volume of product sales every year.

There is a difference though, between the urge to buy impulsively and the impulsive buying itself. The consumer's way of thinking is the actual trigger the desire to purchase something that isn't planned. Once triggered, the thought then required immediate action; it demands the consumer to take action based on what they're thinking. So according to this understanding, the urge to buy impulsively could be taken as a step before the actual impulsive buying or the stage before it.

On the other hand, the actual impulsive buying happens when a consumer experienced a sudden and normally powerful urge to buy something immediately and the consumer succumbed to their own thoughts. Impulsive buying has been attributed to the physical proximity which resulted from the consumer browsing for products in the store (cited from Beatty and Ferrell, 1998 in Muruganatham and Bhakat, 2013), which then initiated the thought and urge the consumer to buy a certain product right there and then.

However, since the urge to buy something impulsively seems to impact the impulsive buying of consumers, the idea of impulsiveness is supposed to result in the consumer's own personal conflict of

thought which is a fight between the feeling of immediate satisfaction or the emotion of guilt. The different thought process of consumers between these two is most probably the main reason why the urge to buy did not always result in the consumer actually buying the desired goods.

In the last decade, rapid developments in information technology have substantially changed the landscape of consumer behavior. The availability of 24-hour retailing through the Internet has brought about an increase in online retailing and inevitably, an increase in impulse to buy. With the Internet, consumers' buying opportunities have expanded through an increased accessibility to products and services and the increased ease to make purchases. Moreover, this new mode of shopping often eliminates the constraints of time and space that are often experienced by shoppers in a traditional commerce context (Eroglu et al., 2001).

Some studies have been done to examine online impulse buying behavior, but very limited attention has been paid to identify the interrelationships among the motivations, experiential values and the urge to buy impulsively in the online shopping context. Thus, this study was designed to address this knowledge gap and deepen the understanding of the psychological drives of online impulse buying.

DeLone and McLean (1992) suggested that information system success was decided by factors of system quality, information quality, use, user satisfaction, individual impact and organizational impact. They argued that both system quality and information quality

could influence usage and user satisfaction both singularly and jointly, and both system quality and information quality fall under the category of website quality as a whole.

Whereas for service quality, it is unlike goods quality, which can be measured objectively by such indicators as durability and number of defects, service quality is elusive and may be difficult to measure. It is a subjective and personal construct that reflects customers' potential entertainment and emotional worth.

Another factor that needs to be taken into account is that since the consumers are shopping everything through the internet right now, they can't actually see the physical product itself. What they see are just photos or maybe videos, if they are lucky, about the product that they are interested in. nowadays more and more sellers are putting up better photos to draw the consumer's attention. Visual merchandizing is a very important factor and also an effective way or promotion without actually spending a lot of money.

It is powerful and has a lasting effect on the consumer's mind and emotion while shopping. The visual merchandising itself can be the deciding factor whether or not the consumer would buy the product. Imagine if one wants to buy a printed t-shirt, but the photo that shows the t-shirt isn't good or it does not show the beauty of this particular t-shirt, surely consumers would be less interested in the product.



## **1.2 Research Objectives**

Based on the background, here are the research objectives for this study:

1. To determine the correlation between website quality of an online shopping website and the urge to buy impulsively.
2. To determine the correlation between service quality of an online shopping website and the urge to buy impulsively.
3. To determine the correlation between visual merchandizing and the urge to buy impulsively.
4. To determine the correlation between the urge to buy impulsively and impulsive buying.

## **1.3 Research Questions**

Based on the background and research objectives, here are the research questions for this study:

1. How does the website quality of an online shopping website affect the urge to buy impulsively?
2. How does the service quality of an online shopping website affect the urge to buy impulsively?
3. How does the visual merchandising of the products affect the urge to buy impulsively?
4. How does the urge to buy impulsively affect the impulsive buying of the consumers?

## **1.4 Significance of the Study**

I hope that this study's findings can contribute to the further theoretical understanding of consumers' online impulse purchases,

especially in the lines of online fashion retailers. Furthermore, the results will enable online retailers to develop efficient experiential marketing strategies to increase in-store traffic and create pleasant shopping experiences to online shoppers.

1. **Practical:** this study will give us the pattern or trend of online shopping and show that some consumer shop online not because of their purchase intention but because of the urge to buy impulsively.
2. **Theoretical:** this study will give us insight on the economical and psychological point of view of marketing ways which can be used in further studies both in managerial business studies.

### **1.5 Writing Systematic**

The systematic of writing of this study is divided into five chapters and arranged as follow:

#### **CHAPTER 1: INTRODUCTION**

This chapter consists of background of the study, research questions, research objectives, significant of the study, and writing systematic of this study.

#### **CHAPTER 2: LITERATURE REVIEW**

This chapter consists of previous study, relevant journals, theoretical background and hypothesis. The theoretical background explains about website quality, service quality, visual merchandising, the urge

to buy impulsively and impulsive buying, and also the relationship among variables.

### CHAPTER 3: RESEARCH METHODS

This chapter describes the process of analyzing data including research design, identification of variable, operational definition, type of source and data, variable measurement, data collection method, population, sample and sampling technique, data analysis technique, validity and reliability, and hypothesis testing.

### CHAPTER 4: ANALYSIS AND DISCUSSION

This chapter consists of research data description data analysis, and discussion. It is also discussing about respondent characteristics, research variable statistic descriptions, and hypothesis testing.

### CHAPTER 5: CONCLUSION AND SUGGESTION

This chapter is the closing of this study that consists of conclusion and suggestions for the research object, the consumer or other researchers to do a further research.