

ANALYSIS OF ONLINE SALES PROMOTION TOWARD YOUTH PURCHASE INTENTION IN INDONESIA (CASE STUDY OF APPAREL INDUSTRY)

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Abstract: Indonesia has the highest internet users among Asean countries. Dominated by the younger generation which include youth age is the profile of demongraphic internet user in Indonesia. This will impact the online e-commerce market in the country and can become a potential online market for Indonesia. It is forecasted that online buyers will still keep increasing in the next few years. Several research indicate that fashion apparel products are mostly bought by the Indonesian internet users followed by travel and books. The significant impacts of online sales promotion in the online retail business are the tight competition faced by the online retailing businesses and the irrelevant online promotion exposure experienced by the internet users. The top three important factors for consumers in making a decision to buy online is a promotion or discount factor followed by pricing factor and brand factor. The purpose of this study is to analyze the youth respond toward online sales promotion strategy (online pricing promotion and online coupon promotion). Another purpose is to identify the strongest factors in affecting youth online purchase intention. Lastly, the study is to determine the relationship between online sales promotion strategy and youth purchase intention. The study used is a descriptive research with quantitative methods of data collection. The respondents of this research gathered for random sampling are youth students high school and university students resides in Jakarta and Tangerang area who have exposed to any type of online promotion form, and have experienced in buying apparel product online. The result of the study is that there is a positive response toward online pricing promotion and online coupon promotion among youth online consumers with the highest positive respond is the online pricing promotion. The strongest factor in affecting youth online purchase intention is ease of use factor followed by perceive usefulness and subjective norm. Lastly, there is a strong correlation between online sales promotion and youth purchase intention.

Keywords: Online sales promotion strategy, Online pricing, Online coupon, Youth online purchase intention, Online retail apparel.

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BACKGROUND

Indonesia Internet Users

Data statistics showed that Indonesia which composed of 250 million of population which was the 4th largest population in the world had 73 million of online population on year 2013 and 84 million on year 2014. It was predicted that in year 2015 the online population will increase to 93 million of population (eMarketer, Indonesia Online, March 2013).

The female internet users was the highest proportion (52%) compared to the male which was 48%. The internet users was dominated by younger generation age of 12-34 years old which composed of 58% of the internet users. Devices used to access internet for internet users in Indonesia were via smartphone (66%), desktop personal computer (52%) and notebook (45%) (APJII Profile Internet Indonesia, December 2012).

Online buyers in Indonesia was predicted increase throughout the year from 2013 (4.6 million online buyers), 2014 (5.9 million online buyers) and was estimated in 2015 (7.4 million online buyers) (eMarketer, January 2013).

Recent survey conducted by MarkPlus Insight that the main products bought by online buyers were clothing (apparel) counted for 57%, followed by shoes (32%) and bag and wallet (29%) (MarkPlus Insight, 2014).

Youth Shopping Behavior

Based on research conducted by Redwing Asia (2013), youth consumers were not rely on in-store staff as the source of information for the product, for the price comparison and for the product availability check instead the youth use their smartphones as source of information. Another facts were that 40% of youth shoppers will visit the website while in-store and 33% of them will talk to the sales staff. Further, while out-of-store, 27% of consumers would find information about the product by browsing the company' website, and considering the recommendation and opinion from their social network friends. Moreover, 23% of consumers were checking the prices while out-of-store.

Online Promotion

As the internet has become a new channel for the company to implement their sales promotion activities, there are some popular online promotion strategies that have been used such as online price discount, online coupon, and free shipping that influence customer to buy (Huang, 2013).

Based on retail industry outlook survey, online promotion and coupons have a significant impact in the retail business. In 2013, the barrier that needs to be faced

by online business was a pricing pressure due to many competitors competed in pricing segment. There were areas that need to be considered in creating a strategy to retail industry: customer insight, brand and product management, and pricing decision. Choosing the right promotion strategy would give a great impact to the business (KPMG international, 2013).

