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# **THE ROLE OF STORE ENVIRONMENTAL STIMULATION AND SOCIAL FACTORS ON IMPULSE PURCHASING IN DEPARTMENT STORES IN JAKARTA**

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## **Abstract**

**Impulse buying has been acknowledged as the essential in influencing retail store sales. This research aims to replicate the study conducted by Matilla and Wirtz (2008) on impulse buying. The context of this current research is high-end department stores. Quantitative research was utilized in the study. In total, there are 150 respondents involved. This paper aims to examine the factors that influence impulse buying of customers in the context of high-end department stores. The findings suggest that there are positive relationships between environmental stimulation, perceived crowding, and employee assistance towards impulse buying. The findings will be useful for retailers as insights to understand consumers better by acknowledging the factors that drives consumers towards impulse purchasing and how they can apply it to their business.**

Keywords: department stores, impulse buying, perceived crowding, retailers

Track: Retailing, Retail Management and Distribution Channels

## **1.Introduction**

Retailers are frequently required to create shopping environments that engage consumers. As markets become more fragmented, retail stores are required to continuously adjust their strategies in order to remain competitive. Retail stores have been known to spend significant amount of money to design, build and refurbish stores (Grewal, Krishnan, Baker and Borin, 1998). The growth of retail stores in Asia has also contributed to the growing competition. It becomes no longer sufficient for retailers to simply rely on provision of products to customers. To increase sales for example, many retailers have attempted to induce customers' impulse buying through different strategies; such as using display store design and other techniques (Hoyer and MacInnis, 1997 in Jones, Reynolds, Weun and Beatty, 2003).

The early definition of impulse buying associates it with unplanned purchasing (Cobb and Hoyer, 1986 in Beatty and Ferrel, 1998). It is characterized with speedy decision making and biases to possess something (Rook and Gardiner, 1993 in Kacen and Lee, 2002). Impulse buying plays an important role in the research related to retail store and consumer behavior (Ozer and Gultekin, 2015), because majority of buying decisions are made on store premises (Liljenwall, 2004 in Clement, Aastrup and Forsberg, 2015), and impulse buying is considered to be a persistent issue for customers (Yi and Baumgartner, 2011). Due to the importance of impulse buying, examination of mood's effect on consumer impulse buying decisions is critical in terms of determining the direction of investments to be made in marketing activities (Ozer and Gultekin, 2015)

Despite the seemingly intriguing evidences, not many studies have discussed impulse buying in retail store and its antecedents as well as its consequences (Yi and Baumgartner, 2011).

Furthermore, the growth of retail industry in Asia, especially in Indonesia suggests the increased importance on the study on retail and impulse buying due to fiercer competition. On the other hand, recent economic difficulties in some regions may have caused the customers to do fewer unplanned purchase, resulting in lower impulse buying tendency (Inman, Winer and Ferraro, 2009). This suggests that understanding of what drives impulse buying could be beneficial for retailers to maintain and even boost their sales (Kacen, Hess and Walker, 2012).

## **2. Literature Review**

### *2.1 Perceived Stimulation*

The effect of sensory stimulation on people and their environment is vital to designing an interior space (Song, 2010). The senses play critical roles in memories and emotions attached to human experience. Perceived stimulation as a part of store atmospherics are essential for any retailing strategy, because they help create a buying context that encourages consumer purchase behaviors (Poncin and Mimoun, 2014).

Well designed store environment can induce excitement and positive moods of the potential customers (Smith, 1989 in Mohan, Sivakumaran and Sharma, 2012); thus retail environment can create a more pleasant shopping experience (Kent and Stone, 2007 in Rayburn and Voss, 2013) and induce impulse purchase (Morin and Chebat, 2005) The pleasant fragrance of the store can make the customers to be more attentive (Spangenberg et al, 1996 in Mohan et al, 2012). Different fragrance can also induce different perception of density and purchase behavior (Madzharov, Block and Morrin, 2015). Furthermore, in general, the store atmospheres can contribute to the hedonic experiences fulfillment (Arnold and Reynolds, 2003).

### *2.2 Perceived Crowding*

Perceived retail crowding consists of two dimensions; human crowding perceptions and spatial crowding perceptions (Machleit, Kellaris, and Eroglu, 1994 in Eroglu, Machleit and Barr, 2005). Previous studies have shown that individuals tend to feel that they have less control over a situation when they are in a high density environment (Madzharov, Block and Morrin, 2015).

