

# REPLICATING IMPULSE BUYING STRATEGIC MODEL ON TRADITIONAL MARKET FOR THE ECONOMIC DEVELOPMENT OF INDONESIA

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## Abstract

Traditional markets grow slowly when compared with modern markets. The ease and availability of facilities enable modern market consumers to purchase without planning – to impulse buy. By understanding impulse buying behavior in modern markets, it is anticipated that impulse buying behavior can be introduced into a traditional market. To introduce impulse buying into traditional markets, research into impulse buying was conducted in both modern and traditional markets using a mixed methods approach. The research was carried out in East Java Indonesia. Samples were drawn from consumers of daily consumable products (consumer goods) at the supermarket (modern market). The sampling technique in this research is purposive sampling. The results of the study were generally the same for both markets, with the environment, discount price, and procedure shaped impulse buying, with consumers who felt pleased, happy, and showed no signs of regret after their impulse purchases. Model testing was done in traditional markets and the result shows that stimulants, such as discount price or bonus when purchasing a specific amount, could encourage impulsive buying behavior in traditional market consumers.

**Keywords:** impulse buying, regret, happiness, modern market, traditional market

## 1 INTRODUCTION

In the past ten years, modern retail businesses in terms of hypermarket, supermarket, and minimarket, have been growing and expanding due to the establishment of malls or shopping center in larger cities. Since the signing of Indonesia's Presidential Decree No. 118/2000, the business was open-wide to foreign retailers to enter the Indonesian marketplace. The growth of foreign retailers shows that retail is profitable and thus attracts more entrepreneurs to develop modern retail businesses. The growth in the modern market in Indonesia shows that the largest

income is from the hypermarket, followed by the minimarket and the supermarket, respectively.

Modern markets have the convenience of environment and atmosphere, often give discounts, and facilitates simple payment procedures, all of which encourage consumers to shop at modern markets. In addition, the customers' lifestyle that is likely highly mobile leads them to prioritize effectiveness and efficiency in their everyday activities. Thus, the modern market has become their main shopping option. Modern markets are suited to consumers who want to do unplanned or impulse buying since impulse buying provides modern markets with the opportunity to increase sales.

In modern markets, impulse buying is commonly done by women. Women tend to spend considerable amounts of time in malls or modern markets. For example, in one week, women may visit a mall three to four times and whenever they go to a mall, there is always something to buy (From Markplus Insight cooperated with the Community of Marketeers; Kartajaya and Winasis, 2010). Several reasons explain why women shop more than men: their instinct is to collect items, their need for various shopping experiences, women like stores that provide them with the freedom to choose because they tend to taste and try products they will buy, and women consider shopping as a recreational activity. Further, the availability of facilities and products offered transform shopping malls into a shopping paradise, especially for women. Furthermore, when modern women are shopping, they do not consider the benefit of things they have bought; they only want to gain the joy or pleasure and happiness.

Competition among traditional sellers and giant retailers is a common phenomenon in the era of globalization. If the government is not careful to direct all parties to be in synergy with Presidential Decree No. 112/2007<sup>1</sup>, traditional markets will slowly die from the competition modern markets bring. Therefore, this paper explores the factors that influence impulse buying behavior in modern markets to implement them into the traditional market.

## 2 LITERATURE REVIEW

According to Zhou and Gu (2015), the discount is the price reduction given by a seller to a buyer as a reward for the buyers' activities that the seller appreciates. Kotler and Armstrong (2012) argue that a discount is a reduced price given to a consumer for fast payment or because of the provider's promotion. A company must improve its price reduction level to increase consumers' attention, which then will attract even more consumers' attention. Consumers enjoy discounts because they experience less loss when buying a product (Lowe, 2010). The aim of giving a price reduction is to encourage consumers to purchase in large amounts, pay with cash or in a shorter time, and to bond with customers so they do not go to another company. According to Kchaou and Amara (2014), hedonism and utilitarianism impact impulse buying. A promotion related to discount pricing is becoming the most influential factor for consumers' unplanned purchases.

Alauddin et al. (2015) argued that a store's atmosphere, discounts, comfort, ease, location, product characteristics, quality and brand, size and image, a variety of products, stock and packaging are all factors that influence consumers in their impulse buying. Thus, many factors influence impulse buying, including a customer's ability to

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<sup>1</sup><https://goeslowstec.wordpress.com/2012/11/04/dampak-pasar-modern-terhadap-pasar-tradisional/>.

reach the location. Procedures are also part of a consumer's consideration when buying. For a salesperson, arranging an easy procedure can be a way to attract consumers and increase their sales. Some factors that affect unplanned purchases or impulse buying are situational factors, such as sale promotion and store location, which corresponds with research in the field. Wakefield et al. (2008), Carter et al. (2009), and Mihić and Kursan (2010) tested the impact of some situational factors on unplanned purchasing, including sales promotion, sales efficiency, and the location of stores. They found that the most influential factor in unplanned purchasing is product displays.

