CHAPTER 2

THEORY FOUNDATION

2.1 Management

According to Daft (2010), management defined as achieving the organization’s goals in an effective and efficient manner through planning, organizing, leading, and controlling organizational resources.

Four management functions:

1. Planning: Finding goals for future organizational performance and determine the tasks and resources that are needed to achieve the goals.
2. Organizing: Concerned with dividing the tasks, allocating resources to departments.
3. Leading: More into motivating the employees to achieve the organization’s goals by influencing them.
4. Controlling: Evaluate whether the organization already achieve the target or not, monitoring employees’ performance.

Management is very important nowadays because it makes the organization can attain the organization’s goal. According to Yulianti (2014), companies generally strive to always be able to achieve goals and objectives in the increasingly fierce competition conditions. Achieving company goals and objectives with total corporate profits, profitability level on company's investment capital, and market share with the largest share. Achieving company goals and objectives is only possible if the company has a competitive advantage. A new company can have competitive advantage if the company succeeds in compiling and implementing its strategy of creation.

To build competitive advantage, a company needs to have an understanding of strategy and strategic management roles in enhancing sustainable competitive advantage (Assauri, 2013). Financially, strategic management will drive an increase in production, sales, and profits because companies are driven to have high performance. In addition to the financial benefits of strategic management, it also provides non-financial benefits such as raising awareness and threats from external

environments, enabling companies to have competing strategies, minimizing the emergence of resistance to organizational changes, enabling a clear relationship between rewards and performance, and make the company able to see change as an opportunity (Hubeis & Najib, 2014).

2.2 Strategic Management

According to Daft (2010), strategic management defined as the set of decisions and actions that are used to formulate and implement strategies to attain organizational goals, which the strategies will provide a fit competitive between the organization and its environment. Defining an explicit strategy is the first step in strategic management, explicit strategy itself has a meaning as the action plan that describes resource allocation and activities to deal with environment, competitive advantage achievement, and attaining the organizational goals. Competitive advantage means what makes the organization distinct from others and provides it with a value for meeting customers or clients' needs in the marketplace. Strategy will change as the time goes by to fit the environmental conditions, but companies need to develop strategies that focus on core competencies, develop synergy, and create value for customers to stay competitive.

- **Levels of Strategy**

According to Daft (2010), concerned to the organizational level to which strategic issues apply also the part of another aspect of strategic management. There are 3 levels of strategy, as illustrated in below figure:

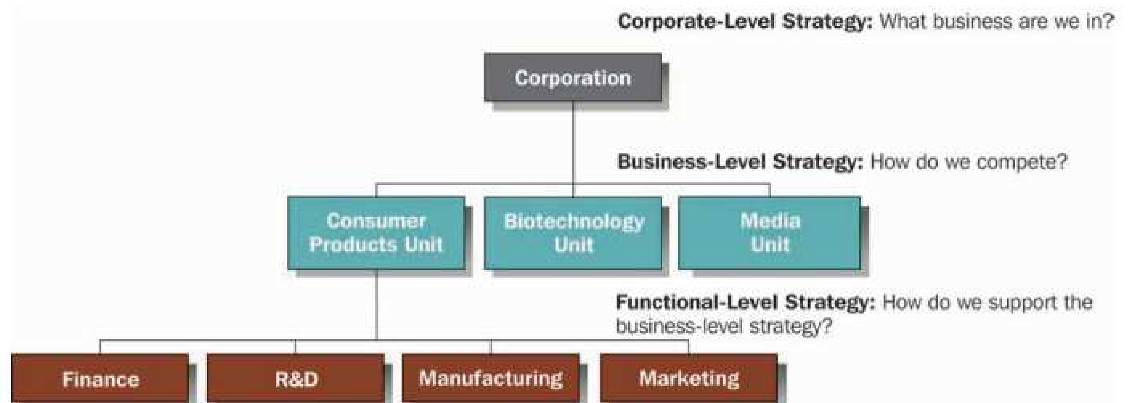

Figure 2-1 Levels of Strategy

Source: Daft (2010)

- **Corporate-level strategy:** refers organization as a whole and the combination of business units and product lines that make it up. The level of strategy concerned with the question "What business are we in?"
- **Business-level strategy** Pertains to each business unit or product line within the organization. The level of strategy concerned with the question "How do we compete?"
- **Functional-level strategy** Pertains to all of the organization s' major departments. The level of strategy concerned with the question "How do we support the business level strategy?"

