

CHAPTER 2

LITERATURE REVIEW

In this chapter, the researcher will provide both theoretical foundation and theoretical framework about the relevance of intrinsic factors namely, personality, culture, shopping enjoyment tendency, materialism and impulse buying tendency towards impulse buying behavior in the current context of Indonesia. This includes definitions and theories from previous studies. This chapter will also provide the hypothesis and findings researched before.

2.1 Theoretical Foundation

2.1.1 Impulse Buying Behavior

Besides necessity, consumers purchase products for many other reasons, such as stress relief, to express one's identity and enjoyment purposes. These irrational purchase reasoning are known as impulsive buying (Verplanken & Herabadi, 2001). Impulse buying is a purchase behavior when consumers conduct a spontaneous unplanned spot purchase without much evaluation and thought (Prawono, Purwanegara, & Indriani, 2013). According to Rook, the most appropriate definition of impulse buying is as follows:

“Impulse buying occurs when a consumer experiences a sudden, often powerful and persistent urge to buy something immediately. The impulse to buy is hedonically complex and may stimulate emotional conflict. Also, impulse buying is prone to occur with diminished regard for its consequences.” (Rook, 1987, p.191).

Therefore consumers do not always follow their logical economic principles when purchasing products, but rather they are often emotional and mood driven (Verplanken & Herabadi, 2001). Thus these irresistible emotions trigger them to behave impulsively during a shopping mission. Nevertheless, it is surprising how little we truly comprehend about the intrinsic variables that affect one to behave impulsively (Beatty & Ferrell, 1998). Past research on impulse buying mainly focuses on a limited individual intrinsic factors and failing to provide a more complete model that covers the major intrinsic variables that affect individuals

towards impulse buying behavior. Hence, this paper attempts to study and cover a more complete model about how the following five intrinsic factors namely, personality, culture, shopping enjoyment tendency, materialism and impulse buying tendency, affects individuals to act impulsively during a purchasing decision in the context of Jakarta.

2.1.2 Personal Care and Impulse Buying Behavior

Fast moving consumer goods (FMCG) are a major part of consumers' expenditure (KMPG, 2014). In general, FMCG products are classified as quick selling and affordable necessities that are consumed frequently (Srinivasu, 2014). Some giant companies that play in Indonesia's FMCG industry include Unilever, Nestle, Procter & Gamble, Coca-Cola, Pepsi, Indofood, Colgate, Johnson & Johnson, Kraft, L'Oreal and Martha Tilaar. Furthermore, FMCG covers a large variety of product categories such as personal care products, home care products, foods and beverages (KMPG, 2014). This study will therefore cover the category of personal care from the fast moving consumer goods industry in Indonesia.

The category of personal care includes soap, shampoo, deodorants, toothpaste and make-up (KMPG, 2014). They play a crucial role in maintaining cleanliness and hygiene of individuals. The top leading companies that dominate personal care market in Indonesia are Unilever, Procter & Gamble and L'Oreal (International, 2015). These companies managed to gain preference of Indonesian consumers' with their continuous development of product innovations, huge budget for marketing activities and most certainly their strong brand names that have evidently developed trust among consumers (International, 2015).

The Urban Consuming Class presents a sizeable and growing market to target in Indonesia with 5M consumers entering this class each year

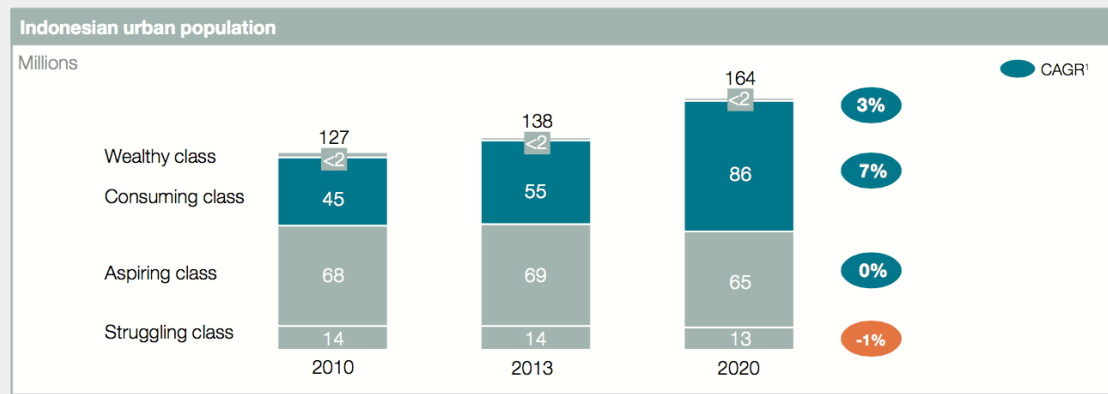


Figure 2.1 The Growing Consuming Class (Razdan, Das, & Sohoni, 2013)

