



## The Model of Impulse Buying: Consider Price Discounts and Store Displays

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**Abstract:** This research endeavors to investigate the effects of Impulse Buying Discount Price and In-Store Display on Borma Departement Store Bandung. Additionally, it seeks to determine the combined influence of Price Discount and In-Store Display on Borma Departement Store Impulse Buying in Bandung. The study employs a descriptive quantitative methodology and involves the analysis of data collected from 980 customers at Borma Departement Store Terrain, with 91 respondents selected using a formula method. Both library and field research are used to gather data systematically and objectively. The analytical method used is descriptive analysis, and the findings indicate that Price Discount has a significant positive effect on Impulse Buying, while In-Store Display has a partially positive and significant impact on this phenomenon. The combination of discounted pricing and eye-catching in-store displays can effectively stimulate impulse purchases.

**Keywords:** Price Discount, In-Store Display, Impulse Buying

### INTRODUCTION

The retail sector in Indonesia is thriving and showing promising growth. Aprindo, the Association of Indonesian Retailers, foresees a 12% boom in the industry, with a total value of IDR 188.16 billion in 201 growth. This is a significant jump from last year's figure of IDR 168 billion, and it can be attributed to the government's efforts to boost the country's economy.

Analyzing the data above, it's evident that there was no significant growth in the turnover of the national retail loan. In 2014, the turnover of modern retailers barely rose by 10%, specifically 9.6%, in their quest to achieve a century mark. However, it's projected to climb to 12% in 2015. Fast-moving consumer goods (FMCG), especially food and drinks, continue to

be a significant driver (>60%) of demand, according to the Office of the Chief Economist at Bank Mandiri in 2018.

Department stores are a thriving part of Indonesia's retail industry, drawing significant consumer interest. This is primarily due to their ability to offer a vast selection of products, ranging from different brands, sizes, qualities, and prices, providing customers with the freedom to choose according to their preferences. Some of the popular department stores in Indonesia include PT. Matahari, Ramayana shopping center, Yogyakarta Bromo, and Borma. The success of these stores is evident from the fact that PT. Matahari and Ramayana shopping center collectively control about 55% of the market segment, encouraging their business expansion. However, the abundance of publicly listed retail companies, particularly department stores, has made it challenging for consumers to choose the right store for their needs.

There are governmental regulations in place regarding the retail industry's presence in Indonesia. Among them are the President of the Republic of Indonesia's decree number 112 from 2007, which focuses on the organization and guidance of traditional markets, shopping centers, and modern shops. Another key decree is the Ministerial Decree Industry and Trade of the Republic of Indonesia No. 107/MPP/cap/2/1998, which outlines the terms and procedures for obtaining a modern market business license.

As the retail industry thrives in Indonesia, companies must strive to stay afloat and competitive amidst the market. Retailers now battle to win over consumers by enticing them with discounts, door prizes, and various other promotional deals, all of which come at a substantial cost. These marketing strategies aim to capture the attention of potential buyers and sway them towards their retail outlets, catering to their specific needs and wants. By adopting these measures, retailers seek to foster consumer interest and ultimately boost sales.

If a seller can pique a consumer's interest in their offerings, the chances of the consumer making a purchase increase. The level of consumer interest in purchasing a particular brand, as measured by the likelihood of making online purchases, is a crucial factor (Bala & Deepak Verma, 2018). The intensity of consumer interest in a product can directly influence their eventual purchasing decision.

Consumer interest is a deciding factor that determines sales volume. A favorable interest will entice consumers to make purchases, while an unfavorable one will deter them. Department stores, particularly Borma, face intense competition, which has a significant impact on their sales volume. For instance, the Borma department store witnessed a steady decline in sales volume every month in 2018.

The Borma department store's sales volume in 2018 experienced fluctuations, with the sharpest decline occurring in September, dropping by 94.94%. This is attributed to increasing competition from other department stores, leading consumers to choose alternative purchasing options. Several factors contributed to the sales decline, including a decline in the Borma department store's appeal to buyers. Poor marketing strategies have adversely affected consumer interest, making it difficult for the company to achieve its objectives.

One effective approach that companies can take to stay ahead of their competitors is by building and maintaining a positive image of their store in the minds of consumers. Such a positive image attracts customers and enhances their perception of the company's products or services. Additionally, it can boost the overall reputation of the organization. The store's image is a reflection of its personality and values, and it may differ from one customer to another. Retailers must, therefore, strive to construct and maintain a good image, as it can significantly impact consumer interest and buying behavior. Image refers to a set of beliefs and ideas that individuals hold towards an object, and it has been recognized as a critical factor in influencing consumer behavior (Frías Jamilena, Polo Peña, & Rodríguez Molina, 2017).

