International Journal of Economics, Commerce and Management
United Kingdom Vol. VI, Issue 12, December 2018
http://ijecm.co.uk/ ISSN 2348 0386

EXTERNAL AND INTERNAL FACTORS AFFECTING THE IMPULSE BUYING OF BUYERS IN RETAIL FRANCHISE IN THE GIANYAR REGENCY OF BALI PROVINCE, INDONESIA

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Abstract

Retail business, especially franchise retail is growing rapidly in Indonesia, including in Gianyar Regency. The fast growing of retail business is obvious because of the high number of buyers. One characteristic of this modern retail business is the nature of impulse buying, or buy something outside the plan. This is what much aimed by modern retail stores by offering various discounts, bonus packs, and various forms of promos as soon as visitors enter the store. The purpose of this study is to determine the influence of external factors (retail store factors) and internal buyers on impulse buying, and to determine which dominant factors that influence. The research was conducted at a franchised retail store located in Gianyar Regency. The population in this study is all buyers at franchised retail stores, with a sample of 80 buyers selected using purposive sampling. The data collection is done by questionnaire. The results of SEM-PLS analysis show that the external factor has a positive and significant influence on the impulse buying of the franchised retail store in Gianyar Regency. While internal factors have positive influence but not significant to impulse buying franchised retail store purchase in Gianyar Regency. So dominant factor influencing impulse buying is external factor.

Keywords: Impulse buying, external factors, internal factors, retail store, consumer behavior

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INTRODUCTION

Today the development of retail business in Indonesia has grown rapidly. This is marked by the existence of traditional markets which began to be displaced by the emergence of various types of modern markets, so that various retail shopping centers appear with a variety of shapes and sizes. Some examples of modern shopping centers such as minimarkets, supermarkets, department stores, shopping centers, malls and hypermarkets. Retail business is one business activity that sells daily necessities both in the form of products and services aimed at consumers for personal or family use (Desrayudi, 2011). According to Kotler and Keller (2016) retailing is all the activities undertaken to sell goods or services to end consumers for personal and non-business use.

Retail in Indonesia is actually divided into two, namely traditional retail and modern retail. However, over the times, many traditional retailers were abandoned by consumers, resulting in the rapid increase of modern retail business in Indonesia. According to the Indonesian Retail Entrepreneurs Association (Aprindo), retail business in Indonesia can be divided into two major groups, modern retail is basically a development of traditional retail.

The development of retail business in the first quarter of 2017 only reached 3.7% much lower than the previous year. Interestingly, consumption of Fast Moving Consumer Goods (FMCG) products in Minimarket rose by 7% compared to supermarkets which only posted a 0.4% increase, very likely that practicality is the reason consumers prefer to shop in mini markets. Retail sales recorded improvement in September 2017, which according to Bank Indonesia retail income rose by 5%. BI itself believes the overall economic performance will improve in the second quarter of this.