According to the research conducted by MyBuys, fifty percent (50%) of online adult have been exposed with irrelevant online promotion. Half of the online adult are annoyed with the irrelevant online promotion, and forty eight percent (48%) of them are did not want to visit the websites in the future if they are seeing the irrelevant promotion. This means that creating a relevant promotion and targeted right customers will impact the success of the promotion, because making customer visiting the websites are important to direct the customers to buy the product or services (Rosner, 2008).

Based on research conducted by Nielsen in 2013 that the top 4 forms of promotion which had been increased since 2007 was text ads on mobile phones that increased by 19%, followed by ads before movies (18%), online banner ads (16%) and ads in search engine (14%) (Nielsen 2013).

LITERATURE REVIEW

Online Sales Promotion Form

According to Wells, Moriarty, Burnett & Lwin (2007), there are several form that can be used by the advertiser to promote their products through internet which includes sampling, sweepstakes and contests, price deals, and coupons.

Sampling is one of the online sales promotion forms used by the company to promote their products by offering free samples of their product on their website. Another form of online sales promotion were sweepstakes and contests which is an effective promotional tool to drive people to the marketer's webpages. Sweepstakes and contest give the targeted customer a huge prize to stimulate them to respond to the promotion. By giving the chance to customers to get a huge prize or merchandise it will increase the response rate of that promotion.

Other form of online promotion were online price promotion in form of online discount, online rebate, or free offer. Coupons are another form online promotion which can be delivered via email to the customers.

According to Strauss and Frost (2012), "sales promotions were short term incentives of gifts or money that facilitated the movement of product from producer to end user". There were some activities of online sales promotion which included coupons, discount, rebates, product sampling, contests, sweepstakes, and premium.

Online sales promotion was used to change the customer's behavior in the short term such as visiting the websites, registering online, and purchasing in the following week. By using online promotion, it showed that there was an increased three to five times higher of customer responds rates. Online sales promotion tactics could build brand, build database, and increase online or offline sales (Strauss & Frost, 2012).

Exposure On Online Sales Promotion

According to Larose and Eastin (2002), exposure to e-commerce sites could weaken the self-regulation of the customers that makes them visit e-commerce sites more frequently, and more online purchase without thinking of their decision. Customers today have much information related to price differences among retailers, because it is easy to get the data through internet especially for the same product. In this case, customers can find all the websites that sell that specified product, and list the prices. By doing this activity, they will choose the most economic prices (Reibstein, 2002).

Exposure to online sales promotions could affect the online shopper and make them compulsive buyer. Sales promotion strategy encourages people to go to the websites again and create a desire to buy the product again in the larger amount. Based on cultivation theory, "the more people attend to mass media's portrayal of the world, the more likely they are to accept this representation as compelling". The more exposure of the online promotion, the more people tend to purchase the product (Vicdan & Sun).

Online Promotion to Increase Sales

Based on Thomason, Larissa (2004), there are some online promotion strategies to increase the sales:

- Encourage impulse buys, by suggesting a related product. This will stimulate the needs and wants of the customers which makes customer consider buying the product.
- Offer online-only specials. By offering an online-only specials promo, this will make the consumer considers buy the product online rather than offline.
- Ship larger orders for free. By providing free shipping for customers for buying in a large amount of product, it will make the customer want to buy the product.
- Be honest about pricing. Customer expect the exact price of the product they buy. Customers can easily move to other websites if there is no clear information about the total cost they need to pay.

- Provide great customer services. It is not easy to attract the customers, so retaining the existing customers are important. Mass email and automated phone systems are disliked by the customers. By providing a 24 hour response on websites helps retain the customers.
- Have complete product information and photo. By providing the information and photo, people will trust the websites and buy the product through the websites.

Further, Thomason (2004) stated that “good content will increase your search engine visibility, attract more visitors, and encourage them to become a consumer”.