The Borma department stores are facing stiff competition from both domestic and international players, resulting in a decline in their market image. This decline can be attributed

to the mismatch between the products offered by Borma and the consumer expectations, leading to lower consumer interest and minimal sales.

The declining interest in purchasing at Borma can be attributed to the faltering image of the company. Without the appeal of company interest, the enterprise is unable to thrive. If department store consumers perceive a lack of quality in Borma products, they will seek other options for their fashion needs instead of shopping at Borma. This trend ultimately renders Borma unable to compete in a market where consumers are not loyal.

As fashion trends continue to evolve, a growing number of consumers are following suit. The fashion industry is therefore becoming increasingly competitive as businesses vie for sales and market share. Fashion encompasses not just clothing, but also accessories, makeup, and bags. To succeed in this dynamic environment, businesses must understand the ever-changing behavior of consumers and appeal to their interests. Consumer purchases can be categorized as planned or unplanned. A phenomenon that is becoming more common is the spontaneous purchase- where a consumer, who only intended to window-shop, is compelled to buy a product they find appealing. This could be due to striking product displays, discounts, or simply forgetting to buy the product they came in for in the first place.

Businesses often offer price discounts or rebates during specific periods to attract potential customers without causing harm to their bottom line. This involves creating a strategic discounting plan that will entice visitors, shoppers, and passersby. Another effective strategy for driving sales is through in-store product displays, which aim to influence consumer behavior through a well-planned product arrangement based on factors such as type, color, brand, and location. Additionally, unplanned purchases or impulse buying can be encouraged by offering discounts on products and placing them in prominent locations that are easily accessible and visible to prospective buyers.

### **Conceptual Framework**

Impulse Buying, a phenomenon where consumers purchase a product or brand upon seeing it in-store, is characterized by four indicators: spontaneity, power, excitement, and disregard for consequences (Utami, 2014). Meanwhile, a Price Discount is a temporary reduction in the product price below its regular value (Wieseke et al., 2014). Eeckhoudt et al. (2019) further elaborate on three indicators of Price Discount: the number of rebates, the duration of the price cuts, and the type of product eligible for discounts.

As per Bala and Deepak Verma (2018), In-Store Display is a technique aimed at captivating consumer attention and interest or inspiring their desire to purchase by means of direct visual appeal. Goldsmith (2007) identified three key indicators of In-Store Display, including product procurement, grouping of items, and preparation of goods.

The upcoming examination will involve testing a research hypothesis.

The first hypothesis posits that a significant and positive correlation exists between discounted prices and the likelihood of impulse purchases.

The impact of In-Store Display on Impulse Buying is both noteworthy and affirmative.

The impact of Price Discount and In-Store Display on Impulse Buying has been shown to be both significant and positive, as evidenced by H3.

### **RESEARCH METHOD**

Conducted at the Jl. Cikutra Bandung-based Borma Department Store, our research encompassed all in-store consumers in 2019, totaling to 980 individuals. To select a representative sample, we used the Slovin formula and arrived at 91 respondents.

To collect data in this study, structured questionnaires were distributed to Borma Department Store customers. The researchers employed a questionnaire-based method to

obtain information, as suggested by Sugiono P.D (2014), which involves presenting a written statement or set of questions to the respondents for answering.

For this research, multiple linear regression techniques were employed to analyze the relationship between dependent and independent variables. Linear regression analysis was used to understand the dependence of the bound variable on the free variable, allowing for estimates and predictions of the dependent variable's population mean based on a known independent value. To determine the impact of Price Discount (X1) and In-Store Display (X2) on Impulse Buying (Y), multiple linear analysis was conducted.

## RESULTS AND DISCUSSION

Prior to discussing the results, it's important to understand the concept of retail. Retail encompasses all activities involved in selling products directly to consumers for private, non-business use (Utami, 2014). Its primary objective is to enhance the value of goods or services through sales to end-users. While some may consider retail limited to the selling of products in-store, it also encompasses services. Retail activities involve the sale of both goods and services to consumers, with a focus on ensuring conformity between products and consumer needs. Moreover, retail serves as a vital channel for manufacturers to reach their target audience.