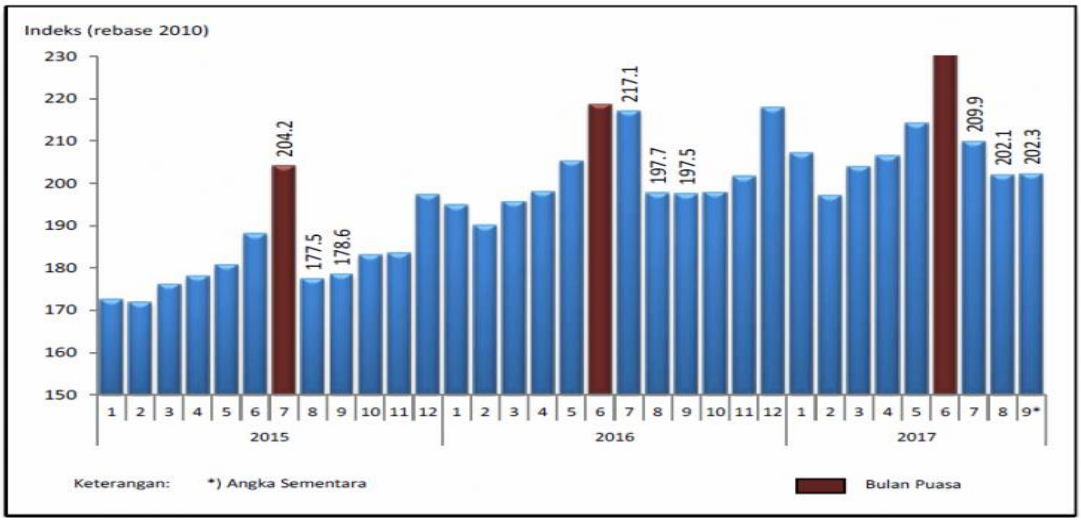

Figure 1. The Real Sales Index (IPR)

Source: Bank Indonesia, 2017

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Indonesia is a developing country that is a potential target in product marketing, both from local and international companies. In order for the company to reap success in Indonesia, it is necessary to learn the unique character possessed by Indonesian consumers. Unique character in this case is consumer behavior that has its own characteristics compared with most other consumers. Consumers in Indonesia has a unique character one of which is the Indonesian consumers tend to be impulsive in shopping (making unplanned purchases). This is so based on the level of education, about 50% of high school graduate consumers for urban communities and about 60% who do not complete junior secondary schools for rural communities, so that Indonesian consumers digest less information in making decisions and ultimately it is not surprising that Indonesian consumers sometimes more emotional in making the decision process to choose and buy a product (Kusuma, 2017).

According to Irawan (2007) Indonesian consumers have ten unique characters, namely short-term thinking, unplanned, technological stutter, orientation to context, like overseas brand, religious, prestige, strong dis-subculture, less concerned about the environment, and likes to socialize. According Susanta (2007) most Indonesian consumers have unplanned characters. They usually like to act "last minute". When shopping, they often become impulse buyers. Accordingly, unplanned purchasing behavior or impulse buying is something that appeals to both producers and retailers, as it is the largest market share in the modern market. Impulse buying or commonly called unplanned purchase, is the behavior of people where the person does not plan something in shopping. According to Mowen and Minor (2002) the definition of impulse buying is a buying act done without having any previous problems or intentions/intentions of buying formed before entering the store. The same thing also expressed by Schiffman and Kanuk (2007) that impulse buying is an emotional decision or according to the urge of heart.

Consumers Indonesia is one of consumers who conduct high impulsive implications. The results of research conducted by the agency Frontier Consulting shows that the purchase process is impulsive or unplanned purchases in Indonesia is relatively large compared with consumers in America. The relatively high impulsive purchases in Indonesia are in the range of 15 percent to 20 percent. The increase in impulse buying in Indonesia is due to an increase in various retail businesses (Wiyono, et al., 2017).

Consumers today are becoming more impulsive because of various factors. One of them is the increasing of economic growth according to Ma'ruf (2006) supported by the consumer base and strong purchasing power make the concept of shopping pattern in Indonesia today changed and developed as a reflection of lifestyle more modern and more oriented recreation

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which emphasize aspect of pleasure, enjoyment, and entertainment while shopping. This resulted in the community began to switch to shopping in the modern market.

Kanjaya and Susilo (2010) stated that with the development and emergence of modern retail can lead to competition between retail one with other retail. The most important strategy that should be done by marketers, especially in modern retail stores is to have knowledge of the consumer/customer shopping behavior that is targeted at a modern retail store (self-service). In this condition sales promotion which is one element of marketing mix becomes very important. Forms of sales promotion to increase sales in store is coupon program, price discount, free sample, bonus pack and arrangement of in-store display (Ndubisi and Moi, 2006). According to Nielsen (2007), most Indonesian consumers like promotional activities that provide direct benefits. This can be seen from 66% of respondents who choose a special promotion that offers extra extra quantity. They are also accustomed to finding special prices at outlets. Gifts and discounts are perfect for short-term consumers. According to a survey conducted by Hendriani (2007) in three cities showed that 76% of buyers liked price discount and 18% liked bonus pack (Putri and Edwar, 2014).