- **The Strategic Management Process**

According to Daft (201), the overall strategic management process is illustrated in Figure below. The process begins when the executives do an evaluation towards their current position reflects to mission, goals, and strategies. Then, they scan the internal and external environments of the organization, as well as identify the factors that needed to be changed. Internal or external affairs could be a sign to redefine the mission or goals or to make a new strategy at either the corporate, business, or functional level. The last stage or final stage in strategic management process is the implementation of new strategy.

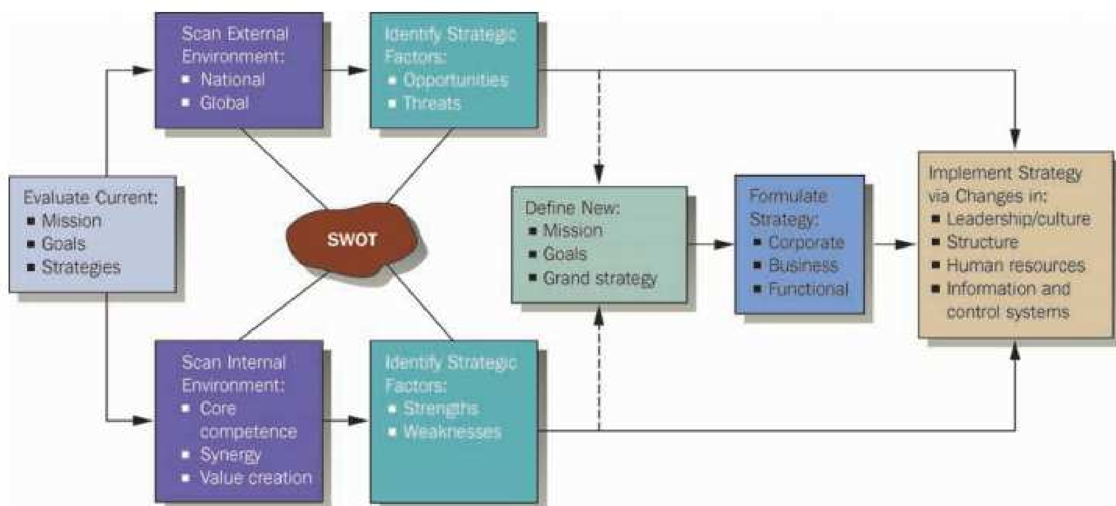

Figure 2-2 Strategic Management Process

Source: Daft (2010)

2.3 Business Performance

2.3.1 Business Performance Definition

Performance is a quantitative or qualitative measurement to measure the outcome produced from intended and planned activity (Yildiz & Karakaz, 2012). Yildiz & Karakaz (2012) cited from Akal (1992) explain that for Business Performance is the evaluation of all the activity related in achieving business goals. Performance measurement are flexibly created to meet the needs of the organization, it can be conducted for a temporary period or repetitive period, for a specific aim. The objective of the performance measurement in business is to find out the fact of their real performance as the result of the business activity in a form of real data can be use to solve business problem or to develop any areas in need (Yildiz & Karakaz, 2012).

The performance of business is really important to be measure to be able to analyze the business operation which later on will help the business to increase their profitability. Basically the business will measure their performance by comparing their actual performance with the planning made at the beginning. Cited from Jaworski & Kohli (1993) also Chang (1998) business performance measure from overall business performance compared to the previous period and also compared to the most indluencing competitor. Cited from Slater & Narver (2000) business performance measure from the actual profitability compare to the profit expected. To measure the business performance might be from 2 different perspective which are subjective and objective concept (Hartini, 2012).

2.3.2 Performance Measurement

Performance is the effectiveness and efficiency of a certain action The performance measurement refers to the quantitative or qualitative evaluation of the effectiveness and efficiency of that action. *Effectiveness* is the extent to which the result of an action meets our expectations/ requirements/specifications and *Efficiency* is the amount of resources the action consumes to deliver the result/output (Bititci, 2015).