Several product categories are showing strong growth and penetration, driven by the Consuming class

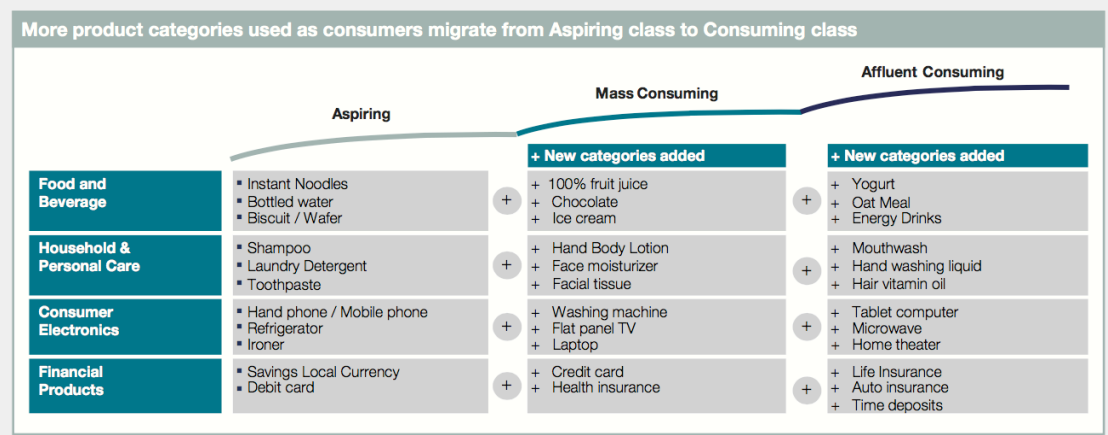


Figure 2.2 Growth of product categories by Consuming Class (Razdan et al., 2013)

As can be seen from the Figure 2.1, the consuming class has rapidly increased from the past years and is expected to increase further by year 2020 at 7% growth. Therefore the increase in the number of individuals at consuming class means more individuals will have greater purchasing power and will be more prone towards impulse buying behavior.

Furthermore, it is depicted in figure 2.2 that there will be an increase usage for personal care products as consumers climb from the aspiring to consuming class. This is predicted to occur due to the growing and rapidly urbanizing population who are more impulsive to purchase secondary needs (Razdan et al., 2013). As a result, Indonesia’s urbanization will contribute to the growth for its consumer market.

For instance, the aspiring class may only purchase basic personal care items such as shampoo, laundry detergent and toothpaste. However as they climb the social ladder in becoming part of the mass and affluent consuming class, Indonesian consumers will have greater purchase power and take interest in consuming more varieties of personal care products such as face moisturizer, facial tissue, hand and body lotion, mouthwash, hand washing liquid and hair vitamin oil (Razdan et al., 2013). Therefore the emerging consuming class in Indonesia will drive the potentially strong growth of the personal care category. Therefore, studying consumers' intrinsic factors towards the purchase of personal care products will be crucial to maintain its sales and future growth.

2.2 Factors affecting Impulsive Buying Behavior

2.2.1 Consumer Personality and Impulsive Buying Behavior

The issue of personality influence has been a topic of interest during the recent years (Mikolajczak-Degrauwe, Brengman, Wauters, & Rossi, 2012). Since it was suggested that personality is a fundamental factor of impulse buying behavior (Verplanken & Herabadi, 2001), understanding the significance of personality towards impulse buying becomes an important study. Personality reflects individual differences of distinct characteristic patterns such as thought, emotions and behavior (Corr & Matthews, 2009). Moreover it was stated from a previous study that the dimension of personality does indeed play a role on consumer's decision to impulse purchase (Bashir, Zeeshan, Sabbar, Hussain, & Sarki, 2013). According to (Larsen & Buss, 2010), it is defined as "the set of psychological traits and mechanisms within the individual that are organized and relatively enduring and that influence his or her interactions with, and adaptations to, the intrapsychic, physical and social environments". Although it is impossible to alter or change one's personality, marketers may instead target the right consumers to impulse buy, by identifying and segmenting consumers' personality traits into groups. Then, linking their product personality to the market segments that have relevant personality traits.