Price discount and bonus packs are the most widely used sales promotions, both online and offline sales (Chen, Marmorstein, Tsiro, and Rao, 2012; Dawson and Kim, 2009). Price discount is a price-based sales promotion strategy in which the customer is offered the same product at a reduced price, while the bonus pack is a quantity-based sales promotion strategy whereby the customer is offered a product with more quantity at the same price. Xu, Y., and Huang, J. S. (2014), in his research entitled "Effects of Price Discounts and Bonus Packs on Online Impulse Buying", states that the variable price discount will further trigger impulse buying consumers than bonus pack variables if the product offered has a cheap price, while bonus pack variables will further trigger impulse buying consumers compared to the variable price discount when the goods offered have an expensive price.

In Gianyar Regency itself the number of retail stores networked as many as 154 units. The amount includes quite a lot, and can be deadly for traditional stores. But indeed in some rural areas that prohibit the existence of modern retail stores there is still a traditional store. But not infrequently surrounding residents still prefer to shop to retail stores despite the distance further.

The purpose of this study is to determine the influence of external factors (retail store factors) and internal buyers affecting impulse buying, and to determine which dominant factors that affect the behavior of impulse buying at franchised retail stores in Gianyar Regency.

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REFERRAL STUDIES

The Impulse Buying Concept

According to Mowen and Minor (2002) the definition of impulse buying is a buying act done without having any previous problems or buying intentions formed before entering the store. Meanwhile, according to Schiffman and Kanuk (2007) impulse buyingis a decision that is emotional or according to the urge of heart. The same thing expressed also by Shoham and Brencic in Arifianti (2011) said that impulse buying related to behavior to buy based on emotions. This emotion deals with solving limited or spontaneous purchasing problems. Clarified by opinion Rook and Fisher (1995) that impulsive purchases are defined as the tendency of consumers to buy spontaneously, reflex, abruptly, and automatically. It can be said that impulse buying is something natural and a quick reaction.

Sutisna (2002) explains that impulse buying occurs when the consumer makes a sudden purchase decision. The impulse to make purchases is so strong that consumers no longer think rationally in their purchases. According to Park, et al. (2006) impulse buying often appear suddenly, quickly, spontaneously, more emotionally than rational, are more often regarded as bad than good, and consumers tend to feel *"out-of-control"* when buying goods impulsively.

From some understanding above, it can be concluded that impulse buying is a consumer buying behavior in which the consumer makes purchases in the absence of planning, happens suddenly, and a strong desire to buy something immediately without any consideration for the consequences to be faced. So that consumers no longer think rationally in buying behavior.

External Factors Affecting Buyers

An external factor that affects the buyer is a factor that is not directly related to the buyer, and is limited to factors related to the franchised retail store. Based on the concept and the results of previous research there are several external factors that are considered to affect the buyers in the franchised retail stores, namely: (1) *in-store* stimuli; (2) *price discount*; (3) sales promotion; (4) *merchandising*; (5) *bonus pack*; (6) product placement; and (7) quality of service.

Internal Factors Affecting Buyers

Internal factors that affect buyers are factors directly related to the buyer, namely: (1) age; (2) sex; (3) education; (4) the adequacy of the money carried; (5) peer shopping.

