

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

The world has been kept on evolving from time to time as people grow and expand through following the era that they are living right now. This includes their mindset, perception, ideas, skill as well as knowledge about anything within this world, particularly for the corporate aspect and their lifestyle. As the way of life in the community has shifted significantly, it is important to enforce the various requirements which each individual has for his or her own well-being. Various aspects of life, including the business world, have undergone changes. Indonesians, especially those who live in urban areas are constantly on the lookout for new developments (Hamuda, 2017). Regarding to this, the alterations reflect society's desire and need to upgrade their appearance, attitude, along with perspective. One of the desires is lifestyle, where it involves clothing as a basic human need that protects as well as takes care of an individual's body, etiquette, social norms, and his or her sense of self-worth.

As the global market for clothing expands, the trends that emerge are also quick to change as the time goes by. It is not just about buying new clothes; yet people of all ages also need a variety of handbags, shoes, and other accessories to complete their look. Retail businesses or department stores, which sell a wide variety of retail products, can therefore meet the desires and needs of their

customers (Hamuda, 2017). Regarding to Farfan (2020), the term "retail" refers to the act of selling products directly to end-user consumers from a single place or department store. It is stated that consumers can be enticed into a store by many forms of marketing as well as product display.

Since every Indonesian retail business is considered to be rapidly evolving, it indicates that the concern on each department store also includes the customers' impulse buying behavior in aiming to effectively execute the marketing strategy which is implemented by the firm. According to Kotler (2002) as cited in Muthiah et al. (2018), Indonesian retail development cannot be removed from consumer behavior, which implies that the environmental factor force customers to conduct purchase without first developing feelings or trust in the item. In the end, it induces some alterations in shopping habits by the consumers, resulting in an individual's behavior that was previously planned to become spontaneous.

There are several factors that might have the possibility to influence the impulse buying behavior of customers in retail industry, which are the visual merchandising, sales promotion, as well as store atmosphere. According to Pahwa (2021), anything that customers see when they enter a store is considered as part of the department store's visual merchandising strategy. The key to getting customers interested in a product, make a purchase, as well as come back to a store is how well it is displayed and presented. Retail store or department store may focus on its appearing, which means the visual merchandising regarding window display, mannequin display, floor merchandising, and even the promotional signage of the store. (Mehta & Chugan, 2013 as cited in Muthiah et al., 2018). This may indicate

that visual merchandising is considered as one of the significant factors toward marketing, especially for retail business. Focusing on visual merchandising of a department store will be able to assist the company in enticing more customers to visit the store as it can be stated that the first thing customers normally see from the store is actually its visual merchandising.

On the other side, sales promotion has the potential to reach customers' impulse buying behavior as it may refer to promotion or discount that is offered by the department store. Ali et al. (2019) states that sales promotion means as strategy implemented by marketers in aiming to stimulate interest in as well as enthusiasm for an item that is offered in the retail store among potential buyers. Promotional sales techniques are also known as short-term incentives aimed at increasing the sales toward particular products (Campbell, 2019). From the definition, sales promotion might be useful for the company in aiming to help share more knowledge regarding the company's products to the clients, which this will potentially enhance the product sales as well. In addition, sales promotion might also be beneficial for the firm in reaching demand toward particular products within a short-term once an item seems to be a great deal for the clients.

Furthermore, customers' preferences for a pleasant atmosphere have a role in their decision to visit a particular retail store (Kertiana & Artini, 2019). Regarding to this, store atmosphere is defined as the ways in which companies can influence their consumers' sensory experiences through several factors such as layout, lighting, wall texture, scent, color, as well as store's structure (Mamuaya, 2018). These criteria may tend to build impulse buying behavior toward the

customers while visiting the retail store. Based on the definition as mentioned before, store atmosphere may bring special impression from the clients, in which customers will tend to give their personal rating that is according to how they feel about the atmosphere in the store. Customers' moods might be effected by the ambience of a store, thus, a department store that has good atmosphere that can boost people to spend their time and money will potentially result in enhancing the sales.

