

CHAPTER I

INTRODUCTION

1.1 Background of the Research

Retail industry has caught market attention in the past decade (Mehta & Chugan, 2013), particularly in Indonesia in the early 2000. The significant growth of modern retail is supported by economic conditions and the increasing of purchasing power (Indonesian Commercial Newsletter, 2011).

The large number of population in Indonesia makes this country as a potential market for modern retail business in ASEAN. Due to the high number of residential that shown by the construction and operation of shopping mall in several large cities.

Foreign retailers start to begin and expand their market in Indonesia since the issuance of Presidential Decree No. 118/2000. The significant number of foreign retailers existence has shown this business is very profitable. This situation encourages local retailers that used to dominate the market to change their format to be more competitive in modern retail area. Modern retails was started in Java then expand to Sumatra, Sulawesi, Kalimantan, and Maluku.

Indonesia has many various types of modern retail such as Modern Market, Supermarket, Department Store, Boutique, Factory Outlets, Specialty Store, Trade Centre, and Mall / Supermall / Plaza. The evolution of modern retail formats is continuously developed as the changing of economic, modern technology, and lifestyle of society. In West Sumatra, traditional markets have been modernized as it

proven by the year of 2008, the number of minimarkets has grown into 205 followed by 23 outlets of supermarket existed in West Sumatra. This data shows the increasing number of modern retail market as it noted (Indonesian Commercial Newsletter, 2011).

Padang as the capital city of West Sumatra also experienced the high development and growth of modern retail market. By the year of 2010, there are 3 outlets of malls; Basko Grand Mall Padang, Plaza Andalas and Rocky Plaza Padang. Basko Grand Mall Padang is located at Jl.Prof Dr. Hamka No. 2A Padang, Andalas Plaza is placed at Jalan Pemuda No. 15 Padang and Rocky Plaza at Jl. Permindo No. 40 Padang, West Sumatra.

The growth of modern retail market is a picture of the increasing people's living standard in Indonesia. The existence of modern markets is demanded to have comfortable and safe shopping public at the affordable price. The changes in people's living standard determined the life style of people behavior on doing shopping.

The modern life style of society puts the modern retail as a major player on today's business market. Today's people life style also changes the way people do shopping and customer behavior. People shops at the retail store not only to buy some needs but also for windows shopping, culinary and get fun. The life style requires retail stores to have high standard customer service and product quality to gain the customer satisfaction. According to an article of Istijanto OEI (researcher, lecture & consultant business of Prasetya Mulya) on Sunday, 7th November 2010, about shopping mall's customer behavior in Jakarta, found that uniqueness of mall today is no longer a place for shopping but for many various activities. This fact is proven by

a research of Customer Survey Indonesia during February 2010 that involved 512 respondents who lived in Jakarta. The survey found customer first step the mall mostly 80% go to the foodcourt, restaurant or café and 49% of them visited the cloth store. Through the research we get a point that customer's life style on shopping is increasing and it gives positive response to the Mall.

Modern retails stores are rapidly develop and get positive responses from market especially for shopping mall in Padang. The interesting phenomenon arise in modern retail store is the impulse buying behavior of customer. According to (Khandai, Agrawal, & Gulla, 2012) impulse buying is generally considered synonymous with “unplanned buying” – it essentially describes any purchases a shopper made has not planned in advance. The previous study was conducted among male and female shoppers in the age group of 18 – 45 years. The primary objectives are to examine the relationship between customer's impulse buying behavior and common external factors (Visual merchandising) that trigger impulse buying. This research is focused on effects of four types of visual merchandising on impulse buying behavior. The types of visual merchandising used as predictors in this study are window display, floor merchandising, in-store form/mannequin display, and promotional signage.

Recently mall's management is focused on visual merchandising to improve the desirability of products which increase the possibility customers purchase of a product on impulse. According to (Khandai et al., 2012) impulse buyers usually do not set out with the specific purpose of visiting a certain store and purchasing a certain item. Customers who purchase a product on impulse/without planning in

advance are usually get influenced by the store's setting of malls. This urge is consequent to certain external factors like visual merchandising. This phenomenon leads mall's management in Padang to capitalize their attention to visual merchandising on their store.

Mall's management has greatly invested in visual merchandising to get more profit by enlarging the possibility of customers to purchase product on impulse. The visual merchandising has several variables to be considered, there are windows display, floor merchandising, in-store mannequin and promotional signage. Those variables have different impacts on customers that make them purchase more on impulse.

According to a survey found by Display and Design Ideas (DDI) magazine investigating the retail industry in 2011, more than 80 percent of the respondents claimed that the value of the design, planning and visual merchandising or components in retail has grown compared to five years ago. Moreover, half of the respondents stated that nowadays those elements become more important. As up to 90 percent of the cues issued by the environment are perceived by sight (Edwards and Shackley, 1992) (Cited in Kerfoot et al., 2003), retailers are aware of the importance of providing efficient visual communication through interior and exterior presentation. Thus, visual merchandising is a major concern and factor in the success or failure of a retail store.