To be able measure the performance, the Performance measurement take part as the process of collecting, analysing and reporting information regarding the performance of a certain action. In order to meet the needs of performance

measurements of a business, Performance Measurement System is built to setting the goals, developing a set of performance measures, collecting, analysing, reporting, interpreting, reviewing and acting on performance data. Some of the models or framework that commonly used based on the book of *Managing Business Performance : The Science and the art* are The Du Pont Model, ROI and RONA Ratios (1984), The Performance Measurement Matrix (1989), The Performance Measurement Questionnaire (1990), and The Results and Determinants Framework (1991) (Bititci, 2015).

2.3.3 Business Performance Dimension According to Previous Study

Hartini (2012) cited from Walker & Ruekert (1987), define 3 dimension in measuring business performance which are effectiveness, efficiency, dan adaptivenes. First is Effectiveness, refers to “doing the right thing at the right time and with the right quality”, usually measured by ratio of actual output to the expected output. Second is Efficiency, refers to “doing things right”, measured by the resources expected to be used to the resources used in the actual which expected to use as low resources as they can.

Yildiz & Karakaz (2012) explain one of the perspective used to measure business performance by looking at the objectivity and subjectivity. Objective measure the quantitative data (i.e sales, profit), Subjective usually measure the qualitative data (i.e customer satisfaction, overall business performance). But, for the quantitative data (i.e sales, profit) can be measured by both Objective and Subjective way. Study shown that using objective and subjective, both measurements is suited to performance measurement cited from Venkatraman and Ramanujam (1986). As the objective criteria can be flawed, the lack of relevant objective data and the difficulty to gather objective data from the respondent make the subjective data necessary.

The study also stated that subjective data could be use in place of objective data (i.e Assests-return and sales growth) when it’s not possible to get relevant and real objective data for business performance. The most common criteria in subjective method are sales, market share, profitability and new product launch, and for the objective method the most common are return-on-asset, return-on-equity, Tobin Q ration and sales.

According to Harif, Hoe and Ahmad (2013), performance measurement are critical to for the company to be able improve their business, it helps the company to clearly analyze their performance and track the current result with their objectives. The business performance can be measured by financial and non-financial indicators. Financial dimension is the accounting based which measure the numbers include profitability, cash flow position, return on investment, inventory turnover, and budget vs actual performance. For the non- Financial dimension focusing on the aspects include customer satisfaction, product/service quality, market share and employee efficiency.

Thesman and Ardianti (2014) explain Performance is the result of work that has a strong relationship with the organization's strategic goals, customer satisfaction and economic contribution. In their research, the method used to measure business performance is The Dynamic Multi-Dimensional Performance Model (DMP) which consists of 5 dimensions:

1. Financial performance (traditional approach used to measure organizational success). The indicators used are:

- Sales.
- Sales per worker (= sales value / workforce).
- Total income.
- Revenue per worker (= total income / workforce).
- Cash flow (liquidity and ability to increase financial resources).
- Profit or profit.
- Profit per worker (= total profit / total workforce).
- Return on Equity (ROE) = net profit / core capital.
- Return on Investment (ROI) = net income / total investment.
- Return on Assets (ROA) = net income / total assets.

2. Market / customer (represents the relationship between the organization and its customers). The indicators used are:

- The level of customer satisfaction.
- Ability to acquire new customers.
- Market share growth.
- Order / Order that can not be fulfilled.
- Corporate reputation.

- The number of loyal customers.
- Quality of service.

3. Process Measures (reflect organizational efficiency and see improvement). The indicators used are:

- Duration of time required for new products to enter the market.
- Quality of learning among employees in the same division.
- Quality of learning among employees in different divisions.
- Quality and depth of product standardization.
- Quality and speed in translating newly developed products into processing.
- Quality of processing.

4. People development (recognizes the important role of stakeholders in organizational success). The indicators used are:

- Employee satisfaction.
- Training for workers (days per year).
- Encourage employees to suggest and test new ideas.
- The quality of leadership development.
- Quality of technical development.
- Quality of administrative processes of human resources.
- Quality of benefit-benefit obtained by human resources (eg health insurance, pension).
- The number of senior employees who keep working.