There are several theories that explain how personality traits may be measured, namely the "Gordon Allport's Trait Theory", "Raymond Cattell's Sixteen Personality Factor Questionnaire", and "Eysench's Three Dimensions of Personality)" (Cherry, 2014). However from a large majority of studies, the most widely used and accepted approach to clarify personality attributes is the Big Five

model (Corr & Matthews, 2009; Mathai & Haridas, 2014). The Big Five model assumes that there are five basic traits that are formed by genetics and early learning namely, emotional instability, agreeableness, extraversion, openness to experience, and conscientiousness. A study by (Shahjehan, Qureshi, Zeb, & Saifullah, 2012) identified that these five traits have an impact towards impulse buying behavior. Therefore, a brief explanation about the Big Five model personality traits along with their hypothesized significance towards impulsive buying behavior will be further discussed.

2.2.1.1 Personality trait “emotional instability” and Impulsive Buying Behavior

Individuals conduct impulse buying behavior for a variety of reasons. One of them is to distract themselves from their negative emotions, feelings and thoughts (Verplanken & Sato, 2011). An individual who often experience such conditions may be considered as emotionally unstable.

Emotional instability is a neurotic behavior where one is prone to fluctuations of negative moods (Donnelly, Iyer, & Howell, 2012). An individual who carry this personality trait often experience moodiness, insecurity, tension, anxiety and depression (Mikolajczak-Degrauwe et al., 2012; Shahjehan et al., 2012). According to (Edwards, 1993), the mentioned variables (e.g. anxiety, depression) of neuroticism has a relation to impulse buying behavior. Since emotional instability is a neurotic behavior, it is reasonable to assume that emotional instability is linked to impulse buying behavior.

In addition, other researchers also suggested that impulsive buying behavior is highly linked to emotional instability (Donnelly et al., 2012; Shahjehan et al., 2012). “Emotional instability may instigate prevention-oriented self-regulation in which impulsive buying is used as an attempt to repair emotional imbalance” (Verplanken & Sato, 2011). Therefore, the act of impulse buying behavior may act as a short-term solution or cure for one who is trying to release their negative feelings, thoughts and emotions (Verplanken & Sato, 2011). Consequently, consumers who have the personality trait of emotional instability are indeed prone to display impulsive buying behavior. With the mentioned evidence from various journals, the hypothesis proposed is that,

H1. The personality trait “emotional instability” has a significant positive effect towards impulsive buying behavior

2.2.1.2 Personality trait “agreeableness” and Impulsive Buying Behavior

Agreeableness is another personality trait from the Big Five model that will be explored to comprehend whether it affects impulse buying behavior or not. Individual that has this trait has a tendency to be more accommodating and willing to compromise to conserve a positive relationship with others (Chen & Lee, 2015; Jensen-Campbell & Graziano, 2001). Moreover, (Gohary & Hanzaee, 2014) mentioned that agreeableness scores reasonably high in Southeast Asian countries, like Indonesia, where one often work together as a team.

Agreeableness is defined as “a behavioral disposition that contrasts a prosocially, communal orientation towards others with an antagonistic attitude.” (Corr & Matthews, 2009) Individuals who carry this trait are less prone to anger and often referred as “soft-hearted”, “affectionate” (Corr & Matthews, 2009), “cooperative” and “trusting” (Shahjehan et al., 2012). Therefore it is reasonable to assume that the higher the trait of agreeableness of an individual, the less doubtful and mistrust they have towards a product as compared to those individuals who have a more cautious and critical mindset (Chen & Lee, 2015). Furthermore, (Mikolajczak-Degrauwe et al., 2012) mentioned that one with a personality trait of agreeableness is more prone to impulse buying behavior. Thus, impulse buying tendency would be linked to individuals with high agreeableness. The mentioned evidence can thus lead to the development of the second hypothesis,

H2. The personality trait “agreeableness” has a significant positive effect towards impulsive buying behavior

2.2.1.3 Personality trait “extroversion” and Impulsive Buying Behavior

Extroversion is another personality trait from the Big Five model that receives much attention for its natural tendency to influence one to impulse purchase (Silvera, Lavack, & Kropp, 2008). Majority of extrovert individuals display traits such as being outgoing, talkative and confident (Shahjehan et al., 2012). More to this, they also have the tendency to feel joy and excitement (Gohary & Hanzaee, 2014).