Modern retailers today are using the visual merchandising tools to differentiate them from their competitors and to be a prominent leader in the market to attract the customers. The aim of this research is to identify the relationship among

the various dimensions of visual merchandising to impulse buying behavior of customers in retail stores specifically on “Central Malls” in Padang. Visual merchandising or visual presentation is mean to communicate a store/company’s value and quality image to prospective customers. The purpose of visual merchandising is to educate the customers enhance the store/company’s image, and encourage multiple sales by showing apparel together with accessories. Visual merchandising is defined as the presentation of a store/brand and its merchandise to the customer through the teamwork of store’s advertising, display, special events, fashion coordination, and merchandising departments in order to sell the goods and services offered by the store. Visual merchandising ranges from window/exterior displays to interior displays including form displays and floor/wall merchandising as well as promotion signage. It also broadly includes advertising and brand/store logo (Sahni, Sgrrits, Jain, & Jain, 2014a).

Mall Industry is one of the newest and fastest growing types of modern retail industry in Padang. As explained above this growing of mall industry in Padang is because the changing life style of people in Padang on doing shopping. The phenomenon happened in Padang today is many Padang’s people are going to malls not only because they want to buy some goods but they have several activities such as hang out with friends, culinary, having fun or only for windows shopping. These are what make researcher want to analyze how does people in Padang perceived visual merchandising dimensions of Padang’s malls (Basko Grand Mall Padang, Plaza Andalas Padang, and Rocky Plaza Padang) that makes impulse buying happened. It will be described systematically in this study entitled “**THE IMPACT OF VISUAL**

MECHANDISING ON CONSUMER'S IMPULSE BUYING BEHAVIOR IN PADANG SHOPPING MALLS"

1.2 Problem Statement

This research aims to analyze the influence of visual merchandising to consumer's impulse buying behavior. It will also be conducted to the followings:

1. To what extent does the window display influence the impulse buying of shopping mall's customers?
2. To what extent does the floor merchandising influence the impulse buying of shopping mall's customers?
3. To what extent does the in-store mannequin influence the impulse buying of shopping mall customers?
4. To what extent does the promotional signage influence the impulse buying of shopping mall's customers?
5. How is the difference of impact visual merchandising between male and female shopping mall customers impulse buying?

1.3 Objective of the Research

The main objective of this research is:

To identify the impact of visual merchandising on male and female shopping mall's customer impulse buying behavior.

This aim is specified into 6 sub objectives, those are:

1. To understand the influence of window display to customer's impulse buying behavior.

2. To understand the influence of floor merchandising to customer's impulse buying behavior.
3. To understand the influence of in-store mannequin to customer's impulse buying behavior.
4. To understand the influence of promotional signage to customer's impulse buying behavior.
5. To investigate the difference of impact on visual merchandising between male and female shopping mall's customer impulse buying behavior.
6. To see propensity of visual merchandising impacting customers impulse buying behavior on each malls.

1.4 Contribution of the Research

This research is expected to give contribution and benefit for :

1. Practical contribution,

This research aims to give contribution to the management of Basko Grand Mall Padang, Plaza Andalas Padang and Rocky Plaza Padang to capitalize their attentions to the impact of visual merchandising in gain more profit. The research results provide information to the management of Basko Grand Mall Padang, Plaza Andalas Padang and Rocky Plaza Padang to understand the effectiveness customer purchasing behavior on their brand's product and what extent the influence of each dimensions of visual merchandising such as window display, floor merchandising, in-store mannequin and promotional signage that impacts the customer impulse buying behavior. The information is to calculate the effectiveness of resources designed to generate more additional sales.

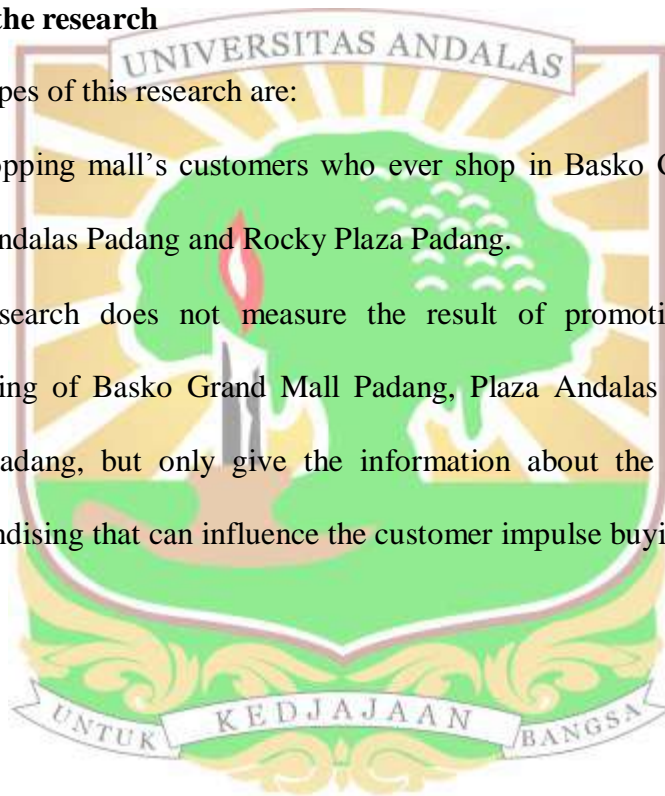
2. Theoretical contribution,

Since this research is the learning process in knowledge application and theories that related to the real problem in marketing field, this research provides the data and information regarding to what extend the visual merchandising factor can impact the impulse buying behavior of customer. The information provided can be useful for the next research in similar area in the future.