5. Preparing for the future (critical organizational issue because it concerns the future of the organization). The indicators used are:

- % of sales of new products (<5 years in the market).
- % of sales from new business lines (<5 years in the market).
- Understanding and ability to forecast market trends.
- The company's ability to anticipate and prepare for unexpected external environment changes.
- Investment company in research and development (R & D).
- The depth and quality of strategic planning.
- Invest in high risk projects.

Muis (2012) explain that business performance measurements dimensions are grouped into 2 (two) categories which are Financially and Non Financially. Financial dimensions including Gross Profit, Return on assets (ROA) and return on investment (ROI). The dimensions of Non Financial are market share, sales growth, access to markets, employment creation and productivity, customer maintenance rate, success rate of new product, Customer satisfaction, Efficiency of company.

Chung et al. (2012) define the dimension business performance from the previous study from many researcher which are: Croteau & Bergeron (2001), Shrader (2001), Farrell (2000), Baer & Frese (2003), Tippins & Soh (2003), Kirca *et. al.* (**2**005), Saraph *et. al.(*1989.), Baker & Sinkula (1999), Slater & Narver (2000), Su *et. Al (*2003), and Pelham (2000). Chung list the dimension from each journal which he analyze trough out his research, as listed below:

Table 2-1 Business Performance Dimension

No	Writer	Business Performance Dimension(s)
1	Croteau & Bergeron (2001)	Profitability and sales growth
2	Shrader (2001)	Average profit and sales growth
3	Farrell (2000)	Customer maintenance rate, success rate of new products, sales growth, ROI, and overall performance compared to other companies.
4	Baer & Frese (2003)	Level of achievement of goals
5	Tippins & Soh (2003)	Profit rate, ROI, customer maintenance rate, and sales growth
6	Kirca *et. al.* (2005)	Comprehensive business performance, profitability, sales and market share
7	Saraph *et. al.(*1989.)	Customer satisfaction, on quality over a 3 year period and performance quality

NO	Writer	Business Performance Dimension(s)
8	Baker & Sinkula (1999)	Sales revenue, market share, and profit rate.
9	Slater & Narver (2000)	ROI
10	Su *et. Al (*2003)	Profits and customer satisfaction
11	Pelham (2000)	Enterprise efficiency, growth and market share, profitability

Source: Chung et al. (2012)

For the dimensions used in the research of Chung et al. (2012), there are Profit rate dimensions, Sales growth, Product quality, Service quality, Customer maintain rate, New products that are successful in the market, and ROI. Those dimensions are adapted based on the objective of the research which is the business performance of High-tech industry.

2.3.4 Factors impacting the business performance

Cited from Muis (2012) listed the factors that affect the business performance. The factors are Entrepreneurial Orientation, Innovation, Organization learning, Marketing ability and Customer value. Also there are several variables that affecting business performance, which are Total Quality Management, ERP system, External environment, Business Strategy, Branding, Organization Resources, Management ability, Moral awareness and Knowledge transfer.

In the study of Sitharam and Hoque (2016), factors influence business performance divided into 2 groups which are internal and external factors. Internal factors includes managerial competence & skills, access to finance and technological capabilities have a positive impact towards business performance. The external factors includes Globalization, Competition, macroeconomics factors, and crime & corruption. In this study, external factors found to be more significant in affecting business performance for SMEs business.

2.4 Purchasing Power

2.4.1 Purchasing Power Definition

- Purchasing Power is the ability of society as a consumer to purchase goods or services that are needed. Purchasing power of society is characterized by an increase or decrease, where purchasing power increases if higher than last period while decreasing purchasing power is characterized by higher purchasing power from the previous period (Pawenang, 2016).
- Purchasing power is the ability to pay for goods and services desired or needed. The ability to pay for the goods and services experienced an increase or decrease can be measured through income earned (Sedyaningrum, Nila, & Nuzula, 2016).
- Purchasing power is the ability of consumers to buy the amount of goods demanded in a particular market, at a certain level of income and within a certain period (Sedyaningrum, Nila, & Nuzula, 2016).