A study by (Guido, Capestro, & Peluso, 2007) stated that individuals who are introverted tend to be utilitarian shoppers. On the other hand, an extrovert individual has a tendency towards a “hedonic” shopping behavior (Guido et al., 2007). Another study also stated that impulse buying behavior highly occurs to those who have a

high score for extroversion (Silvera et al., 2008). Therefore it is evident that individuals who are extrovert are more prone to conduct impulse buying during their shopping mission. Therefore since the trait of extroversion is evidently linked to impulse buying behavior, the hypothesis proposed that,

H3. The personality trait “extraversion” has a significant positive effect towards impulsive buying behavior

2.2.1.4 Personality trait “openness to experience ” and Impulsive Buying Behavior

The personality trait of openness to experience can be characterized as individuals who are artistically sensitive, spontaneous and adventurous (Corr & Matthews, 2009; Shahjehan et al., 2012). They are also risk-takers with imaginative and creative mind (Delafrooz, Taleghani, & Farahzad, 2013; Gohary & Hanzae, 2014). Individuals of this trait are too described to be more curious and open minded than individuals of other traits (Dameyasani & Abraham, 2013). As a result, their curiosity and open mindedness may push them to stand outside their comfort zone to explore new things (Dameyasani & Abraham, 2013). Therefore it may be assumed that individuals who are highly open for experiences will be more willing to try on new products, hence being more probable to conduct impulse buying behavior during their shopping mission. In addition to this, a study by (Shahjehan et al., 2012) also stated that the trait of openness to experience affects one to conduct impulse buying behavior.

Individuals who score high on this trait tend to seek out new experiences; therefore, impulse buying behavior is expected to have a positive correlation with individuals of this trait. Hence the hypothesis being proposed is that,

H4. The personality trait “openness to experience” has a significant positive effect towards impulsive buying behavior

2.2.1.5 Personality trait “conscientiousness” and Impulsive Buying Behavior

Last but not least the dimension of the Big Five model, conscientiousness, is often associated with individuals who are disciplined, reliable, persistent, diligent and resourceful (Corr & Matthews, 2009; Gohary & Hanzae, 2014). Moreover, those who display highly on this trait are also known to be determined and goal-orientated (Shahjehan et al., 2012). In contrast, individuals who carry the opposite of

this personality trait tend to be clumsy, lazy and impatient (Corr & Matthews, 2009). In other words, those who scores low in this personality trait will have a higher tendency to behave impulsively during purchasing decisions.

According to (Donnelly et al., 2012), individuals with high conscientiousness usually are more organized and detailed. The study by (Donnelly et al., 2012) also clearly stated that “conscientiousness is the most important Big Five personality trait when predicting money management” (p.1138). These individuals are smart in managing their savings by creating long-term financial plans for future savings and expenses (Donnelly et al., 2012). Hence with their disciplined saving habit, these individuals will have better control in their daily expenses (Donnelly et al., 2012). Therefore, their detailed characteristic will drive them to think more about the outcome of their action and to not be an impulse shopper (Gohary & Hanzae, 2014; Mathai & Haridas, 2014). Hence, the hypothesis being proposed is,

H5 The personality trait “conscientiousness” has a significant negative effect towards impulsive buying behavior

2.2.2 Culture and Impulsive Buying Behavior

Culture has been recognized as one of the most influential factor towards consumer behavior such as impulsive purchasing (Dameyasani & Abraham, 2013; HemaPatil & BBakkappa, 2012). The impact of culture is so natural that we are often unaware about how it molds our behavior and shapes us to become the person we are today. Individuals coming from different cultures react and are attracted to different types of products and innovations (HemaPatil & BBakkappa, 2012). In other words, one’s culture will have an indirect effect towards a purchase decision due to the difference of one’s preferences, behavior and attitude (HemaPatil & BBakkappa, 2012). A number of studies have proven that culture is associated to consumer behavior (McCracken, 1986; Wallace, 1985). Therefore, understanding consumers’ culture will allow marketers to have a better idea on how to guide and serve consumers in purchasing a product (Lake, 2009)