1.5 Scope of the research

The scopes of this research are:

- The shopping mall's customers who ever shop in Basko Grand Mall Padang, Plaza Andalas Padang and Rocky Plaza Padang.
- This research does not measure the result of promotional activities and advertising of Basko Grand Mall Padang, Plaza Andalas Padang and Rocky Plaza Padang, but only give the information about the variables of visual merchandising that can influence the customer impulse buying behavior.



1.6 Structure of Research

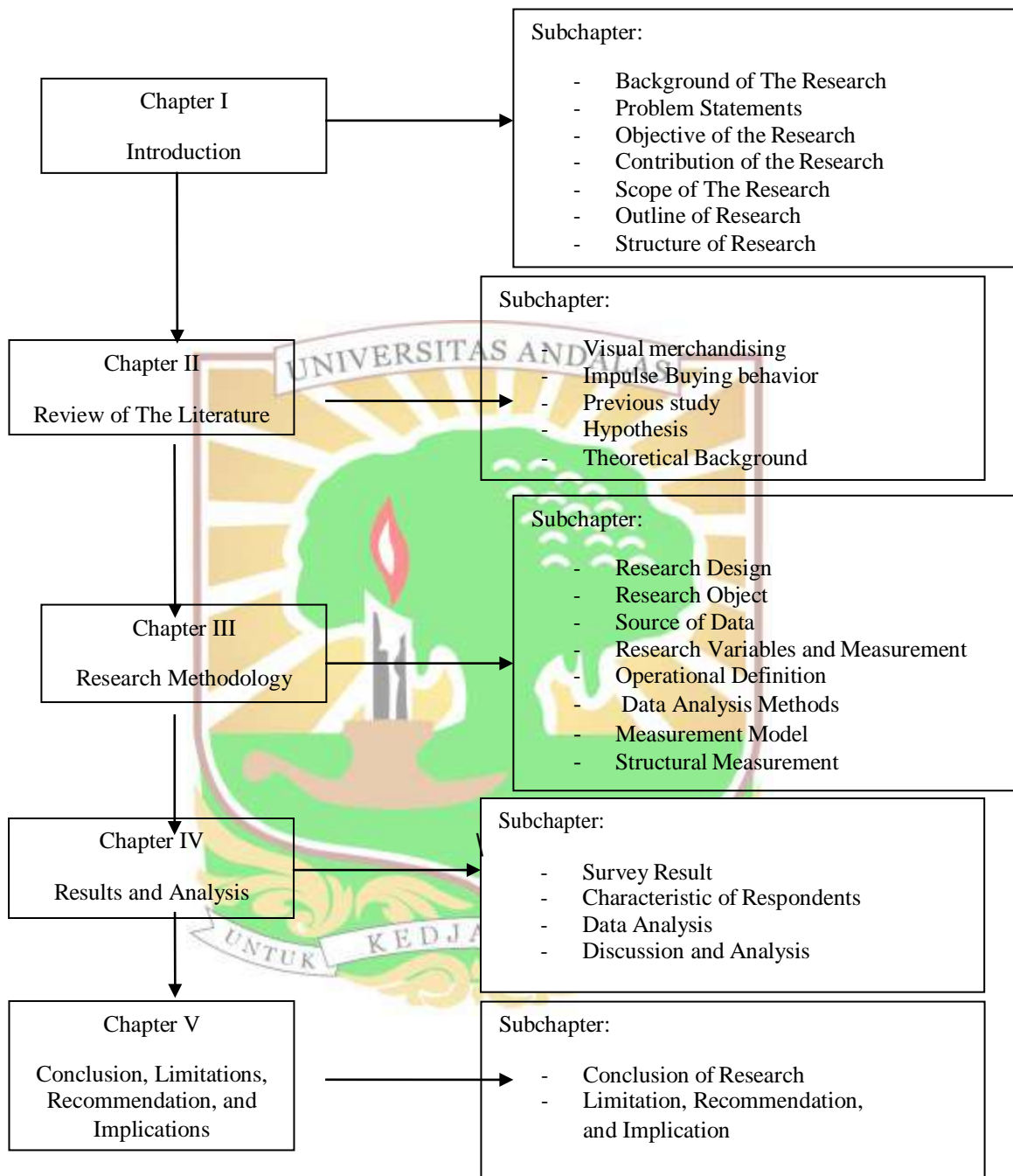


Figure 1.1 Structure of Research