Utami (2018) stated that impulse buying is happened when there is one item or brand favored by a client, then this person will decide to buy it right away. This happens most often when the store offers an appealing incentive to make the purchase. The appealing incentives might be included the visual merchandising, sales promotion, and even the store atmosphere within this retail industry. Based on the definition, impulse buying might be occurred when an individual finds something he likes and decides to buy it right away, this can be stated that he is engaging in the act of "impulsive buying." The importance of conducting research about impulse buying behavior is supported with the theory by Ullal et al. (2020) and Stern (1962) as cited in Pallikkara et al. (2020), which declared that an impulsive buying from the customers entails the least amount of time, both mental and physical efforts. Moreover, Abratt and Goodey (1990) in Pallikkara et al. (2020) indicated that clients tend to spend more than they expected. The incentives derive from in- store are intended to remind the clients toward their current or tomorrow's needs (Kollat and Willett, 1967 as cited in Pallikkara et al., 2020). Based on these theories, it can be stated that impulse buying behavior is such a crucial aspect that have to be

concerned by the company in aiming to enhance their sales and growth, as it has been proven by previous researchers that impulse buying behavior may require the least amount of time along with the customers' physical and mental energies for their future needs.

In this regard, it means that impulse buying behavior is essential for the development of fashion retail industry, such as department store. According to Abratt and Goodey (1990) in Pallikkara et al. (2020), the stimulus in the department store like pop up displays, discount or sales as the promotional strategies, coupons offered, in-store positioning, altogether with product arrangement and appearance on the shelves are able to strongly lead to the impulse buying behaviors of the customers. Furthermore, the importance of impulse buying for department store is also supported with the previous theory by Raju et al. (2015) in Pallikkara et al. (2020), declaring it is found that clients in the stores have increased their impulse buying behavior because of the satisfaction as well as excitement they received from possession and usage spontaneously. It can be stated that focusing on the impulse buying behavior of the customers are important for the department store indeed as it can help this retail industry to maximize their sales from the customers' impulsive buying. In addition, Mubarak and Mufeeth (2020) ever explained that manufactures as well as retailers in the retail industry are highly concerned about impulse purchases, because since more than the last two decades, firms' strategic emphasis has shifted away from traditional marketing mechanisms and toward building awareness, employing marketing key aimed at effecting in-store customers' impulsive decisions. Hence, fashion retail industry or department store

should completely be aware with the importance of impulsive buying in order to increase the profits and revenues, as well as to concern on the merchandising for distinguishing themselves among the competitors.

The competition of retail industry has made all of the companies to boost up altogether with enhance their market sales and company growth with the aims to fulfill customers' desires and needs (Dewi & Jatra, 2021). One of the regions is that there is enhancement for retail industry in Pekanbaru as shown from the presence of other retail stores those are operated in this city which led to the rapid expansion toward the retail industry within 2021. Several of these retail industries are such as Mega Department Store, Matahari Department Store, Transmart Carrefour, Suzuya Department Store, Martin Store, Mode Fashion Outlet, Ramayana Department Store, Toserba Family Department Store, Mulia Department Store, etc. (<https://trackpacking.com/>, retrieved in 2022, November 28).

Regarding to department store or retail industry, PT Mega Department Store is included as one of the Indonesian shopping and retail stores located in Mal Pekanbaru, 3rd floor, Jl. Sudirman, No. 123, Pekanbaru, Riau, Indonesia (Mega, 2003). They sell various type of products which includes clothing, shoes, bags, accessories, underwear, cosmetics, perfumes, and other items. Since 2003, they have given a primary of their service quality and have sold valuable products to their clients. Based on a research, PT Mega Department Store generally targets the middle and upper classes, evolving into the center of a family shopping through the Shopping and Entertainment concept, that is linked to the firm's vision of

"Becoming the Market Leader of Fashion in Riau Province" as well as mission of managing 35% toward the current market share (Mega, 2003).

The competition of fashion retail industry for this research can be analyzed based on the comparison of the percentage of net income between PT Mega Department Store Pekanbaru and two competitors such as PT Matahari Department Store as well as Ramayana Department Store in Pekanbaru which both competitors are already known as national retail industry. The data can be seen in the following table:

**Table 1. 1 The Comparison of the Percentage of Net Income between PT Matahari Department Store, PT Ramayana Lestari Sentosa, and PT Mega Department Store Pekanbaru as in 2020 & 2021**

No.	Fashion Retail Industry	Percentage of Net Income in 2020	Percentage of Net Income in 2021
1.	PT Matahari Department Store (national retail industry)	Decreased by 52.91%	Increased by 15%
2.	PT Ramayana Lestari Sentosa (national retail industry)	Decreased by 54.02%	Increased by 16.49%
3.	PT Mega Department Store Pekanbaru	Decreased by 45.89%	Increased by 1.978%

Source: Prepared by the Writer (2022)

