CHAPTER 1

INTRODUCTION

1.1   Background

The number of Internet users in Indonesia is increasing rapidly. In 2015, 93.4 million people were accessing the internet in Indonesia. With over 93 million internet users, Indonesia is one of the biggest online markets worldwide but comparing to the number of local websites, e-stores or contents, Indonesia is still very limited (statista.com). This shows how Indonesia has many opportunities in the internet business or e-commerce.

Online shopping in internet business is famously known for recent years it is shown by up to 76 percent of Internet users in Indonesia shopped online over the past year and spent Rp 5.5 million ($450) annually on average, a survey has revealed (jakartaglobe.com). With the growing relevance of online shopping, a deeper understanding of impulse buying on the Internet is becoming increasingly necessary. In 2011, the online retail sector achieved total revenues of USD 530.2 billion worldwide. This corresponds to an increase of 15.4% in the period 2007–2011 (Marketresearch.com).

One important concern in online shopping is atmospheric cues in an online shopping environment (Floh and Madlberger, 2013). The importance of environmental cues and store atmosphere in retailing has already been demonstrated in early studies (Baker, 1986). For example, ambient, social, and design factors significantly influence perceived merchandise value and store patronage intentions (Baker et al., 2002).

In this case, impulse purchase can be caused by environmental or atmospheric cues. Store characteristics play an important role for impulse buying as it has been shown by marketing research (Stilley et al., 2010). Moreover, store atmosphere can also increase unplanned shopping time and spending in the context of e-retailing (Donovan et al., 1994)

Environmental cues are considered a strong determinant of impulse buying (Rook and Fisher, 1995). In an online context, environmental cues have been found to be strong predictors of impulse buying (Adelaar et al., 2003; Parboteeah et al., 2009). The presence of high-quality environmental cues in an online interface increases the website's quality (Loiacono et al., 2007). In turn, different studies have demonstrated the influence of website quality on online impulse buying (Wells et al., 2011).

In online purchasing settings, S–O–R (Stimulus-Organism-Response) theory has turned out to be an appropriate theoretic lens through which to understand how Web-based stimuli influence online consumer behavior (Dahlén and Lange 2002; Deng and Poole 2012; Huang 2003; Li et al., 2011). The results of these studies demonstrate that the implications of S–O–R theory for store-based shopping are applicable to online shopping as well. Therefore the S-O-R model to the online impulse buying context will be applied to analyze the role atmospheric cues play in online impulse purchases.

Following the S–O–R model, consistent with the typology of Baker (1986) and Eroglu et al. (2003), Floh and Madlberger (2013) explained there are three atmospheric cues, namely, e-store content, e- store design, and e-store navigation, as stimuli. Based on the findings of e-commerce research, they also

operationalized the organism as shopping enjoyment, impulsiveness, and browsing.

Social media recently can be an effective marketing channel for the online shops owners to sell their product. From the total social media users in Indonesia, 68% people said that they bought the products after seeing the ad on social media and 64% people said that they bought the products after seeing a post on social media (Khan, 2013). This shows that the responsiveness of online customers towards e-commerce using social media considered high; therefore the social network is an effective tool to market and sell a product.

One of the popular social media to market a product is Instagram. The interesting features and convenience offered by Instagram definitely catching the attention of Indonesia social media users. In fact, Instagram hold the top 4 media in Indonesia, after Facebook, Twitter, and Google, with total users of 23 million people in 2014 (Satarman, 2014). Based on the survey made by JakPat, there are 75.47% Instagram users use their account to find a particular vendor account and follow the account to see and buy the product (Wijaya, 2015).

The research is conducted to measure the relation and influences of Instagram atmospheric cues (content, design and navigation) toward impulse buying behavior. Based on the description of the background that have been outlined above, researcher interested in conducting research with the heading : **"The Role of e-Store Content, e-Store Design, and e-Store Navigation of Instagram as an Online Shop toward Online Impulse Buying Behavior".**

1.1 Research Questions

This study aims to answer following questions:

1. What are the antecedents of impulse buying in an Instagram online shop environment?

2. How do environmental cues of Instagram as an e-store (e-store content, e-store design, and e-store navigation) affect consumers to online impulse buying behavior?

1.2 Research Objectives

The general objective of this research is to make an analysis how online store atmosphere of Instagram can influence consumers to impulse buying. Specific objectives of this research are as follow:

1. To determine the antecedents of impulse buying in an Instagram online shop environment.

2. To define how environmental cues of Instagram as an e-store (e-store content, e-store design, and e-store navigation) affect consumers to impulse buying behavior.

1.3 Research Contributions

1. For academicians, the research exposes how environmental cues of Instagram as an e-store affect consumers to impulse buying behavior and creates additional knowledge to academicians how online shopping environment of Instagram (e-store content, e-store design, and e-store navigation) influence consumers buying behavior particularly impulse buying behavior also supports some previous studies about impulse buying behavior within online shopping.

2. For practicioners, this research helps business practicioners for instance entrepreneur or e-retailers who do their business on social media or already had a website to concern how atmospheric cues influencing consumers to impulse buying.

1.4   Scope of the Research

The research covers only people who had already bought an item through online shop in Instagram impulsively or without planning to buy. The scope of study covers the following two central aspects: Environmental Cues of Instagram as an e-store (e-store content, e-store design, and e-store navigation) and Impulse Buying Behavior.

1. 6   Outline of the Research

Generally, these research analyses are consisting of several chapters systematically as follow:

Chapter I: Introduction

This chapter explains about the background of the research, problem statement, and objectives of research, contribution of the research and scope of research.

Chapter II: Literature Review

In this chapter will explain the theoretical basis theories or concepts that underlie the conduct of research that support the objective of the research. There are reviews of previous study and showed the theoretical framework and Hypotheses.

Chapter III: Research Methodology

Chapter that discussing about the research methodology used in analyzing problem contained research design, population, and sample, data collection methods and the data analysis method.

Chapter IV: Result and Analysis

This chapter contained overview of survey responses, analysis data that researcher get and discussion of research finding.

Chapter V: Conclusion, Implication, Limitation, and Recommendation.

This chapter discussing conclusion of the research, implications of the research, limitations of the research, and recommendations for future research.