Culture is defined as “the collective programming of the mind that distinguishes the members of one group or category of people from others.” (Hofstede, 2011). In order to fully comprehend and capture cultural values, customs and religious beliefs as a whole, Hofstede described six dimensions namely, power

distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity, long-term orientation/short-term orientation, and indulgence/restraint (Hofstede, 2011). Overall, Indonesia scores high on power distance, and long-term orientation (What about Indonesia, 2014). Despite that, it scores low on individualism, masculinity, uncertainty avoidance and indulgence (What about Indonesia, 2014).

Indonesia scores high on the dimension of power distance, as its society is relatively dependent on hierarchy where leaders are superiors. Hence, power is more centralized and communication is indirect (What about Indonesia, 2014). Furthermore, its low score of individualism makes it a collectivist society. Its low score on masculinity suggest that its society is more towards the feminine side where quality of life instead of achievement determines success (What about Indonesia, 2014). Moreover, its low score on uncertainty avoidance indicates that it has less preference towards uncertainty avoidance and more preference towards harmony. Consequently, one will continue to keep a positive face by smiling during disagreements or other stressful situations (What about Indonesia, 2014). Its high score of long-term orientation means that the Indonesian society is pragmatic where people are thrifter and more investment are allocated in modern education (What about Indonesia, 2014). Last but not least, its low score of indulgence indicates that restriction is part of Indonesia's culture. Thus one's action and behavior is restrained by social norms (What about Indonesia, 2014).

However out of all dimensions, (Hofstede, 1980) mentioned that individualism and collectivism are the major determinants in influencing one to conduct impulse purchase behavior (Hofstede, 1980). Furthermore, another study also stated that differentiating whether a society has an collectivist or individualistic culture will allow marketers to understand consumers' purchase decision behavior better (Bashir et al., 2013). More to this, studying the decision-making process of each collectivist and individualistic society respectively will allow marketers to determine how they should communicate and where they should focus their marketing efforts (Kacen & Lee, 2002; Lake, 2009).

2.2.2.1 Collectivism and Impulsive Buying Behavior

Indonesia is one of the largest and fastest growing economy in South East Asia (Maclachlan, 2010). It is predominantly a collectivist society where higher priority is emphasized to the in-group rather towards an individual (Maclachlan, 2010). According to (Triandis, Bontempo, Villareal, Asai, & Lucca, 1988), collectivism is a social pattern that emphasizes on harmony and individuals are an integral part of an in-group setting. In a collectivist culture, individuals prioritize their in-group circle and are motivated to stay close and connected within their in-group members. Individuals comply and take into account the goal, belief and expectation of to their in-group (e.g. family, band, tribe) as part of their personal goal (Lake, 2009; Triandis et al., 1988). Consequently, an individuals' identity is based on their in-group social circle which they belong (Mooij & Hofstede, 2011). For this reason, they will share common preference and traditions (Lake, 2009). Moreover one who is part of a collectivist culture often refer themselves by "We" and "Us" instead of "Me" and "I" (Dameyasani & Abraham, 2013).

Decision making in a collectivist society are often made together as a group (Lake, 2009). Even though there may be disagreements, the majority opinion will determine the final decision (Lake, 2009). According to (Lake, 2009), in-groups influence the collectivist behavior in three different ways; "Groups provide information needed to make decision", "Groups reward or punish behavior to encourage compliance", "Groups project shared values to influence members to behave similarly" (Lake, 2009, p.170). Since cultural values in a collectivist society are highly influenced by the in-groups, marketers should focus on the group leaders whom have the highest influence and social power (Lake, 2009). Targeting the in-group leaders that members admire will therefore create a great influence and authority towards the other members for their purchase decisions (Lake, 2009).

Furthermore, (Dameyasani & Abraham, 2013) acknowledged that satisfying one's social needs is a major attribute to increase the chances of collectivist consumer to conduct impulse purchase behavior. This is apparent in a group purchasing system.

"In simple explanation, group buying is a collective buying system. As we know in general, if we buy something in large quantities then we can get special price. Suppose you want to buy an Asus laptop A42F series. You can gather people who also want to buy this laptop with this series so you can get special price from the seller. That is group buying system"(Dameyasani &

Abraham, 2013, p. 43).