Out of the total respondents, 28 individuals (30.8%) were male while 63 individuals (69.2%) were female, indicating a greater female representation. In terms of age, 37 respondents (40.7%) were below 21 years, 32 respondents (35.2%) were between 21-30 years while 22 respondents (24.2%) were between 31-40 years. A higher percentage of respondents fall under the age bracket of 21-30 years, making it the most represented age group.

According to the findings of the study, the impact of Price Discount (X1) and In-Store Display (X2) on Impulse Buying (Y) was determined through multiple linear regression analysis. The results indicate that the equation  $\text{Impulse Buying} = 1.473 + 0.370 \text{ Price Discount} + 1.224 \text{ In-Store Display} + e$  reflects a positive influence of the simultaneous presence of Price Discount and In-Store Display on Impulse Buying.

The outcome aligns with Utami's preliminary research (2014) that suggests impulse buying is a result of consumers being drawn to a product or brand after seeing it, often due to external motivators like store displays. Park, Kim, Funches, and Foxx (2012) similarly define impulse buying as a purchase made without prior intent, indicating that it is an unplanned act of consumerism.

While impulse buying is typically associated with low-involvement convenience goods in the retail sector, it can also extend to luxury products that are beyond the means of the middle class. A prime example is in the realm of fashion, particularly high-end clothing items (Mulyanegara, Tsarenko, & Anderson, 2009). Impulse purchases are often driven by unconscious motives and are accompanied by intense emotional responses. This behavior is typically spontaneous and unplanned.

The impulse to buy can affect people at various levels, but it ultimately depends on an individual's ability to control that impulse. Impulse buying is triggered by emotional factors such as sentiment or passion. It is often influenced by the attractiveness of display goods that compel someone to make a purchase. Such purchases are unplanned and made without prior decision-making. (Utami, 2014)

Impulsive purchases often stem from a strong motivation that transforms into a direct desire to buy a product (Cohen, Prayag, & Moital, 2014). For decision-making consumers, the process involves integrating knowledge to evaluate multiple cognitive behavioral therapies and ultimately selecting one.

According to a particular definition, purchasing for consumers involves the consideration of various alternatives to address their problems. When a selection is made, it is then followed

by actions that lead to the realization of the choice. As observed by Park et al. (2012), impulsive behavior is a quick decision-making process driven by the pleasure complex, as identified by Sulaiman (2010). Such behavior hinders the consideration of information and available options.

The evolution of information technology has dramatically impacted consumer behavior, spurring a surge in consumption. The banking sector has kept pace with this development, introducing credit and debit cards that have only reinforced the impulsive and hedonistic tendencies of modern consumers (Rochdiani & Nurul Utami, 2009). Hypermarkets now have a unique opportunity to cater specifically to this consumer segment, boosting their store sales and performance.

Consumers with moderate levels of impulsivity can be swayed by the non-conformists and lifestyle-oriented individuals (Peschel, Grebitus, Steiner & Veeman, 2016). Naturally, demographic factors such as age, gender, educational background, family income, and composition also play a variable role in their susceptibility to influence. The emergence of fashion trends and associated positive emotions can further instigate impulsive buying behavior.

As per Alyas' research in 2017, individuals experience positive emotions that are influenced by their pre-existing mood and the environment they're in, such as desirable goods and sales. This positive mood is more conducive to impulse buying, which occurs when consumers experience a sudden and persistent urge to buy something. This impulse is strong, sometimes even unbearable, and often leads to acting without much deliberation.

According to the results of the t-test, a partial discount on prices had a noteworthy and positive effect on the occurrence of impulse buying at Borma Department Store. The tcount value was 7.319, which is greater than the ttable value of 1.986.

As per the findings, offering discounts on prices is an effective promotional strategy to lure in potential customers and pique their interest in the products on offer. In the words of Hayati and Purnama (2016), discounts on prices are incentives given by vendors to acknowledge specific actions of buyers, which ultimately prove beneficial for both parties.

Consumers who value perception are willing to seek well-worth at the time of transaction. Matsa (2011) explains that price discounts are given by sellers to buyers who perform certain activities. There are four different types of price discounts: quantity, seasonal, cash, and trade discounts. Discounted shopping is easily found in Indonesia as it is a popular promotional strategy.

The allure of discounts for consumers cannot be denied, but experts have varying interpretations of the concept. Wieseke, Alavi, and Habel (2014) define a discount as a direct reduction in the price of goods purchased within a specified time period. Eeckhoudt, Gollier, and Schlesinger (2019) suggest that a discount is a gesture by the seller to reduce the price for buyers who have engaged in certain activities that please the seller. These definitions suggest that a discount is a price reduction offered by the seller to incentivize consumers to buy their product within a specified time period.