Perceived crowding is also frequently associated with feelings of discomfort and irritation. Bennett (1998) indicated that the level of irritation caused by a retail store environment also varied by shoppers' personality. A crowded retail store may inhibit the goal attainment of a shopper; thus reducing their shopping satisfaction (Machleit, Eroglu and Mantel, 2000). In a crowded retail store, it is possible that the customers will change their original plan, thus spending less or even leaving without making any purchase (Harrell, Hurt and Anderson, 1980 in Pons, Mourali and Giroux, 2014)

The above discussions indicate that the understanding customers' emotional responses to crowding and the resulting shopping behavior under crowded situations are critically important to the design of a good retail physical environment to serve the retailer's target customers.

### *2.3 Employee Assistance*

The behaviors and attitudes of retail employees can have significant impact on customers' experience and the service perceived quality (Babbar and Koufteros, 2008). Besides that, the emotional responses of customers to a service can frequently be attributed to their contacts with the service employees (van Dolen et al., 2002). Service encounters resulting in positive customer emotions increase the probability of customer loyalty and repeat purchase (Czepiel, 1990; Berry, 2000). The role of employee assistance is especially crucial as the employees act

as a bridge between the retailers and the customers (Pantano and Mogliarese, 2014). Salespeople are recognized as the primary source of communication and their overall behaviours can either attract more customers or reduce the number of customers (Pornpitakpan and Han, 2011).

The role of employees has been found to be associated with customer satisfaction and loyalty (Harter, Schmidt and Hayes, 2002). When employee assistance exists in the level of excellence and integrated it with the store level, it can create desirable customer outcomes; especially if the employees are facilitated with similar understanding of the norms, practices, and expectations in the organization (Dickson, Hanges and Resick, 2006).

#### *2.4 Impulse Buying*

Impulse buying plays a significant role in retailer turnover (Floh and Madlberger, 2013). The decision to purchase impulsively is closely related to the decisions made under high emotional activation and low cognitive control, thus is spontaneous in nature (Sharma, Sivakumaran and Marshall, 2010). It occurs after the urge to buy arises and usually happens without a deliberate thinking process or careful considerations (Sultan, Joireman and Sprott, 2011) and is usually done to get immediate gratification (Starck, Werth and Deutsch, 2006). Impulse purchase has been shown to have hedonic elements and is intended for the shopper's hedonic pleasure (Peck and Childers, 2006)

Thus, it can be hypothesized that:

H1: The higher the level of stimulation from store environment, the higher the level of impulse buying

H2: The higher the level of perceived crowding, the lower the level of impulse buying

H3: The higher the level of employee assistance towards customers, the higher the probability of impulse buying.

### **3. Research Methodology**

Quantitative method was utilized in the study with non-probability sampling method. The survey method was utilized as the main data collection method. In the early stage of the research, qualitative method was utilized to narrow down the list of department stores to be used as the context of the study. High-end department stores were chosen as the research context since it offers customer assistance and are usually crowded.

#### *3.1 Measurement*

An exploratory factor analysis was conducted on all variables in the study and it shows that there is no overlapping among all variables, followed by a reliability check. As reflected, all scales exhibit a high degree of reliability with Cronbach  $\alpha$  above 0.80 (Nunnally, 1978).

Scales were adopted from previous research by Mattila and Wirtz (2008) for variable perceived store simulation, perceived crowding, and impulse buying. For employee assistance variable, the measurement was adopted from Mattila and Wirtz (2008) and Pornpitakpan and Han (2013). Perceived environmental stimulation was measured using semantic differential scales whereas the other items were measured on a 6-point Likert scale, with 1 representing 'strongly disagree' and 6 representing 'strongly agree'. The first section comprised of a series of demographic items. Relevant issues related to the wording were solved through revision from the feedback of the reviewers prior to distribution to the actual sample.

#### *3.2 Sample Characteristics*



The sample collected in this study predominantly comprised of student sample under the age of 24 (80%), with expenses ranging from USD 100-200 (per month). The sample consists of 81 males (54%) and 69 females (46%), making up 150 respondents in total.