A convenient checkout procedure, such as a payment process that allows debit or credit cards means that bringing hard cash is unnecessary. The use of debit or credit cards may be the consumers' option to pay. Credit cards give an experience of a lifestyle with an economic ease for consumers (Cohen, 2007; Pirog and Roberts, 2007). Young shoppers have a higher tendency for impulse buying because they can use credit cards for purchases (Wang and Xiao, 2009).

Other researchers (Roberts, and Jones, 2001; Phau, and Woo, 2008) showed that using credit cards for payment for impulse buys shows a positive relationship between impulse buying (unplanned purchasing) and credit cards. Impulse buying consumers who have credit cards are more consumptive when compared with those who do not (Park and Burns, 2005). Credit cards lead to impulse buying or unplanned purchasing problems, but they can increase the growth of credit cards sales (Scembari, 2000) and purchasing (Phau and Woo, 2008).

Sales promotion methods include giving a discount price, product samples, and buying with bonuses, yet the research is inconclusive. Saleh (2012) argued that sales promotion did not influence impulse buying; rather, the study and previous studies showed that sales promotion is a more like into a factor in impulse buying (unplanned purchasing). Thus, consumers still prefer the availability of discounts.

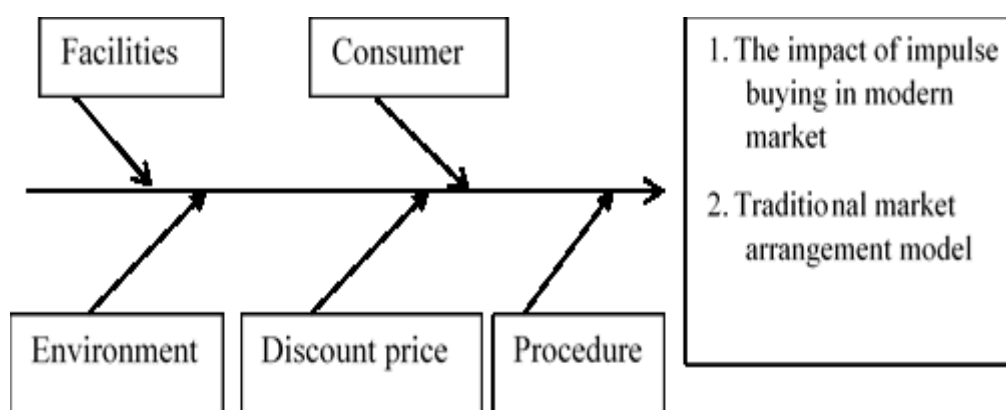
Impulse buying is a purchase done without any planning beforehand (Šeinauskienė et al., 2015). A person's tendency to impulse buy is supported by a belief that impulse buying will give a positive emotional change (Amos et al., 2014). In analyzing this happiness, one needs to measure the emotive and cognitive aspects and to understand the meaning of happiness. According to Deci and Ryan (2008), happiness can be delineated into two groups: the eudemonic tradition and the hedonic tradition. The hedonic tradition focuses on a type of happiness that is generally defined as the presence of positive and negative influences. Waterman et al. (2008) defined hedonic wealth as a positive emotion people experience when they get the things they want or have a chance to fulfill their desire, which emphasizes the material aspect of happiness. Thus, happiness in the hedonic tradition can be obtained in an instant like a temporary joy from activities like shopping, eating, recreation, and so forth.

Thus, happiness is a positive emotion that comes from the quality of a person's whole life and is marked by the presence of joy an individual feels when doing something they love in life without any suffering. After buying a product, consumers evaluate the product they have bought, to determine whether it fits what they need or is consistent with their purpose for the product (Hawkins et al., 2016). If the product evaluation is unsuitable to our desire or need, consumers will experience regret. Regret is a cognitive emotion that causes aversion, such that a person is motivated to evade, press, defy, and control the experience to ensure that it will not happen again (Zeelenberg, and Pieters, 2007).

Regret occurs when a decision is made that is different from an alternative decision that is better. Regret is also related to wrong decision-making (Zeelenberg, and Pieters, 2007). It usually happens when someone has already bought an item (post purchasing). Regret also occurs when someone who buys a product with insufficient information about the product or the purchasing process, which is too fast. Some studies also explained that a purchase did spontaneously (impulse buying) will lead to regret.