Therefore, such group purchasing that come with special rates and discounts will certainly trigger impulse buying behavior in a collectivist environment (Dameyasani & Abraham, 2013). Thus, during a shopping mission, consumers in a collectivist society will have a higher chance to perform impulse purchase behavior when they are with their in-group members (e.g. friends, family) (Lee & Kacen, 2008). Since Indonesia is predominantly a collectivist society, the hypothesis being proposed is as follows,

H6. The cultural trait “collectivism” has a significant positive effect towards impulse buying behavior

2.2.2.2 Individualism and Impulsive Buying Behavior

On the other hand, individualistic individuals value independence more than social norm and focus on self, or at most on their immediate family members (Mooij & Hofstede, 2011). It is defined as “ a social pattern that consists of individuals who see themselves as autonomous and independent” (Kacen & Lee, 2002, p. 165). Individualistic persona are motivated by their personal needs, rights, goal and interest, and believe that their values are unique and valid for everyone (Kacen & Lee, 2002; Mooij & Hofstede, 2011). Self-actualization is a crucial aspect of people in an individualistic culture (Hofstede, 1980).

According to (Dameyasani & Abraham, 2013), individuals coming from an individualistic culture have a positive significance towards impulse buying behavior. Moreover, their independence, willingness to be distinctive and “strive to feel good” attitude drive them to venture for new product innovations (Bashir et al., 2013). The mentioned factors therefore push individualistic consumers to conduct impulse purchase behavior (Dameyasani & Abraham, 2013). Therefore, the various internal characteristics that make up an individualist are predicted to influence them to conduct impulse purchases (Kacen & Lee, 2002). Hence, the hypothesis is as follows,

H7. The cultural trait “individualism” has a significant positive effect towards impulse buying behavior

2.2.3 Shopping Enjoyment Tendency

Besides personality and culture, the intrinsic factor of shopping enjoyment tendency is also predicted to influence consumers to conduct impulse buying behavior (Beatty & Ferrell, 1998). This factor is associated to one's lifestyle (Chavosh, Halimi, & Namdar, 2011). As described by (Beatty & Ferrell, 1998), shopping enjoyment tendency refers to individuals who find more enjoyment and pleasure more from the process of shopping than the products they purchased. These people see shopping as a form of recreation where they do not follow a shopping list and go along with the flow. They also consider shopping activity as a fun way to burn their spare times, hence they do not only shop when they need to buy a product (Chavosh et al., 2011). The fact that they enjoy shopping allows them to have a good time. For this reason, they will invest more time to browse along aisles, thus making them to be more impulsive during their shopping process (Beatty & Ferrell, 1998).

According to (Soeseno, 2011), an individual who scores high in their shopping enjoyment tendency is very prone to impulse buying behavior. In contrast, individuals who does not enjoy shopping will be more straightforward during their shopping mission and shop at a quicker pace hence making them less prone to conduct impulse purchases (Beatty & Ferrell, 1998). In addition, vendors may encourage, motivate and stimulate these shoppers, with high shopping enjoyment tendency, to conduct impulse buying by providing incentives such as discounts, promotions and freebies (Chavosh et al., 2011). Therefore based on evidence from previous studies the author propose the following hypothesis,

H8. Shopping enjoyment tendency has a positive significance towards impulse buying behavior

2.2.4 Materialism

Materialism is another intrinsic factor that is likely to be related to impulse buying behavior (Stammerjohan, Cole, Clow, & McKinley, 2010). It is defined as the "orientation of a person toward possessions and money and their importance with regard to happiness" (Stammerjohan et al., 2010). A research by (Christopher & Schlenker, 2004) mentioned that materialism is highly related with unhappiness and anxiety. Therefore, an individual will feel better, and finds content and security when owning and buying material things (Christopher & Schlenker, 2004).

