

## THE EFFECT OF PRODUCT INVOLVEMENT AND SOCIAL INFLUENCE ON ONLINE IMPULSE BUYING OF IBA STUDENTS

by:

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### ABSTRACT

The internet users in Indonesia is growing every year. Internet users use internet for various purposes one of them is for shopping. Students are one of the most active in using internet. Students especially in Manado city is known to actively use internet and have a consumptive lifestyle, thus it has a tendency for online impulse buying behavior. IBA's students are the part of the students in Manado city. There are some factors which affect online impulse buying some of them are product involvement and social influence. The main objective of this research is to determine the effect of product involvement and social influence on online impulse buying partially and simultaneously. This research used associative method with technique analysis is multiple regression analysis. The population in this research is all of the students of IBA program in Sam Ratulangi University who ever buy online products impulsively, whereas sample of respondents are 100 respondents. The result of this study shows that product involvement and social influence affect on online impulse buying simultaneously and partially. This study suggest to the marketers to continue develop online products that have relevance or relationship with the customer and also continued intensively to do promotions in social media.

**Keywords:** *involvement, social influence, impulse buying*

### INTRODUCTION

#### Research Background

The development of the internet usage in Indonesia from year to year showed an improvement. It can be seen from the survey data of internet users in 2013 organized by the Indonesia's Association of Internet Service Providers (APJII) in collaboration with The Central Board of Statistic Indonesia (BPS) shows that internet users in Indonesia reached 71.19 million users in which increased by 13% from 2012 which is 63 million. The survey results for the inter-provincial shows that industry in North Sulawesi are completely literate internet. The whole picture of the business enterprise sector in the province of North Sulawesi use computers and the internet for 100% (APJII and BPS 2014). It indicates that North Sulawesi is a province of the most responsive and adapts to the development of the Internet and even use it to support the existing businesses.

On the other hand people in Manado are categorized as the consumptive people it can be seen from the continued increase of the city's shopping center. The condition of consumptive behavior of Manado's people can be related to consumer impulse buying behavior. Seen from these two things the people in Manado city certainly have the possibility to do a lot of impulse buying when conducting online product purchases. There are some factors influencing online impulse buying. Product involvement and social influence from social media are two of that many factors. Researching about whether the products with high involvement with the customers and the social influence that occur in social media can affect the online impulse buying or not.

Manado City is a city with many students from various regions. Students are one of the most active in using internet. Students especially in Manado city is known to actively use internet and have a consumptive lifestyle, thus it has a tendency for online impulse buying behavior. IBA's students are the part of the students in Manado city. International Business Administration program is one of the program studies in the Faculty of

Economics and Business, Sam Ratulangi University. Through the observations made, IBA students are very active in using the internet for study purpose besides it they also using internet for other purposes such as to access social media, doing business online and even purchase products online. Topic of online impulse buying is also related to the lessons in this program in the field of marketing, so they have sufficient understanding to this research. The reasons above make the IBA program is appropriate to become the respondents of this research. This existing phenomenon makes the researcher interested in conducting research on Online Impulse Buying focused on Product Involvement and Social Influence as two factors that affect the process of Online Impulse Buying and choose the IBA program's students as the object of this research.

### **Research objectives**

The objectives of this research are to know:

1. Product Involvement and Social Influence on Online Impulse Buying of IBA students in Sam Ratulangi University simultaneously.
2. Product Involvement on Online Impulse Buying of IBA students in Sam Ratulangi University partially.
3. Social Influence on Online Impulse Buying of IBA students in Sam Ratulangi University partially.

## **THEORETICAL FRAMEWORK**

### **Consumer Behavior**

Peter and Olson (2005:24) pointed out that consumer behavior refers to the physical action of the consumers display in consumption process can be observed and measured by the marketers to achieve a successful marketing by fulfilling and satisfying the consumers' wants and needs from observation and measurement. Solomon (2013:31) defines consumer behavior as the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas, or experience to satisfy needs and desires.

### **Impulse Buying**

Piron (1991) defines impulse purchasing as a purchase that is 1) unplanned, 2) the result of an exposure to a stimulus, 3) decided "on the spot". Impulse purchases can be further classified depending on the consumer's experiencing emotional and/or cognitive reactions, as defined later: An "Experiential Impulse Purchase" differs from a "Non-Experiential Impulse Purchase" as only the former is accompanied by emotional and/or cognitive reactions. Stern (1962) explains there are four distinct types of impulse purchases, namely pure, reminder, suggestion, and planned impulse buying.