2.4.2 Factors Affecting Purchasing Power

A. Income level

The problem of purchasing power is strongly influenced by the income of the community. For most goods, an increase in income will lead to an increase in demand. Increasing the income level of the poor will stimulate the overall increase in product demand, which in turn creates improved conditions of economic growth. People's purchasing power is closely related to the income level of the community. If the income level of society is high it will affect the ability of people's purchasing power. Decreased income due to not working or working but a small income will cause its income to decline. Low income will affect the purchasing power of people who will also decline. Society will decrease its purchasing power because of its inability to buy something because of inadequate income to expend in its purchasing power (Zarkasi, 2014).

Higher salary disparity will under a few conditions connect with higher acquiring energy of poor people. At the point when the quantity of needy individuals builds, the poor may really encounter less destitution in light of the fact that their acquiring power increments. When rising wage disparity is related with value changes that advantage poor people, the acquiring power impact will mostly relieve unfavorable

welfare impacts of higher pay imbalance. This finding has some conceivably imperative ramifications (Bergh & Nilsson, 2014).

Increased disposable income will increase people's real purchasing power so that it will have an impact on increased consumption and vice versa. Disposable income has a positive and significant impact on consumption in Indonesia. This positive and significant influence between disposable income and consumption means that consumption is influenced by disposable income. This condition is due to an increase in disposable income will lead to an increase in purchasing power. Higher purchasing power will have an impact on increased consumption. Conversely, a decrease in disposable income will lead to a decrease in consumption because purchasing power will decrease (Nur E. M., 2012).

Increasing the amount of disposable income provides the possibility for the public to increase purchasing power of goods and services (Persaulian, Aimon, & Anis, 2013). The economic condition of a country can be seen in the per capita income it earns. Income per capita can measure the level of people's purchasing power in a country (Sedyaningrum, Nila, & Nuzula, 2016). Community revenue reflects people's purchasing power. High / low income people will affect the quality and quantity of demand. Lower revenues mean that in total only a small amount of money to spend, so people will spend less or some more money on most items (Yemima, Herlinae, & Redianto, 2015).

B. Inflation

The occurrence of inflation, means that prices of goods and services increased. This increase in prices of goods and services has caused the real purchasing power of the people to decline. The decline in people's purchasing power will have an impact on the decline in their consumption of goods and services. Conversely, if there is a decrease in inflation (deflation), means there has been a decline in prices of goods and services. The decline in prices of these goods and services has caused the real purchasing power of the community to increase. Increasing people's purchasing power will have an impact on the increase in their consumption of goods and services (Nur E. M., 2012).

Inflation as an economic phenomenon that occurs mainly in developing countries such as Indonesia greatly affects economic activity. The inflation rate is a general rise in the price of goods that causes substitution effects. Consumers will reduce

purchases of goods that are relatively cheap. An increase in the general price level does not mean that the rise in the price of goods happens proportionately. This encourages consumers to divert their consumption from one other arcane item. High inflation will weaken the purchasing power of the people, especially on domestic production which will further reduce public confidence in the value of national currency (Persaulian, Aimon, & Anis, 2013).

Inflation affects the public purchasing power that tends to decline, with the impact on business actors in the country to reduce the cost of production so that his business does not go bankrupt. If the inflation rate is high then the poverty rate will also soar, otherwise if the inflation rate is low then the poverty rate will also be low as price stability affects the purchasing power of the people (Endrayani & Dewi, 2016).

2.4.3 Purchasing Power Affecting Business Performance

Society purchasing power that cover income, price and taste factors affecting the sale value (Herlina & Suhardi, 2010). According to Zarkasi (2014), the unemployment rate effect is negative and partially significant (individual) on people’s purchasing power. This suggests that when someone is not working or unemployed, it will affect their revenues, and reduced people's income will affect people’s purchasing power. Sometimes many of the main problems faced by MSME actors to increase their income or turnover, one of them is decreasing in purchasing power.

Another factors that might affect business performance are lack of capital, low selling price, decreasing in purchasing power, difficulties in marketing, tight business competition, lack of knowledge about financial management, and business climate less conducive (licensing, rules and legislation) (Wardhani & Agustina, 2015). The number of customers that decreased due to their displacements, decreasing in purchasing power of the customers, and the reduction of labor supply can affect business performance (Lam, Arenas, Pace, Lesage, & Campanella, 2012). Economic environment variables have greater influence on business performance than cultural variables. Economic environment variable is reflected by input price or raw material price and public purchasing power (Mahliza, Priatna, & Burhanuddin, 2016).