### 3 RESEARCH METHOD

This study uses mix methods. The stud involves three main stages: (1) preliminary (exploration study) through a review of the literature on impulsive buying consumers in modern market; (2) developmental stage of a consumers' behaviour model using a qualitative approach to develop a prototype model and a quantitative approach to uncover the impact of impulse buying on consumers of modern markets; and (3) model testing stage to test the effectiveness of the final model developed with a quasi-experiment method to determine traditional market consumers. Problem identification in this study is described in the Fishbone diagram shown in Figure 1.



**Figure 1:** The Plot of Identification Problem

Figure 1 explains how impulse buying may lead to regret or a happy feeling for consumers. It can be identified from the times that make them feel regret or happiness (means, environment, discount price, and procedure) after purchasing. Based on Figure 1 above, impulse buying is influenced by consumers' perception of means (access to a shopping location, parking lot, shopping equipment), environment (store's atmosphere, lighting, display), discount price (deduction, quantity, cash, credit), and procedure (service, cashier, complains). Therefore, the main problem addressed in this study is how to create an arrangement model for traditional markets. First, a thorough review of consumers' impulse buying in modern markets' is needed. After the review, one needs to understand the direct impact of impulse buying on modern market consumers.

This study includes seven variables: means, environment, discount, procedure, impulse buying, regret, and happiness. The population of this research is consumers who shop in supermarkets (modern market). The sample is comprised of the daily products consumers purchased (consumer goods) in supermarkets when the research was carried out. Sample drawing was done using purposive sampling, with the following criteria: women who purchased consumer goods in modern markets. The variable in

this research was measured with a 5-point Likert scale and Guttman's model semantic differential, a scale that asks respondents to a score questions about the research variable measured by a 5-point scale for perception and emotion. This research used observation, a questionnaire, interviews, and a focus group discussion (FGD)). Data analysis used in this research is the shortened of qualitative and quantitative.

There are three main stages of this research, they are: (1) Preliminary stage (exploration study) through literary and field study on impulsive buying consumers in modern market; (2) Developmental stage of consumers' behaviour model done by qualitative approach to develop a prototype model and quantitative approach to find out the impact of impulse buying on consumers of modern markets. (3) Model testing stage to test the model effectiveness of the final model which is developed with Quasi-experiment method implemented to traditional markets' consumers.

#### 4 RESULTS AND DISCUSSION

Based on the testing of the research hypothesis, the variables discount price, environment, and procedure significantly influenced impulse buying. Table 1 demonstrates the model used.

**Table 1:** Hypothesis Test

	Original Sample (O)	Standard Error (STERR)	T Statistics ( O/STERR )
Price discount -> impulse	0.289	0.098	2.953
impulse -> happiness	0.454	0.075	6.040
impulse -> regret	-0.157	0.134	1.179
environment -> impulse	-0.017	0.104	0.159
procedur -> impulse	0.289	0.096	3.023
facilities -> impulse	0.158	0.097	1.639

Source: Primary Data is Processed

This research result is in agreement with Zhou and Gu's (2015) results. Giving a price reduction can push the payment to be completed in cash or in a shorter time frame. This kind of purchasing can explain impulse buying. Discount price is a factor that affects consumers when purchasing: it is a monetary activity (Kwok and Uncles, 2005). Financial activities related to discount prices are coupons, discounts, and so forth. Women shoppers like discount prices perhaps because women have a tendency to get a cheap price when buying. Bhuvanewari and Krishnan (2015) explained that a store's atmosphere, lighting, and display affect impulse buying. Thus, a cozy environment shapes a consumers' consideration.

A variety of procedures significantly influence impulse buying showing that procedures have a significant influence on impulse buying. This result supports Cohen (2007) who argued that credit cards add a lifestyle experience and feelings of an improved economic situation to consumers. Young shoppers have a higher tendency toward impulse buying because they can use credit cards when making purchases (Wang and Xiao, 2009).

The variable means affect significantly on the impulse buying in Surabaya. It shows that means has a significant influence towards the impulse buying. This result is consistent with that of Mihić and Kursan (2010) who studied the impact of several situational factors on impulse buying, such as sales promotion, sales efficiency, and store location. The results are also in line with Alauddin et al.'s (2015), who found that store atmosphere, discount, display, coziness, ease, location, product characteristics, product quality, brand, size of the store, the image of the store, product variety, stock, and packaging affect impulse buying. Our result differs from that found in Malang, where the variable means did not affect impulse buying.