Implementing Online Promotion

Promotion of a product through internet is similar to doing an offline promotion. Some considerations when implementing an online promotion are:

- Targeted customers have to understand and they need to be online surfers.
- Estimate the traffic to the site. The server needs to be prepared to handle the traffic.
- Evaluate the promotion strategy gradually
- Create cobranding, because many promotion successes could bring powerful partners.

By doing this, online promotion strategies can be maximized because online promotion is not just focused on the product, but also with the customers who potentially can become a consumer (Turban, King, McKay, Marshall, Lee, & Viehland, 2008).

Intention, Belief, Feeling

According to Blackwell, Miniard, and Engel (2012) there is a close related between intention, belief, and feeling. Consumer belief and feeling will create a consumer attitude. Consumer attitude is an evaluation of judgment of the consumer after they have their subjective judgment and reaction. There are three types of consumer attitude which are toward behavior, toward object, and preference.

After consumer attitude is created, the next is consumer intention. Consumer intention is how the consumer will react before they buy a product. There are some types of intention they are spending intention, purchase intention, repurchase intention, shopping intention, search intention, and consumption intention. Spending intention refer to how much money that consumer will spend. Purchase intention is refer to what consumer thinks they will buy. Repurchase intention is whether the consumer will buy the product again or not. Shopping intention

is where the consumer will purchase the product. Search intentions refer to consumer's intention to do external search. Consumption intention is consumer's intention to engage in consumption activity. Figure 1 literature review attachment shows the relationship between consumer belief, feeling, attitude, intention and behavior.

Theory of Reasoned Action (TRA)

Theory of Reasoned Action (TRA) was proposed by Ajzen and Fishbein. This theory was developed to predict a behavioural intention. This theory states that "behaviour was predicted by his or her attitude toward behaviour and his or her perception of others' beliefs whether he or she should or should not perform that behaviour". Individual's behaviour can be determined by two major variables, which were perceived usefulness and perceived ease of use. The third variable added were subjective norm (Amoroso & Hunsinger, 2009).

Perceived usefulness affects the online purchase intention. "Perceived ease of use was the degree which a person believes that using a particular system will be free of effort." "Subjective norm or social influence was the degree of a person's perception that people who were important to him or her think he or she should or should not perform the behavior in question". This meant that people could be influenced by someone that important to him or her. The study found that subjective norm has an impact to purchasing behavioral intention (Amoroso & Hunsinger, 2009).

RESEARCH MODEL

In this research framework as shown on the attachment on figure 2 research model, theory of planned behavior is used to measure the purchase intention of youth in Indonesia. Online purchase intention is determined by three variables. The first one is perceive ease of use, where the youth who doing an online purchase are more aware to the promotion that easy to use, for example a simple online coupons and can be redeemed in any store. The second is perceived usefulness, where the youth are more aware to the online promotion that they can feel the usage. The example of perceive usefulness is, when youth get a premium promotion they can get some extra care and the best product or services. The third is subjective norm, where youth are aware of online sales promotion because they have influenced by their family or friends.

Based on the review of existing literature, study objectives and the model, following hypotheses were developed:

H1: There is a positive response of youth's toward online price promotion.

- H2: There is a positive response of youth's toward online coupon promotion.
- H3: Perceived ease of use has a strong association in affecting youth online purchase intention.
- H4: Perceived usefulness have a strong association in affecting youth online purchase intention.
- H5: Subjective norm have a strong association in affecting youth online purchase intention.
- H6: There is a relationship between online promotion strategy and online purchase intention.

RESEARCH METHODOLOGY

For this research, the descriptive research and causal research will be used. Descriptive research will be used to examining the phenomenon and variable used in this research, also supporting factors from the correspondent. The causal research will be used to determine the relationship between variable and the effect to other variable.

The type of data used in this research is combination of primary data and secondary data collection. For the primary data, the information collected from the distributed questioner. This questioner will be distributed directly to the respondent with the similar characteristic, especially the youth in Indonesia. The secondary data is collected from a journal about offline and online promotion, internet user article, marketing books, and newspaper references. Online resources also included in making this research. A highly structured method will be used in this research by providing the questionnaire with a multiple choices question. This data will help in quantifying the people's behavior and attitude.