2.5 Online Shop

2.5.1 Definition of Online Store

Online Shopping is the activity of buying products or services with the internet as the platform. Online shopping also referred as online buying or internet buying activity. The process of buying products or services online is similar with traditional shopping which have 5 steps according to Javadi et al. (2012), starting from the recognition of need for a products or services, that lead to the people surfing the internet to gain information regarding their needs. While searching for the information, rather than searching actively, the potential customer will focus on the information related to their needs. After gaining the informations, the potential customer will evaluate the best alternatives that fit with their needs. Lastly, the purchasing activity or transactions held follow by the after sales services provided.

Compared to Physical stores (brick-and-mortar stores), Online stores have their own advantage which we all know such as time saving because people can do transaction anywhere without spare some times to go to the stores, online stores also available for 24 hours which added the strengths of online stores. Besides that online shopping also have it's disadvantage because the customer cannot directly contact with the products they see in the internet. All the advanatages and disadvantages will affecting the buying behaviour of customer. The products that available in online stores can be divided into 2 categories which are Digital and Non-digital products. Digital products is the product that purchased throught internet and can be communicated or consumer through internet. Non-digital products is the products which need physical inspection or direct contact for able to use by the customer such as clothes, hardware, etc (Dai, Forsythe, & Kwon, 2014).

There are factors which indicates affecting people in shopping via online, those factor are divided into 2 groups which are internal and external factor, both of them influence the decision of consumer to purchase product or services via Online Store. From the internal factor there are Ease of Use, Usefulness and Enjoyment, in the other hand there are external factor which also increase the desire to purchase online which are Situational Factor, Consumer Traits, Characteristics of a product, Trust of the Online Store and the Past Experience in buying product online (Shanthi & Kannaiah, 2015).

2.5.2 Advantages & Disadvantages of Online Shopping

2.5.2.1 Advantages

1. Price

   In online shopping, one of the drive factor boosting the online shopping is the price. Online shopping offering a better price compared to the offline stores. This issue can be explain by one of the example which is cost. Physical stores need to spent more cost such as rent for building, store assistant, electricity, other things. Based on (Collin & Hefer, 2014), store atmosphere affecting the buying behaviour of customer that visit stores, in order to create a good store atmosphere there are elements that affectingstore atmosphere they are Decoration, Music, Sales people behaviour, Other customer, and Store layout. It is indicates that physical store need to pay more attention and spend more cost. While in online store, the cost is less and make it more efficient for the seller which is the price of the same product with physical store can be lower (He & Bach, 2014).

2. Discount

   Related to the lower price that possible offered by online stores, the possible to create discount is bigger. Besides that, online stores can send notification to anyone via internet if they have discount and the customer can directly buy the product, while the offline store the customer need to visit the stores or even know the discount when they visit the stores (He & Bach, 2014).

3. First Publish

   As the Online store available 24 hours, they can publish the newest product directly or less time needed for people to reach the products. Besides that, this factor also related to the waiting lines in the physical stores, customer can buy product directly without queueing (He & Bach, 2014).

4. Advertisement

   Advertisement by internet is more cheap than outdoor advertisement, when both physical and online store advertise online, online store has more advantage as the advertisement can directly linked to their website and customer can do transaction at the exact time (He & Bach, 2014).

5. Accesibility

   Online store so easy to be access as the activity are done via online and customer can access the store 24 hours, while in physical store, customer need to call the store or even visit the store to check the products. The accesibility also create a time saving advantage for online store, when customer need less time to do buying process (He & Bach, 2014).

2.5.2.2 Disadvantages

1. Less Shopping Experience

   Shopping experience in here means the communication between customer and the seller. In the physicals store customer may receive more information or professional review regarding their needs and the products so the customer have greate shopping experience, while in online shopping everything done by the customer themselves when searching the products or services information until buying process (He & Bach, 2014).

2. Trust

   It is a common weakness of online store which is difficult to be avoid, because trust towards online store also depends on the customer. Customer are not able to directly inspect the product which decrease the trust of online store, also some of the experience where the product from the picture are different when it's arrived. It can dissatisfied customer when the products are not similar with the expected details written in the product information (He & Bach, 2014).