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RESEARCH METHOD

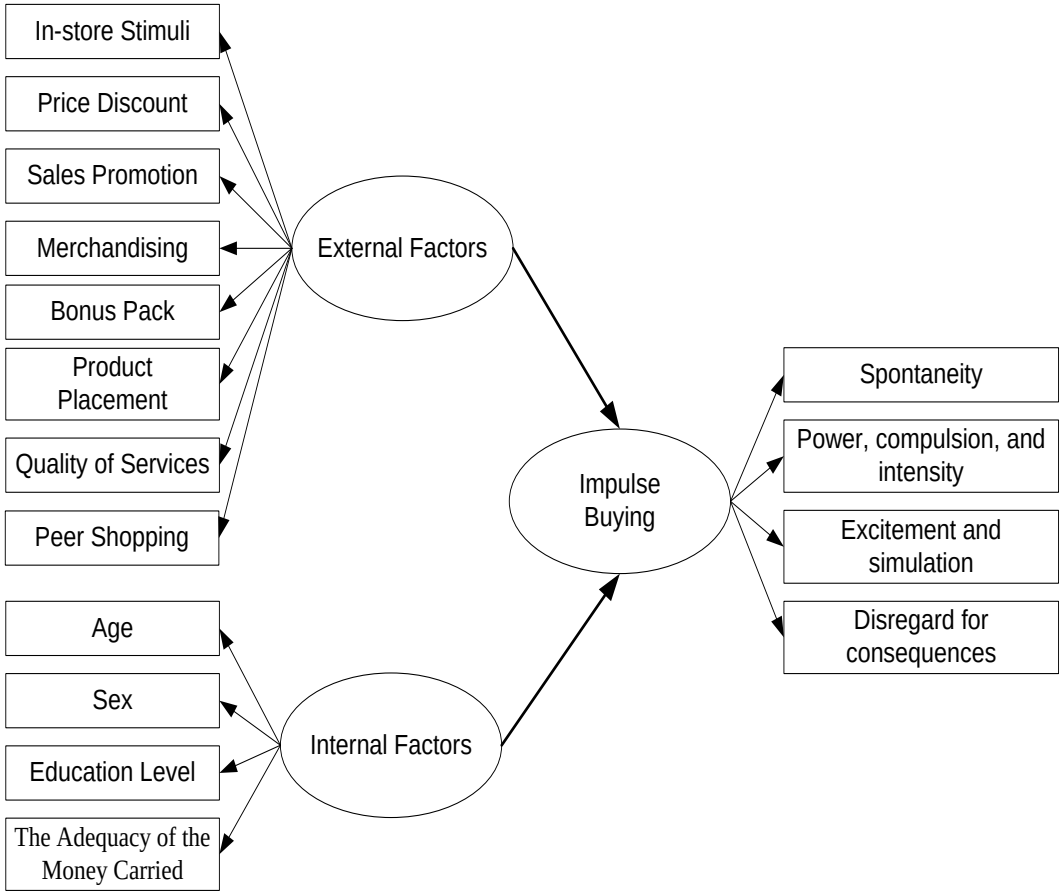

Figure 2. Conceptual Framework

Based on the conceptual framework of the study, hypotheses can be arranged: (1) external factors have a positive and significant impact on impulse buying buyers at franchised retail stores; (2) internal factors have a positive and significant effect on impulse buying buyers at franchised retail stores.

This research is a quantitative research, using questionnaire instrument. The sample is determined by *purposive sampling method.* Hair, et.al. (1995) suggested that the minimum sample size be as much as 5-10 observations for each parameter estimation. Ferdinand (2013) states the number of samples is 5-10 times the number of indicators added the number of latent variables. In this study, the number of research indicators is 16 so that the number of samples will be used minimum standard that is 5 x 16 = 80, so the number of samples is 80 people buyers at franchised retail stores in Gianyar Regency. Data analysis in this research using SEM-PLS approach.

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RESULTS

Descriptive Statistics

Analysis descriptively conducted to know the perception of respondents to external factors and impulse buying. The result of analysis shows that respondent perception to external factor variable (store condition) is 70,59 and for impulse buying variable is 85,69. Based on the standards submitted by Ferdinand (2013), if the perception value above 70 then including the category of good/high perception. So it can be said that the respondents gave a high valuation of external factors and impulse buying.

Furthermore descriptive analysis of internal factors, as the characteristics of respondents. In terms of age, 45% of respondents are aged between 21-30 years, then 30% of respondents are 16 - 20 years old, 17.50% are aged 31-40 years, and the remaining 5% and 2.5% each aged between 41-50 years and 51-60 years. In terms of gender, 81.25% of respondents are female, while 18.75% of respondents are male.

When viewed from the education side, it is known that the respondents who graduated from high school is very dominant that is equal to 66.25%, and 23.75% of respondents both graduated from junior high school and graduated from graduate/postgraduate, while the rest are 1.25% graduated from elementary school. Adequacy of money is a very important criterion when one shopping. The results showed that most respondents, ie 81.25% carrying money exceeded the planned spending, and only 18.75% who brought the money according to the amount of spending plans.