The unit of analysis for this specific research is individuals who have made an impulse purchasing in the past in high-end department stores in Jakarta area. The sample was selected to ensure that the researchers could gain better understanding and new perception from the individuals on how an impulse buying happens and what factor influenced them to make these unplanned purchases.

## 4. Findings

### 4.1. Regression Analysis

Simple linear regressions analysis was used to test hypothesis 1-3 in this study. The result had shown that “environmental stimulation” ( $\beta = 0.563$ , adjusted  $R^2 = 0.312$ , Sig. = 0.000) had a significant positive relationship with “impulse buying” ( $F = 68.606$ ,  $p < 0.05$ ). Therefore, H1 was accepted. The next hypothesis was also tested using simple linear regression. The variable “perceived crowding” ( $\beta = 0.336$ , adjusted  $R^2 = 0.107$ , Sig. = 0.000) shows significant relationship with impulse buying ( $F = 18.825$ ,  $p < 0.05$ ). Even though the relationship was significant, it shows different direction compared to the hypothesis. Perceived crowding was shown to positively influence impulse buying instead of the other way around. Hence, **the H2 was rejected**. Another result of simple linear regression analysis has shown that “employee assistance” ( $\beta = 0.540$ , adjusted  $R^2 = 0.287$ , Sig. = 0.000), had a significant positive relationship with “impulse buying” ( $F = 61.059$ ,  $p < 0.05$ ). Hence, **H3 is accepted**

## 5. Findings and Discussions

The findings of the research suggest that there is clear evidence of direct linear relationship between environmental stimulation and employee assistance with impulsive buying, which suggests supports of the original findings of Matilla and Wirtz (2008). However, some contradictory result was also found in the current study with regards to perceived crowding.

Every retailer strives to entice consumers to enter their store to create an atmosphere where consumers can shop in a pleasant and visually appealing environment (Cant and Hefer, 2012). The knowledge on environmental factors driving impulsive buying is useful for retailers, especially since most of the environmental factors could be changed by the retailers themselves (Badgaiyan and Verma, 2015). The findings suggest that the retail environment should be exciting and stimulate the customers to be more ‘awake’, and happier.

The finding of the study is aligned with the research of Freedman (1975 in Li, 2004) which suggests that there is a positive relationship between the level of perceived crowding and the higher the level of people’s enjoyment. Similarly, in the retail environment during festive seasons, the customers experience crowded stores, but seem to enjoy the crowdedness even though a situation may entail a high level of physical contact and may actually hinder the shopping activities. Culture may also play a part. Individuals from a collectivistic culture are more eager to create connections with their peers. They are more likely to seize opportunities that allow for proximate social interactions than individuals from individualistic cultures (Evans et al., 2000 in Pons and Laroche, 2007). This means that perceived crowding would actually be good for department stores in collectivistic countries such as Indonesia.

The previous research conducted by shows that the more people there are in a store (perceived as crowded) the less chances of impulsive buying to happen. This is because individuals from different countries might have a different perception of crowded. In our case, customers in Jakarta may prefer to look for crowded stores because they would see it as a good store whereby it provides good quality and affordably priced products. It is also possible that low level of crowding can also lead to low shopping expectation and retail store attractiveness (Pans and Siemens, 2011).

In addition to that, according to Patterson and Sechrest (1970), personality differences can lead to different personal space preference. Other studies have also pointed out that perception of personal space is closely related to an individual's personality characteristics, such as impatience and aggressiveness (Stokols, 1972), and dominance and self-esteem (Cozby, 1973). Thus, it seems reasonable to assume that shoppers who have a strong desire for control over one's space in the crowded situation would have less tolerance for crowding. Shoppers with higher tolerance of crowding perceive lower retail crowding than do those with a lower crowding tolerance

With regards to enhancing the employee assistance, it would be advisable that the employees should be given proper rewards and adequate training which would facilitate them in providing assistance to customers. This would enhance the employee's motivation to provide better quality of service to customers.

Future study could include better distinction between shopper's category using control variable such as the age of respondents, the occupation of respondents, and average spending per month for respondents or the income as well as the location of impulse purchases. Future studies could differentiate the types of environmental stimulation into a few specific groups (i.e. lighting, scent, sound) to create a more comprehensive conclusion rather than generalizing all factors into one whole part of the retail store environment. It is also possible that future study can include other dispositional variables such as whether the individuals are impatience or not, and whether they are susceptible to outside influences or not.

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