The population of this research is the youth who has an experience in seeing the promotion in the internet in Jakarta and Tangerang area. This research using probability sampling because, every people in the population have a chance of being selected in the sample. Random sampling method is used to determine the sample size, and the population is relevant to the study. The limitation of this research is youth who see the online promotion in internet. The formula used to determine the sample size is:

$$n = \frac{pq}{\sigma^2}$$

pq : Measure of dispersion

n : Sample size

σ^2 : Standard error of the proportion

Based on above calculation as shown in the figure 3 on the attachment, the minimum number of sample needed to create a valid and reliable research is 97 respondents. The questionnaires that will distribute are more than 97 to get a greater accuracy, which are 100 questionnaires.

For the purpose of validity and reliability test, the pre-test questionnaire is distributed to the targetted respondents to test the subvariable and question. The SPSS software used to tabulate the data. The SEM (structural equation modelling) analysis is used to test the hypothesis of the research. The application used to create SEM analysis is AMOS to see the the relationship between the variable used in this research.

RESULT

Respondent Gathered Results

The one hundred respondents consisted of 58 woman (58%) and 42 Man (42%). The chosen respondents have an experience of online purchasing for clothing product. The target respondent is youth. Thus, a range for youth is from 15-24 years old. Most of the respondents are between 21-24 years old (85%) and the rest of them are between 18-20 years old (15%).The respondents educational level which consists of bachelor degree level (58%), senior high school level (39%), and diploma level (3%). In term of the frequency of respondent in shopping online, most of the respondents are purchasing the apparel product online 1 time in a month (58%), followed by 2 times in a month (30%), and followed by 3 times in a month (8%), 4 times in a month (4%), and more than 4 times in a month (1%).The result gathered from the questionnaire in term of the respondent money spend to purchase an apparel product online are: fifty-one percent (51%) of respondents spend their money more than Rp 200.000, followed by respondents who spend between Rp 101.000-200.000 which are 34%, and fifteen percent (15%) respondent spend money between Rp 50.000-100.000. The respondents seek when doing online shopping apparel product in which 51% look for affordable price and 32% look for safety transaction followed by promotion and discount (11%) and speed in delivery (6%). This data indicates price is very important to most of respondents when purchasing apparel product online.

The types of online promotion that respondent being exposed most are online coupons (41%), e-mail promotion (30%), and pop-up discount promotion (29%). The activities that respondents do when they are exposed with online promotion. Fifty percent (50%) of the respondent are exposed by online promotion when they are using social media, twenty percent (27%) of them are exposed while browsing the internet, and twenty three (23%) is when they are visiting the websites.

The conclusions of data gathered with regard to the respondent perspective to shopping apparel product online are:

- 51% of youth customers are seeking an affordable price when they are doing an online shopping especially for purchasing an apparel product.
- 41% of them are exposed with online coupon promotion and they are exposed by it when using a social media (50%).

Path Diagram Results

A structural equation modeling to test the hypothesis of the research. The analysis of this research is to see which online promotion strategy has the strong attitude level, seeing which online purchase intention is the strongest in Indonesian especially youth when shopping an apparel product, and to see is there any relation between online sales promotion and purchase intention among youth. The path diagram of online sales promotion strategy and purchase intention shows in figure 4 on the attachment. Based on Spearman's Rank Correlation Coefficient, there are some classification to determine the coefficient value, there are:

- 0.0 to 0.2: None
- 0.2 to 0.4: Very weak correlation
- 0.4 to 0.6: Weak correlation
- 0.61 to 0.8: Moderate correlation
- 0.81 to 1.0: Strong correlation

To determine the model is acceptable, r values need to be squared in order to get the percentages (r^2). The model is acceptable if the percentages are more than 25% (Haryono & Wardoyo, 2012). Following are the results of the hypothesis:

Question #1: What is the consumer's response toward online price promotion strategy?