Results of Data Analysis with SEM-PLS

Validity Test

The first stage is to interpret the output of SEM-PLS by testing the validity of the data, including test of convergent validity (outer loading) and discriminant validity test (cross loading). Based on the outer loading results as Table 1, it is known that there is one invalid indicator, that is the age indicator, so that the indicators are eliminated from the research model.

Table 1. Convergent Convergence Test Results

Indicator	Construct		
	X1	X2	Y
X11 - In-store Stimuli	0.766		
X12 - Price Discount	0.758		
X13 - Sales Promotion	0.702		
X14 - Merchandising	0.779		

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X15 - Bonus Pack	0.725		
X16 - Product Placement	0.643		
X17 - Quality of Service	0.677		
X18 –Peer Shopping	0.654		
X21 - Age		0.187	
X22 - Sex		0.790	
X23 - Education		0.661	
X24 - Adequacy of Money Carried		0.744	
Y1 - Spontaneity			0.748
Y2 - Power, Compulsion, and Intensity			0.803
Y3 - Excitement and Simulation			0.751
Y4 - Disregard for Consequences			0.820

Outer loading test, with results as Table 2., indicating that all indicators are valid.

Table 2. Convergent Convergence Test Results (After Elimination)

Indicator	Construct		
	X1	X2	Y
X11 - In-store Stimuli	0.766		
X12 - Price Discount	0.758		
X13 - Sales Promotion	0.703		
X14 - Merchandising	0.779		
X15 - Bonus Pack	0.724		
X16 - Product Placement	0.642		
X17 - Quality of Service	0.677		
X18 -Peer Shopping	0.654		
X22 - Sex		0.796	
X23 - Education		0.673	
X24 - Sufficiency Money Brought		0.753	
Y1 - Spontaneity			0.752
Y2 - Power, Compulsion, and Intensity			0.803
Y3 - Excitement and Simulation			0.751
Y4 - Disregard for Consequences			0.816

Convergence validity test is also observed by observing the output of cross loading as Table 3. The result of the cross loading test shows that the correlation of the construct indicator has

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higher value compared with the correlation of the indicator with another construct, it is said that the construct has high discriminant validity.

Table 3. Results of Discriminant Validity Test

Indicators	Construct		
	X1	X2	Y
X11 - In-store stimuli	**0.766**	0.212	0.341
X12 - Price Discount	**0.758**	0.276	0.424
X13-Sales Promotion	**0.703**	0.198	0.335
X14 -Merchandising	**0.779**	0.318	0.316
X15-Bonus Pack	**0.724**	0.096	0.298
X16 - Product Placement	**0.624**	0.075	0.235
X17-Quality of Service	**0.677**	-0.068	0.241
X18 - Peer Shopping	**0.654**	0.084	0.142
X22 - Sex	0.247	**0.796**	0.096
X23-Education	0.272	**0.673**	0.142
X24 - Sufficiency Money Brought	0.076	**0.753**	0.165
Y1-Spontaneity	0.357	0.313	**0.752**
Y2 - Power, Compulsion, and Intensity	0.305	0.169	**0.803**
Y3 - Excitement and Simulation	0.224	0.076	**0.751**
Y4 - Disregard for Consequences	0.417	0.001	**0.816**

Test reliability

Reliability testing is done by looking at the value of Cronbach's Alpha and Composite reliability at each study variable, with output such as Table 4. The values in Table 4 show the values of Cronbach's Alpha and Composite Reliability of each construct is worth greater than 0.60 so it can be said that the meter used in this study is reliable.

Table 4. Results of Test Reliability

Construct	Cronbach's Alpha	Composite Reliability
External Factors (X1)	0.868	0.893
Internal Factors (X2)	0.606	0.786
Impulse Buying (Y)	0.791	0.862

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Values in Table 4 shows the value of Cronbach's Alpha and Composite Reliability of each construct is worth more large from 0.60 so it can be said that the meter used in this study is reliable.

Structural Model/ Inner Model Testing

In the PLS, model is to be evaluated by using *R-square* for the dependent variable and their significance values based on the *t-values* on each *path*.

Table 5. *R-square*

Variables	R Square
Impulse Buying	0.195

Values in Table 5 shows the value of *R-square* 0.195 to construct impulse buying. That means that the construct variability of impulse buying can be explained by the construct of external and internal factors of 19.5 percent, and the rest of 80.5 percent is explained by other factors outside the model.