Based on the Table 1.1 above, it indicates regarding the comparison of the percentage of net income between PT Mega Department Store Pekanbaru and two competitors, which are PT Matahari Department Store and PT Ramayana Lestari Sentosa in 2020 and 2021. However, the data shown of these two competitors are used as the reference only, since this data is obtained from internet source that the percentage of net income in 2020 and 2021 toward PT Matahari Department Store and PT Ramayana Lestari Sentosa were the value data for national retail industries (overall branches), while the percentage of net income value in 2020 and 2021 of PT Mega Department Store Pekanbaru was known as the local company. In this

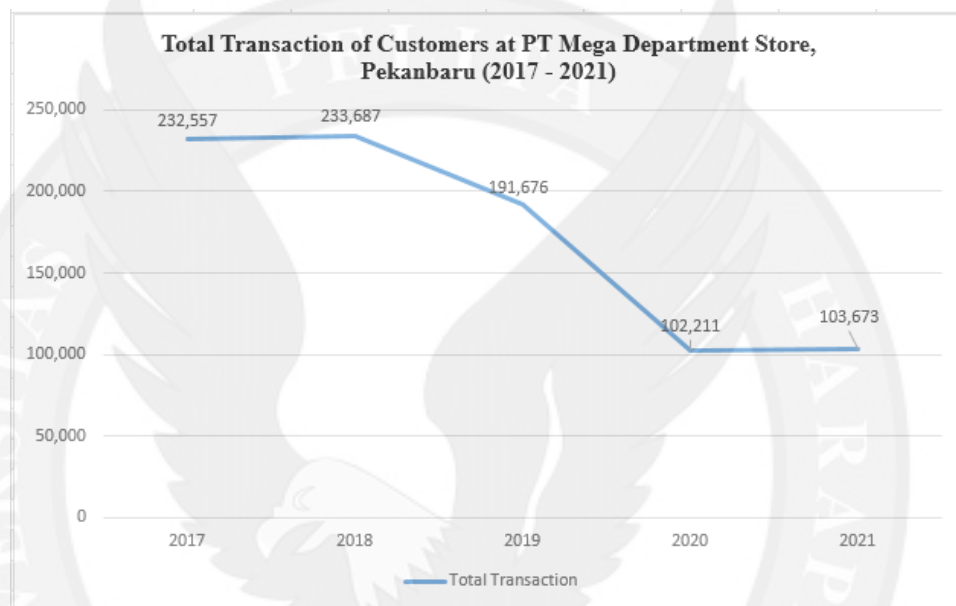
regard, it can be stated that the percentage of net income toward PT Matahari Department Store as in 2020 was decreased by 52.91% from 2019 (Hidayat 2021). Moreover, there was enhancement toward the percentage of net income for PT Matahari Department Store in 2021 compared to 2020, which was increased by 15% (Mahardhika, 2022).

Aside from that, the percentage of net income for PT Ramayana Lestari Sentosa in 2020 was decreased by 54.02% from 2019 (Kurniawan, 2021). Nevertheless, there was enhancement toward the percentage of net income for the first semester of PT Ramayana Lestari Sentosa in 2021 compared to 2020, which was increased by 16.49% (Melani, 2021).

Furthermore, the percentage of net income of PT Mega Department Store Pekanbaru as in 2020 was decreased by 45.89% from 2019. However, there was an increase toward the percentage of net income for PT Mega Department Store Pekanbaru in 2021 compared to 2020, which was increased by 1.978%. Hence, it can be seen that PT Mega Department Store Pekanbaru along with its competitors which are PT Matahari Department Store and PT Ramayana Lestari Sentosa were experiencing the similar phenomenon where the percentage of net income as in 2020 were drastically decreased compared to the previous year because the major impact of COVID-19 pandemic. The cause of COVID-19 pandemic in 2020 was not only effected to fashion retail industries, but almost to all business aspects in this world (Aeni, 2021). But PT Mega Department Store Pekanbaru and its 2 competitors have an increase toward the percentage of net income in 2021 where the world had started to be able to cope with the pandemic which was still going on.



This indicates that the competition in this fashion retail industry has experienced the similar situation during 2020 and 2021 and PT Mega Department Store along with its two competitors which are PT Matahari Department Store and PT Ramayana Lestari Sentosa have put their big efforts and strategies in order to maintain the sales and the company development.