Hypothesis #1

Ho: There is a negative response of youth's toward online price promotion.

H1: There is a positive response of youth's toward online price promotion.

Based on the path diagram figure 1, the youth response to online promotion strategy is 0.96, and the square correlation is 92.16% and it shows that this variable is strong and high correlation. The result is, reject the null hypothesis.

Question #2: What is consumer's response toward online coupon promotion strategy?

Hypothesis #2

H0: There is a negative response of youth's toward online coupon promotion.

H1: There is a positive response of youth's toward online coupon promotion.

According to path diagram, online coupon strategy have a correlation 0.84, and the square correlation is 70.56%. Based on this result, this variable is considered as strong and high correlation. The result is, reject the null hypothesis.

Question #3: How strong is perceived ease of use factor in affecting youth purchase intention?

Hypothesis #3

H0: Perceived ease of use does not have a strong association in affecting youth online purchase intention.

H1: Perceived ease of use has a strong association in affecting youth online purchase intention.

Based on path diagram, perceived ease of use purchase intention level is 0.89 that means the square correlation is 79.21%. This variable considered as strong and high correlation. The result is, reject the null hypothesis.

Question #4: How strong is the perceive usefulness factor in affecting youth purchase intention?

Hypothesis #4

H0: Perceived usefulness does not have a strong association in affecting youth online purchase intention.

H1: Perceived usefulness have a strong association in affecting youth online purchase intention.

According to path diagram, the perceived usefulness is 0.83, and same as previous variable, the square correlation is 68.89%. This means that perceived usefulness has a strong and high correlation. The result is, reject the null hypothesis.

Question #5: How strong is the subjective norm factor in affecting youth purchase intention?

Hypothesis #5

H0: Subjective norm does not have a strong association in affecting youth online purchase intention.

H1: Subjective norm have a strong association in affecting youth online purchase intention.

Based on path diagram, subjective norm correlation is 0.74, and the square correlation is 54.76%. This variable is considered as moderate but based on spearman's correlation it is considered as high correlation. The result is, reject the null hypothesis.

Question #6: Is there any relationship between online sales promotions with youths' purchase intention?

Hypothesis #6

Ho: There is no relationship between online promotion strategy and online purchase intention.

H1: There is a relationship between online promotion strategy and online purchase intention.

According to path diagram, there is a correlation between online sales promotion strategies with online purchase intention. The correlation is 0.83, and square correlation for this variable is 68.89%. This correlation categorized as high and strong correlation. The result is, reject the null hypothesis.

CONCLUSION

The conclusion of this research, when the retailer decided to open an online store and targeted youth in Indonesia, there are some online strategy that need to be considered to increasing the purchase intention. The first strategy that needs to be focused on is both online price promotion and online coupon strategy. The reason that this strategy must be focused is because most of the youth in Indonesia are having a positive response with this promotion strategy. The location to promote the product is in social media because based on previous survey reveal that most of youth is exposed with online promotion when they are using social media.

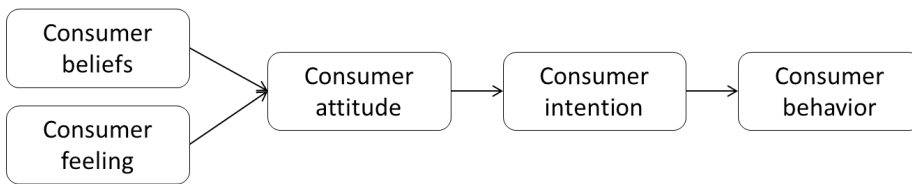
Secondly, after focusing on the online promotion strategy and location to promote, the next strategy is by providing a user friendly websites because youth in Indonesia tend to choose the easy used websites. Information for each product need to be clear and there is a price comparison in the websites. Adding a testimonial column in the websites also can be considered because youth in Indonesia tend to have subjective norm attitude. Word of mouth can be considered as a strategy because subjective norm has a correlation with purchase intention in Indonesia (recommendation from another person).