Hypothesis Testing

To perform hypothesis testing, need to be analyzed direct influence, indirect influence, and the total influence between research variables. Results related analysis between variables influence the study are presented in Table 6.

Table 6. *Path Coefficient*

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
External Factors →*Impulse Buying*	0.413	0.429	0.079	5.234	0.000
Internal Factors → *Impulse Buying*	0.087	0.119	0.135	0.647	0518*

Note: * Non Sig (α = 0.05)

Based on the coefficient and significance of the results of direct effect analysis, indirect effect, and total influence, it can be formulated hypothesis testing results as follows.

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Table 7. Results of Hypothesis Testing

Hypothesis	Description	Result
Hypothesis 1:	The external factors affect the *impulse buying* of buyers at a retail store franchise in Gianyar Regency	Hypothesis Accepted
Hypothesis 2:	Internal factors influence the *impulse buying* of buyers at a retail store franchise in Gianyar Regency	Hypothesis Rejected

DISCUSSION OF RESULTS

Influence Factor External to Impulse Buying Buyers at Franchised Retail Stores in Gianyar Regency

The results showed that external factors positively and positively affect the impulse buying franchised retail store purchase in Gianyar Regency. That means that consumers who have strong external factors consist of in store stimuli, rebates, promotions, merchandise, bonus packs, product placements, service quality, peer shopping will encourage them to make impulse buying. Retail stores that have a clean and neat arrangement of goods design, a comfortable shop atmosphere and good lighting techniques, fragrances will be a stimulus or impetus to the customer's intention to make impulse buying intentions (Donovan and Rossiter, 1982). The discounted price is supported by a friendly and fast service from the salesperson will be the product desired by customers and the delivery of information about the product will cause intentions and interested to try to consume the product so as to encourage the emergence of impulse buying. It is interesting from the results of this study that merchandise is the most important indicator to encourage customers to do impulse buying. The existence of a gift given to the customer for each purchase of a certain product will encourage them to make a purchase because of the feeling or intention of obtaining a certain gift or merchandise. These results are also consistent with research conducted by Farida and Prijati (2016) that impulse buying has a significant effect on customer spending decisions.

The Influence of Internal Factors on Impulse Buying of Buyers at Franchise Retail Store in Gianyar Regency

Based on data analysis, it is found that internal factors have positive influence but not significant to impulse buying franchised retail store purchase in Gianyar Regency. That means that internal factors consisting of age, gender, education, adequacy of the funds carried have no meaning to impulse buying at franchised retail stores. Characteristics of consumers today are more likely to be affective (mood, emotional and feeling) in making purchases. Considerations about understanding the product, the benefits of the product, are not what many consumers know.

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Nearly most consumers make purchases of products because they do not yet have information about the product, compared to those already knowing about the product. This means they tend to want to consume beforehand despite having no information about the product. Typical consumers today are more likely to buy experience consumption. Therefore the factors of education, age, and gender are not able to contribute to impulse buying at franchised retail stores.

CONCLUSION AND IMPLICATIONS

Based on the results of research and discussion, it can be concluded that external factors have a positive and significant effect on impulse buying buyers at franchised retail stores in Gianyar Regency. It shows that consumers have strong external factors. External factors such as in store stimuli, discounts, promotions, merchandise, bonus packs, product placements, service quality, peer shopping will encourage them to make impulse buying. Internal factors have positive influence but not significant to impulse buying buyers at franchised retail stores in Gianyar Regency. This is one of them caused by changes in consumer behavior in purchasing products, from need consumption to experience consumption. External factors, namely the condition of franchised retail stores more dominant influence the behavior of impulse buying buyers at franchised retail stores in Gianyar Regency.

There are several things that authors recommend, among others, franchisor retail managers should consider external factors in the form of giving discounts, promotions, merchandise, bonus packs, product placement, service quality, peer shopping will encourage them to make impulse buying. In the next research should consider other variables other than the model of this study because there is still the possibility of other variables that have a greater influence on impulse buying. For further studies, it is important to explore the brand equity and also consumer loyalty of retail industry.

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