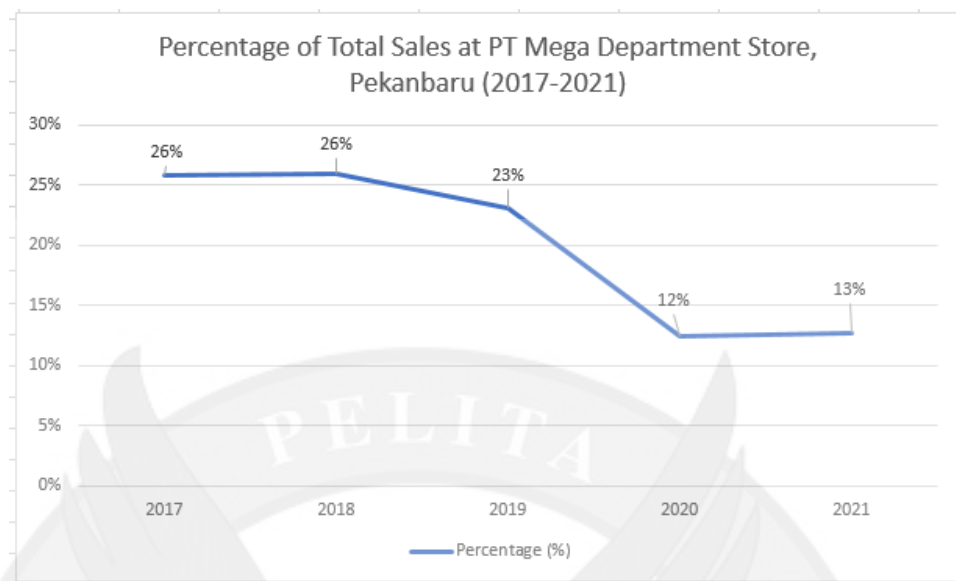


**Figure 1. 1Customers' Total Transaction at PT Mega Department Store (2017-2021)**  
Source: PT Mega Department Store Pekanbaru (2022)

The graph above is the total transaction from customers at PT Mega Department Store, Pekanbaru within the last five years (2017, 2018, 2019, 2020, 2021). The data is actually indicating about the annual total transaction of how many customers have made payments in 2017-2021 regardless of how many items that each customer has purchased in every transaction (Mega, 2003). Based on the data, it can be stated that the total transaction during 2017 and 2018 are considered as stable as customers have conducted transaction around more than 12,000 transactions per month within these two years. The total transaction in 2017 was as

much as 232,557 and in 2018 was 233,687, which indicates that the amount is considered as consistent. While in 2019, there was slightly decreased toward the total transaction compared to previous years, which was around 191,676 transactions.

However, there was one moment that in 2019 the company had reached more transactions compared to in 2017 and 2018, which were in May 2019 where the amount of the transaction was 37,921 while in 2018 and 2017 were 28,144 and 17,219. Aside from that, the total transaction during 2020 and 2021 were drastically decreased because the impact of the pandemic of COVID-19. This severe situation has not only impacted to the retail industry like PT Mega Department Store, Pekanbaru, yet also to almost all aspects in this world. The impacts of the pandemic of COVID-19 are spread into various aspects which include mental health disruption, business and economic growth reduction, lack of basic needs, unemployment, the limitation of importing and exporting lines, and many others (Aeni, 2021). Despite of the situation that effects to the business industry during 2020 until now, PT Mega Department Store, Pekanbaru is still considered as capable in maintaining their business growth especially in retail industry. In this regard, this column chart's graph toward the total transaction of customers at PT Mega Department Store, Pekanbaru, delivers that every enhancement in the total transaction per year also indicates an increase of the company revenue of PT Mega Department Store, Pekanbaru.



**Figure 1. 2 Percentage of Total Sales at PT Mega Department Store (2017-2021)**

Source: PT Mega Department Store Pekanbaru (2022)

Based on Figure 1.2, it indicates about the percentage of total sales in PT Mega Department Store, Pekanbaru within 2017, 2018, 2019, 2020, as well as 2021 (Mega, 2003). It can be seen that the percentage of total sales in this company during these 5 years were gradually decreased. Moreover, there were certain situations that the percentage of total sales at PT Mega Department Store, Pekanbaru included as the highest percentage among these 5 years, which were in 2017 (26%) as well as 2018 (26%).

Aside from that, this retail industry has implemented the marketing activities in aiming to enhance their business, which several of them are visual merchandising, sales promotion, as well as store atmosphere. Nevertheless, it appears that it might not be really efficiently working in increasing the impulse buying behavior toward their customers. This is because it can be seen from the graph in Figure 1.1, the total transaction of customers from 2017 to 2021 were gradually decreased also the same with the percentage of total sales from 2017 to 2021 as

shown in Figure 1.2 previously. This issue might be effected by some of those aspects which have the potential to inhibit the customers' impulse buying behavior at PT Mega Department Store, Pekanbaru. The writer is then curious to find out any situation whether the customers have ever experienced unfulfilled desires on their impulse buying behavior which can be effected by visual merchandising, sales promotion, and store atmosphere within the company. Hence, the writer decided to conduct further research with a title "**The Effect of Visual Merchandising, Sales Promotion, and Store Atmosphere on Impulse Buying Behavior at PT Mega Department Store, Pekanbaru**".