Furthermore, another study pointed out that materialism is highly associated with poor financial practices (Donnelly et al., 2012) where overspending and excessive debt levels are issues often faced by materialistic individuals (Richins, 2011). Therefore the fact that materialism highly influences these practices also means that materialistic individuals have difficulty resisting to temptation for buying their favorable purchases, hence causing them to spend money excessively. A glance look from previous studies indicates that materialism does have a positive correlation towards impulsive buying behavior. Therefore, the hypothesis proposed for materialism is that,

H9. Materialism has significant positive effect towards impulsive buying behavior

2.2.5 Impulsive Buying Tendency

Impulse buying tendency is conceptualized as “an individual’s propensity to buy impulsively.” (Rook, 1987). It is also described as an unplanned, spontaneous and unreflective purchase due to “rapid-decision making” and “a subjective bias in favor of immediate possession” (Foroughi, Buang, Senik, & Hajmisadeghi, 2013). Impulse buying tendency is often caused due to the lack of one’s cognitive control (Foroughi et al., 2013). When an individual with high impulsive buying tendency engages in in-store browsing, they usually produce positive reinforcement from incentives (e.g. promotions, discounts) and marketing stimuli (e.g. promotions, discounts, freebies, advertisements, visual elements), thus influencing them to conduct an impulse purchase (Badgaiyan & Verma, 2014). Moreover, previous studies have observed significant relationship between impulse buying tendency with impulse buying behavior (Beatty & Ferrell, 1998), where consumers of this trait are predicted to feel the urge to buy products impulsively (Foroughi et al., 2013). With all the aforementioned points, the hypothesis proposed is as follows,

H10. Impulse buying tendency has a significant positive effect towards impulsive buying behavior

2.3 Theoretical Framework Model

The theoretical framework model proposed for this study will reflect the purpose of the research itself. The main purpose and objective of this study is to evaluate the significance of intrinsic factors, namely personality, culture, shopping

enjoyment tendency, materialism and impulse buying tendency, towards impulse purchase behavior. The theoretical framework that has been designed into a model (Figure 2.1), is replicated from a previous study titled, “Intrinsic factors affecting impulse buying behavior – Evidence from India” (Badgaiyan & Verma, 2014). However as explained in Chapter 1, this study will apply the theoretical framework model to the context of Indonesia. Out of all five elements, the author considers culture as the most important one because I think culture might have a good significance towards impulse buying behavior in Indonesia. Hence this research will cover the study about how culture affects impulse buying behavior more extensively in the context of Indonesia.