3. Security

   Security concern are more into the misuse of the personal information and for the credit card usage for the payment method become concern of the customer towards online store. (Katawetawaraks & Wang, 2011).

4. Social contact

   For the customer that need high social connection and rely on peoples' opinion, online shopping might not become the first alternatives. Another case for consumer that shop at retails to entertain themselves which cannot be afford by online shopping (Katawetawaraks & Wang, 2011).

2.5.3 Factors Influence Consumer Decision to Shopping Online

Based on the previous literature, Online shopping has it's own advantages and disadvantages. It explain online shopping characteristics. Those advantages and disadvantages will influence the buying decision of customer when shopping online.
Shanthi (2015) cited from Monsuwé, Dellaert and Ruyter (2004) list the factors that influence customer intention to shop online which are ease of use, usefulness, and enjoyment added with exogenous factors which are consumer traits, situational factor, product characteristics, previous online shopping experiences ,and trust in online shopping.

Katawetawaraks and Wang (2011) in the research explain there are 4 factor influencing the consumer decision to buy products or services online which are convenience, information, available products & services, and cost & time efficiency. Uzun and Poturak (2014) stated that Convenience and Trust as the factor influence the customer satisfaction buying online, follow by Price and Quality as the following factor impacting the satsifaction. Those factor are perceive to create a post effect such as good Previous Experience and create Future buying possibility to the online store.

Based on the objective of this research regarding online shopping as independent variables that assumed affected retail business performance, the dimension of online shopping need to be the factor that drive people to go online for shopping. So those factors that impacting consumer decision to shopping online are listed as the dimension of online shopping.

Based on previous study regarding factors that influence consumer decision to shopping online, this research listed the factors that will be analyze which are:

1. Usefulness

   "Usefulness" refers to consumers perceptions that using the Internet as hopping medium enhances the outcome of their shopping experience.usefulness" is also linked with "ease of use" to determine consumers' attitude toward online shopping (because the easier a technology is to use, the more useful it can be). Applying this to our research context, "ease of use" is the consumer's perception that shopping on the internet will involve minimum of effort. "usefulness" is how effective shopping on the

internet is in helping consumer to accomplish their task, and "ease of use" is how easy the internet as a shopping medium is to use. Beside the experience of the technology and the system, the other dimensions of the "ease of use" is "control" (Monsuwé, Dellaert, & Ruyter, 2004).

2. Enjoyment

"Enjoyment" reflects consumer's perceptions regarding the potential entertainment of Internet shopping. We identify three latent dimensions of "enjoyment" construct, including "escapism", "pleasure", and "arousal". "Escapism" is reflected in the enjoyment that from engaging activities that are absorbing. The point of offering all escape from the demands of the day today world. "Pleasure" is the degree which person feels gond, joyful, happy in online shopping whereas "arousal" the degree to which a person feel mulated, active or allert during the online shopping experience (Monsuwé, Dellaert, & Ruyter, 2004).

3. Situational Factor

Demographic factors and personality characteristics. Four relevant demographic factors age, gender, education, and income. those under age 25, are more interested in using new technologies, like the Internet, to find out about new products, search for product information, and compare and evaluate alternatives. men express a greater interest using various types of technology in the shopping process. They are more positive about using the Internet as a shopping medium, whereas female shoppers prefer using catalogs to shop at home. But the female consumers that do prefer to shop on the Internet, shop more frequently online than their male counterparts. Education also plays a moderating role in the relationship between the three basic determinants and consumers' titude toward online shopping. Higher educated consumers are more comfortable using non-store channels, like the Internet shop. Consumers with higher household incomes (above S75, annually) intend to shop more online compared to lower income consumers. for this that higher household incomes are often positively correlated with possession of computers, Internet access and higher education levels of consumers personality also define as traits :"Self efficacy" refers to individuals' beliefs that they have the ability and the resources to successfully

perform a specific task. This "need for interaction" is defined as the importance of human interaction to the consumer in service encounters (Monsuwé, Dellaert, & Ruyter, 2004).