According to the t-test results, the In-Store Display had a partially positive and significant effect on Impulse Buying at Borma Department Store. This was determined by a t value of 30.611, which surpassed the t-table value of 1.986.

As per the findings, product displays are the most effective way to captivate customers through visual engagement. Stores use product management techniques as a way to attract consumers to directly look at the displayed merchandise with the aim to pique their interest and make a purchase. The display is tailored to the type of goods being sold, making it easier for customers to select what they need. A comfortable and captivating environment is created in the store through effective display implementation.

According to Handayani Sri and Fariyanti Anna (2016), the purpose of displays is to attract and persuade potential buyers to purchase goods. Displays are designed to capture the

attention of buyers and generate interest in the products being sold. Through direct visual attraction, displays play a crucial role in marketing promotions and are classified as a form of sales promotion. Rochdiani and Nurul Utami (2009) further support this notion that displays aim to drive attention and interest towards goods, ultimately pushing buyers towards making a purchase.

The shopping environment has a significant impact on consumer mood and emotions, and ultimately their purchasing behavior. As noted by El-Adly & Eid (2016), it is a key marketing strategy that provides value to consumers through a memorable shopping experience. Elements such as music, scent, temperature, furniture, style of service, and perceived enjoyment can all influence a shopper's psychological state. In-store shopping environments are intentionally designed to create a conducive atmosphere for lessons in spending, and can be divided into three parts according to Matsa (2011): image, store atmosphere, and theatrics. The store atmosphere in particular plays a crucial role in ensuring consumer comfort while shopping. Zablah, Carlson, Todd Donavan, Maxham, & Brown (2016) further categorize the store atmosphere into two parts: the in-store atmosphere, which includes internal layouts, sound, smell, texture, and interior design; and the store out atmosphere, which covers external layouts, texture, and design. The combination of these physical characteristics, including architecture, layout, display, color, lighting, and music, create a lasting impression in the mind of the customer.

Gilbert suggests that the design of a store's atmosphere can greatly impact customers' emotional buying experiences, thereby increasing the likelihood of lasting purchases. This means that a shop's physical environment, including visual communication, lighting, color, music, and scent, can stimulate customers' perceptions and emotions, ultimately influencing their purchasing decisions. Therefore, retailers must carefully manage their store environments to attract and engage customers, leaving a positive impression on them. By deliberately creating a specific store atmosphere, retailers can effectively communicate information about merchandise, including pricing and placement, to help customers easily find what they need.

The F test outcomes reveal that both Price Discount and In-Store Display have a collective impact on Borma Department Store's Impulse Buying. The calculated F value of 716.497 exceeds the F table value of 3.10.

Upon analyzing the coefficient of determination ( $R^2$ ), it was determined that the R Square value obtained was 0.942, indicating that 94.20% of the variable is impacted by the variables of Impulse Buying Price Discount and In-Store Display. However, the remaining 5.80% is influenced by other variables that have not been evaluated in this study.

The research findings are consistent with Utami's (2014) study on Impulse Buying - a phenomenon where consumers are compelled to purchase a particular product or brand due to visual stimulation in stores. According to Utami, there are four indicators for Impulse Buying: Spontaneity, Power, Excitement, and Disregard for Consequences. On the other hand, Eeckhoudt et al. (2019) define Price Discount as a temporary reduction in the price of a product from its original price. Meanwhile, Wieseke et al. (2014) identify three indicators for Price Discount: the number of rebates offered, the duration of the discount period, and the type of product eligible for a rebate.

According to Bala and Verma's 2018 study, In-Store Display serves to pique consumer curiosity by drawing their attention through direct visual attraction. As Goldsmith suggests, three measures of In-Store Display include product procurement, item grouping, and goods preparation.

## CONCLUSION

The results of the study indicate that a price discount can significantly boost impulse buying at Borma Department Store. Consumers tend to make purchases on a whim without

much thought when there is a discount offered. Additionally, an engaging and prominently displayed in-store display can also have a positive impact on impulse buying. By creating an interesting and easily visible store display, Borma Department Store can encourage consumers to make impulse purchases. When both price discount and in-store display are considered together, they have a stronger impact on impulse buying. However, when analyzed separately, store display has a more dominant influence on impulse buying as compared to price discount. This suggests that consumers are more likely to be swayed by an attractive store display than a mere price reduction.

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