The variable impulse buying significantly influenced happiness. This result is in line with the research of Handayani et al. (2017), which explained that impulse buying affected happiness. Šeinauskienė et al. (2015) stated that happiness comes from pleasing things like happy feelings and a comfortable life.

The variable impulse buying did not have a significant effect on regret, either in Surabaya or Malang, so impulse buying did not have a significant influence on regret. This result differs from Saleh's (2012) research, which showed that someone will feel an unpleasant emotion or negative mood after impulse buying, meaning that there is regret after impulse buying.

To obtain a detailed understanding of the consumers, a focus group discussion was also held. Most participants were women aged more than 30 years of age (73%), which is classified as early adult. The women in the group already have a steady income, care about their looks, like simplicity in taking care of their household, undertake daily needs shopping more than four times a month on average (73%), most are external locus of control (86%) in making buying decisions and their behaviour orientation is influenced by external factors. Thus, external factors can cause impulse buying. Among the group, the reasons for impulse buying are the availability of a discount price (40%), buying more is cheaper (46%), impulse buying while recreating (6%), and bought because they bought/or had excess money (6%). Impulse buying because of recreation does not have a strong base. The feelings after doing impulse buying are satisfied, happy, and lucky (80%). Some others regret their purchases because they think that they should not have bought the product (13%). The discussion revealed that the regret after doing impulse buying does not always occur. The data showed that most FGD participants are extroverts (78%) and only a few are introverts (22%). In other words, most the FGD participants who do impulse buying are more likely extroverts with an external locus of control. An individual who has this kind of tendency is easily influenced by factors outside his/herself (outside stimulant) when making decisions.

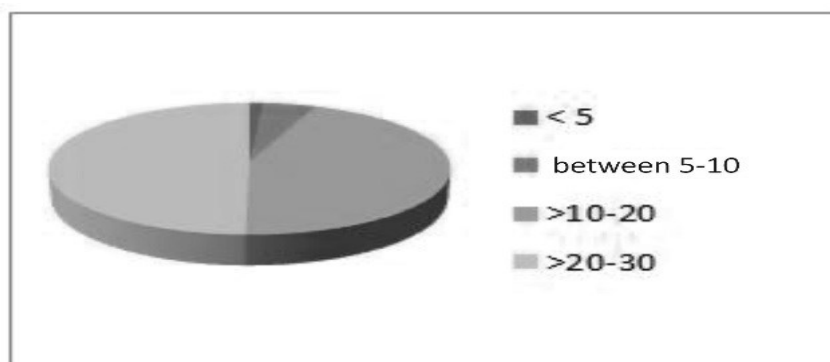
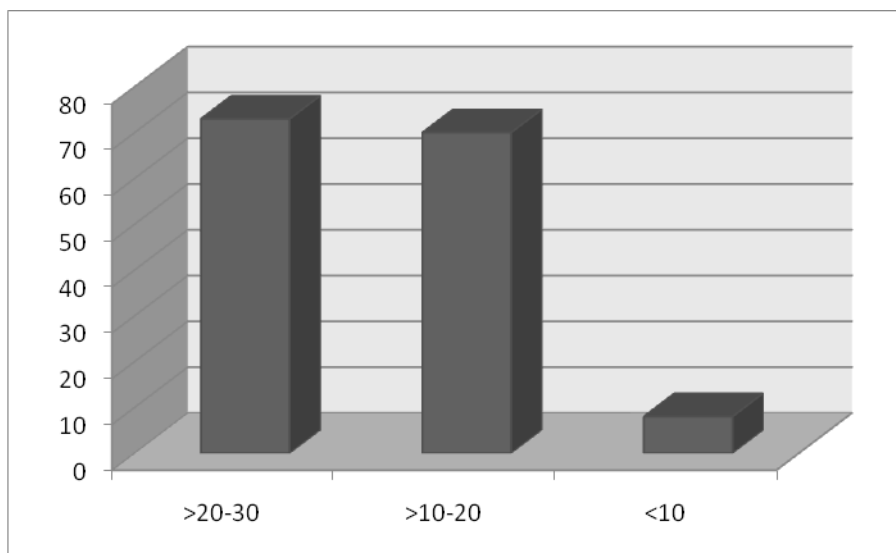