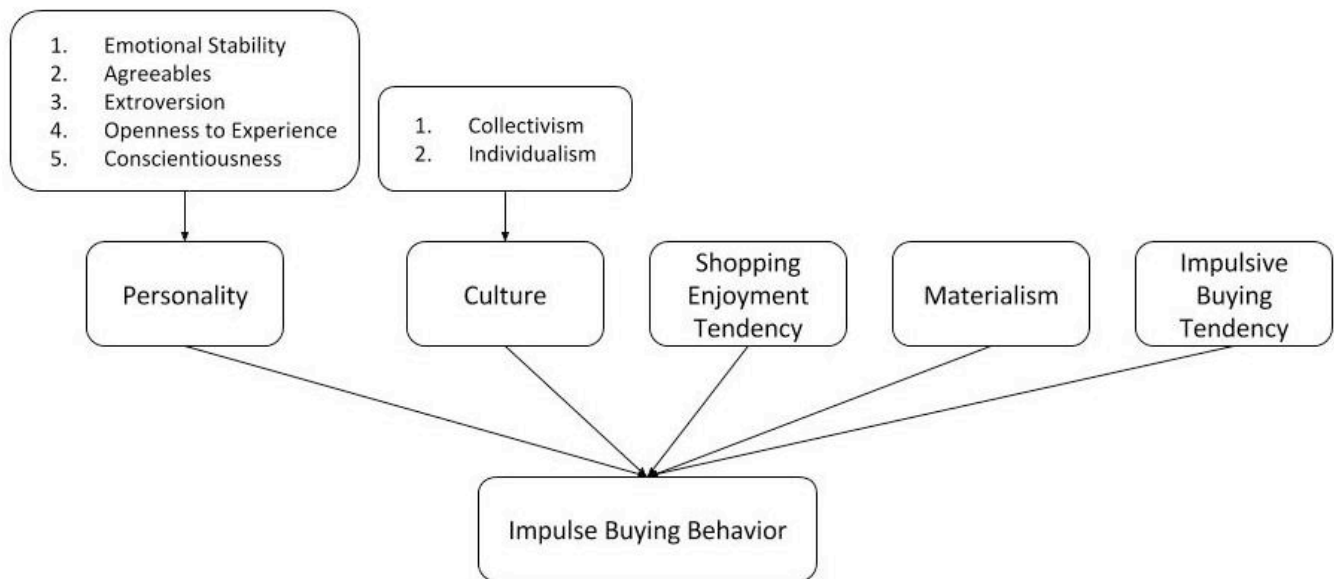


Figure 2.3: Proposed research framework

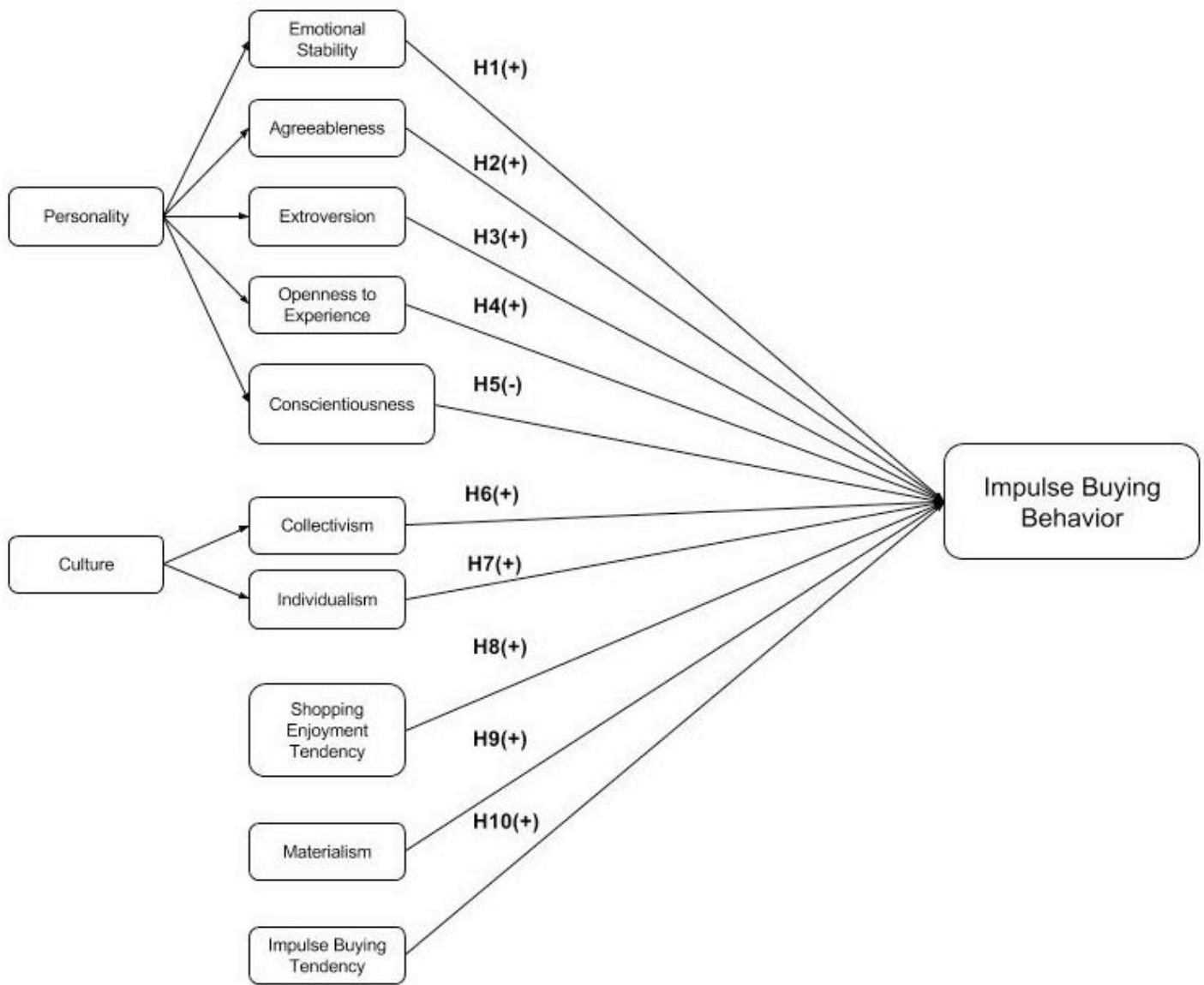


Figure 2.4: Proposed model for statistical tests