## **1.2 Problem Limitation**

There may be various feasible factors which can be thoroughly examined, but the writer has to limit the concerns based on the company background altogether with the issues which the writer will cover through this research. It is conducted to maintain that the writer can keep each of the factors that will be completely discussed and to ascertain that the reader can receive the knowledge and solutions as mentioned. The purpose of this research is to determine the effect of visual merchandising, sales promotion, along with store atmosphere as independent variables on impulse buying behavior as the dependent variable at PT Mega Department Store, that is located in Mal Pekanbaru, 3rd floor, Jl. Sudirman, No. 123 Pekanbaru, Riau.

This study focuses on the relation between independent variable (X) and dependent variable (Y) which are Visual Merchandising as variable X1, Sales

promotion as variable X2, store atmosphere as variable X3, as well as Impulse Buying Behavior as variable Y. Regarding to Mehta and Chugan (2013) as cited in Muthiah et al. (2018), the indicators of visual merchandising are such as window display, mannequin display, floor merchandising, altogether with the promotional signage. Aside from that, Sholihat and Rумыeni (2018) had stated that the indicators of sales promotion include promotional coupons or shopping vouchers offered, discount offered, and sweepstakes. Moreover, there are several indicators for store atmosphere, which are lighting, color, music, scent, and store design (Utami, 2010 in Muthiah et al., 2018; Kertiana & Artini, 2019). The indicators of impulse buying behavior are such as spontaneity; strength, compulsion, and intensity; enthusiasm and stimulation; as well as ignorance to any consequences (Japariato, 2011 in Ustanti, 2018).

### **1.3 Problem Formulation**

Based on the company background and the focuses which have been explained previously, the writer has formulated several questions which will be completely answered through this research:

- a. Does visual merchandising have partial effect on impulse buying behavior at PT Mega Department Store, Pekanbaru?
- b. Does sales promotion have partial effect on impulse buying behavior at PT Mega Department Store, Pekanbaru?
- c. Does store atmosphere have partial effect on impulse buying behavior at PT Mega Department Store, Pekanbaru?

- d. Does visual merchandising, sales promotion, and store atmosphere have simultaneous effect on impulse buying behavior at PT Mega Department Store, Pekanbaru?

#### **1.4 Objective of the Research**

The objectives of this research are in the following:

- a. To examine whether visual merchandising have partial effect on impulse buying behavior at PT Mega Department Store, Pekanbaru.
- b. To explain whether sales promotion have partial effect on impulse buying behavior at PT Mega Department Store, Pekanbaru.
- c. To examine whether store atmosphere have partial effect on impulse buying behavior at PT Mega Department Store, Pekanbaru.
- d. To evaluate whether visual merchandising, sales promotion, as well as store atmosphere have simultaneous effect on impulse buying behavior at PT Mega Department Store, Pekanbaru

#### **1.5 Benefit of the Research**

The benefits of the research toward The Effect of Visual Merchandising, Sales Promotion, and Store Atmosphere on Impulse Buying Behavior at PT Mega Department Store, Pekanbaru are classified into two types, such as follows:

##### **1.5.1 Theoretical Benefit**

The theoretical benefit of this study is mainly to specify whether or not visual merchandising, sales promotion, as well as store atmosphere have effect on

impulse buying behavior. Moreover, this research is implemented to gain more information toward the theories regarding visual merchandising, sales promotion, store atmosphere, impulse buying behavior, along with the relationship between each variable.

### **1.5.2 Practical Benefit**

The practical benefits of doing this research are in the following:

- a. For the writer, by doing this research, it can give wider understanding and new knowledge regarding visual merchandising, sales promotion, store atmosphere, altogether with impulse buying behavior.
- b. For the company, the outlook of this research is expected to be useful as a guidance as well as helpful in analyzing the effect of visual merchandising, sales promotion, and store atmosphere on impulse buying behavior.
- c. For the researchers, the research of this paper is hopefully can be considered as the reference for those who wanted to obtain more insights about visual merchandising, sales promotion, store atmosphere, as well as impulse buying behavior.