Lastly, to answer the first problem about irrelevant promotion, there are some strategies that can be used. The first strategy is by choosing an online promotion strategy that has a positive responds toward youth in Indonesia. Online price

promotion and online coupon are online promotion strategy that has a positive responds among youth, also by choosing the right place will reduce the exposure on irrelevant promotion. In online apparel cases, social media is the right place to put the promotion.

The second problem is most of Indonesian people are not satisfied when shopping online. To answer this problem, there are some strategies that can be used such as providing full information in the websites. Information about the price, delivery time, and full information about the online shop is recommended to be used to decrease the not satisfied factors that occurred when doing an online shopping. To answer the third problem about the factor that make online shopper are afraid when doing an online shopping, can be solved by adding a testimony column in the websites because youth in Indonesia are still has a positive effect toward subjective norm factors.

Figure 1: Literature Review. Relationship between consumer belief, feeling, attitude, intention, and behaviour



Source: Blackwell, Miniard, and Engel (2012)

Figure 2: Research Model

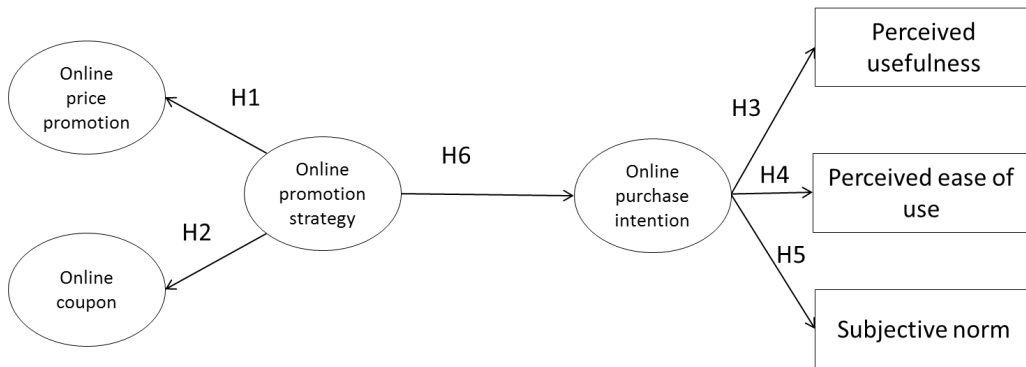
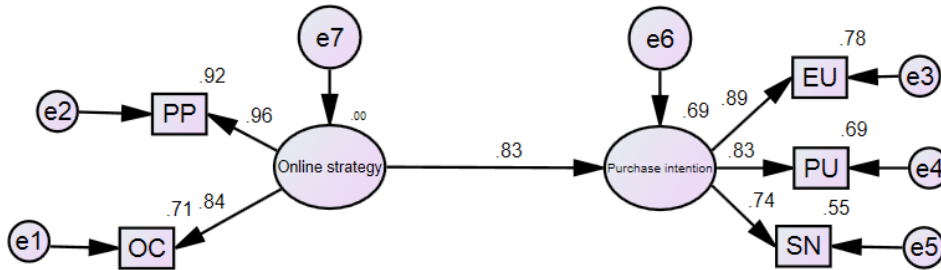


Figure 3: Sampling size determination

| Data | |
|-----------------------------|-------------|
| Estimate of True Proportion | 0.5 |
| Sampling Error | 0.1 |
| Confidence Level | 95% |
| Intermediate Calculations | |
| Z Value | -1.95996398 |
| Calculated Sample Size | 96.03647052 |
| Result | |
| Sample Size Needed | 97 |

Figure 4: Path Diagrams of Online Promotion Strategy and Purchase Intention



Source: AMOS Output

Based on path diagram above, the variable means below:

- PP: Online Price Promotion
- OC: Online Coupon
- EU: Ease of Use
- PU: Perceived Usefulness
- SN: Subjective Norm

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