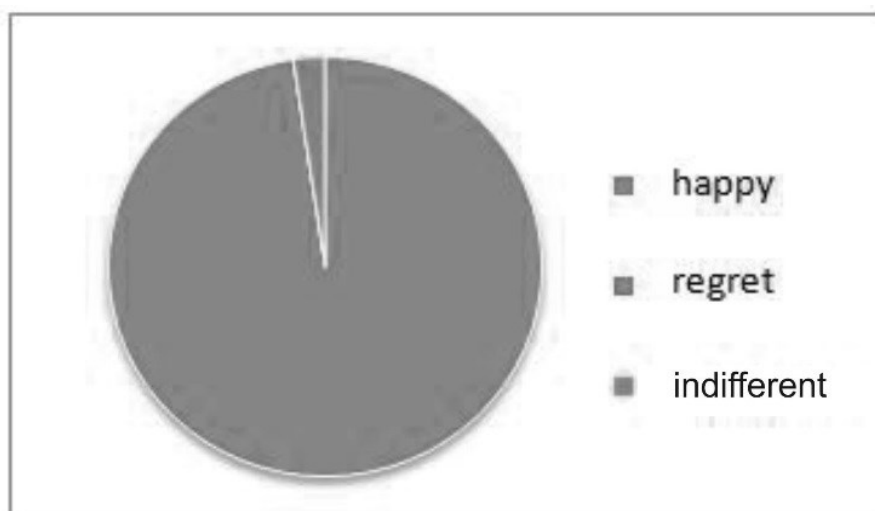
Figure 2: traditional Market 1

The experiment on the traditional market explains that buyers in traditional markets are housewives who do not work and mostly ride a motorcycle to go shopping. The highest market frequency is around 10-20 times a month, or 3-4 times a week on average, while 33% shop daily, as shown in Figures 2 and 3.

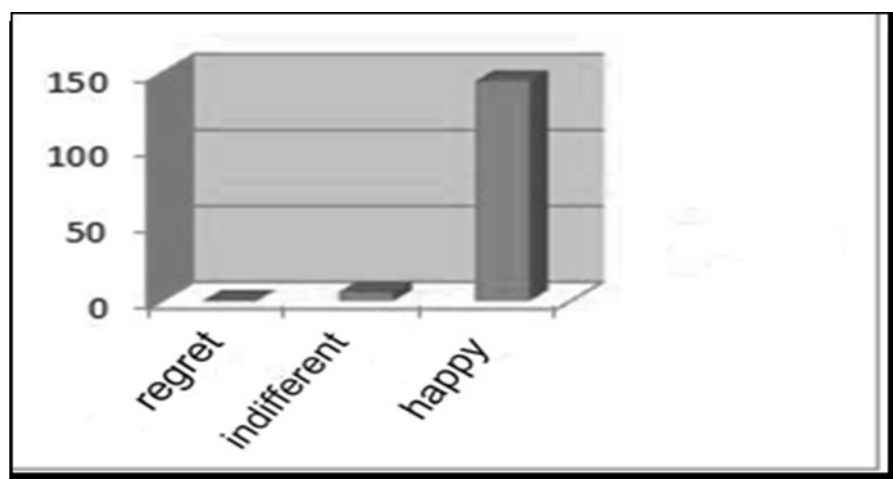


**Figure 3: Traditional Market 2**

The stimulant of a discount price when customers buy more can raise impulse buying behavior in traditional market consumers, which is strengthened by satisfaction and no regret after impulse buying, as shown in Figures 4 and 5.



**Figure 4: Affect After Shopping in Traditional Market 1**



**Figure 5: Affect After Shopping in Traditional Market 2**

In this early stage of research into impulse buying at a traditional market experiment, the researcher used only one variable, price, as the model sample. In the next stage of research, the researcher will experiment by modifying trading in the traditional market using modern markets model of four variables, including environment, means, price and procedure. The variables will be tested in one of the traditional markets. The result is hoped to be able to increase sales so that sellers' profitability in traditional markets will increase.

## 5 CONCLUSION

Impulse buying significantly influenced happiness, but it did not significantly affect regret. To obtain a detailed understanding of the consumer, an FGD was also undertaken. The data showed that most FGD participants are extroverts, only a few were an introvert. In other words, most people who impulse buy are more likely extroverts with an external locus of control.

## 6 FUTURE RESEARCH

The experiment began by building a model of impulse buying in traditional markets. An intervention into consumer behavior was accomplished by communicating the price (discount and quantity) using a brochure/leaflet as is done in modern markets and in one traditional market. In future research (second year), an intervention using more variables, including facilities, procedure, and environment of many traditional markets will be undertaken. In so doing, it is hoped that in the long-term, traditional markets can compete with modern markets. Thus, micro- and medium-sized enterprises will grow and contribute to Indonesia's economic development.

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