4. Consumer traits

- Time pressure : Intermet is time saving and accessible 24 hours a day, this becomes the main drive for online shopping and attitude toward Internet shopping is less important.
- Lack of mobility: Consumers who are not able to shop in traditional stores owing to an illness or other immobilizing factors, have the ability to shop on the Internet to fulfill their shopping goals.
- Geographical distance : consumers who distanc have to travel larue tores that provide them with the articles needed, shopping on the Internet is a viable alternative to overcome this geographical distance.
- Need for special items: In case consumers need to acquire tailored products, like special sized clothing or large sized shoes, are not available in conventional stores, shopping on the Internet is an option for them to purchase these special items anyhow.
- Attractiveness alternatives : In case consumers are drawn by the attractiveness of a certain store in their neighborhood that, for example, sells the same products as the online store, the relationship between attitude and intention will be attenuated. The reason for this is that the consumer, although he might have a attitude toward online shopping, the attractiveness of the brickand mortar alternative. Therefore, he will choose to shop offline, despite his positive attitude toward shopping on the Internet (Monsuwé, Dellaert, & Ruyter, 2004).

5. Price

Because online shopping customers are often offered a better deal, they can get the same product as they buy at store at a lower price. Since online stores offer customers with variety of products and services. it gives customers more chances to compare price from different websites and find the products with lower prices than buying from local retailing stores (Katawetawaraks & Wang, 2011).

6. Information

Given customers rarely have a chance to touch and feel product and service online before they make decision, online sellers normally provide more product information that customers can use when making a purchase (Lim and Dubinsky, 2004). Customers put the weight on the information that meets their information needs (Keency's, 1999). In addition to get information from its website, consumers can also benefit from products' reviews by other customers. They can read those reviews before they make a decision (Katawetawaraks & Wang, 2011).

2.5.4 Online Store relation towards Retail Stores

Saha (2015) in the study stated that E-commerce is consistently taking up a larger proportion of consumer time and spending. The factors influence to shop online such as price convenience in shopping and wide range of available products. Online shop creating a lower price based on the lower cost needed for online stores compare to the retailer. It's difficult for retailer to lower their cost considering the high cost of a retailer. The variety of stock in online stores also become a concern for the retailers, as the retailer can't stocks a lot of variety as the loses need to be concern. More retailer build a better customer services to incerease the customer loyalty, for example by offering home-delivery service. There's also another trend found, which is the customer visit retailer to check the products physically and buy online with lower price.

2.6 Theoretical Framework

The title of this research is "Analyze the Effect of Purchasing Power and Online Shopping towards Business Performance of retail stores in Jakarta". In order to analze the relationship between the exogenous variables (Purchasing Power – X1 & Online Shop – X2) and endogenous variable (Business Performance - Y) the model is constructed as below:

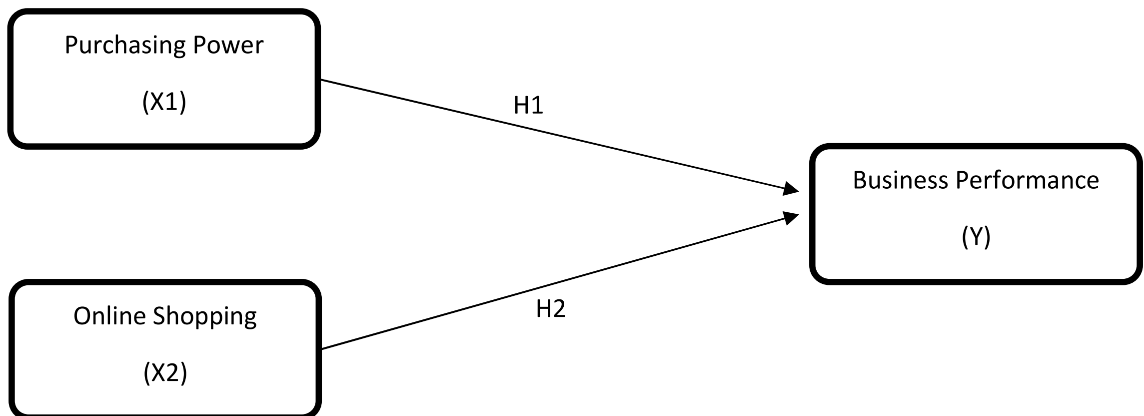

Figure 2-3 Theoretical Framework

Source: Researchers (2017)