### **Online Impulse Buying**

Adelaar et al (2003) explains the media format to present the product information (i.e. displaying the text of the lyrics rather than showing still images of the music video) in an online shopping environment increases impulse purchasing behavior.

### **Product Involvement**

Zaichkowsky (1985) product involvement has been defined as "a person's perceived relevance of the object based on inherent needs, values, and interests". Howard and Sheth (1969:43) Product involvement simply refers to the attributes linked to certain product relative to customer such as its importance, meanings, value, strength of relationship between customer and product and level of psychological and affective relationship between product and customer.

### **Social Influence**

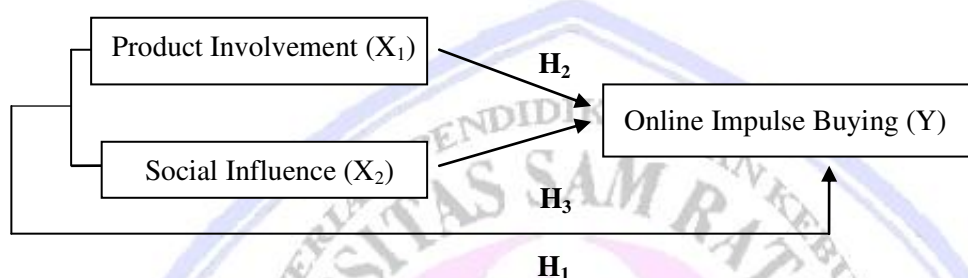
Kelman (1958) explained social influence happen when individuals change their interest towards any product or to any norms as a result of induction of information by other person or groups. There are three process of social influence that consists of:

1. Compliance
2. Identification
3. Internalization

## Previous Research

Chen (2008) investigated the issues about product involvement towards online impulse buying, this research found that impulsive buying tendency and involvement with clothing products is positively associated with impulse buying behavior of clothing in traditional store shopping, but not online. For computer peripherals, on the other hand, higher impulsive buying tendency and higher product involvement are positively associated with higher impulse buying online, but not in-store shopping. Saleem et al. (2012) found that hedonic consumption tendencies was found insignificant in predicting cognitive dissonance but product involvement and impulse buying were significant in predicting cognitive dissonance being former having inverse relation and latter having direct relation. Further to this, impact of product involvement and hedonic consumption tendencies were found directly relational to impulse purchase. Gopinathan (2012) investigated the issues about the effect of social influence through social media on online impulse buying. This research found that there is an effect of social influence toward online impulse buying.

## Conceptual Framework



**Figure 1. Conceptual Framework**

*Source: Theoretical Review*

## Research Hypothesis

The hypotheses of this research are:

H<sub>1</sub>: Product Involvement and Social Influence affect Online Impulse Buying simultaneously.

H<sub>2</sub>: Product Involvement affects Online Impulse Buying partially.

H<sub>3</sub>: Social Influence affects Online Impulse Buying partially.

## RESEARCH METHOD

### Type of Research

This research is a causal type of research which to investigate the effect of product involvement and social influence on online impulse buying.

### Place and Time of Research

The research was conducted in Manado and occurred at IBA program, Faculty of Economics and Business, Sam Ratulangi University environment. This research regarded the IBA students as respondents from batch 2010 – 2014 (in active generations) and conducted from July – September 2014.

### Population and Sample

The population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran and Bougie, 2009:262). The population in this research is the students who have experience in purchasing online products in IBA program, Faculty of Economics and Business, Sam Ratulangi University. This research used stratified sampling method, 20 respondents per each 5 batch in IBA program that consists of batch 2010-2014 so in total this research took 100 students as the respondents.

### Data Collection Method

This research only uses Primary Data in data collection method. Primary data refers to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study. Individual provide information when interviewed, administrated questionnaires, or observed. Group depth interviews, or focus groups, are the other rich source of primary data (Sekaran and Bougie 2009:180). Questionnaire was used by this research in data collection method.



### Operational Definitions of Research Variables

The explanation about variables in this current study are stated as follows:

1. Product Involvement ( $X_1$ ) is the students' level of interest in a particular product.
2. Social Influence ( $X_2$ ) is the process when the students change their interest towards any product as a result of induction of information by other persons or groups
3. Online Impulse Buying ( $Y$ ) is a process that occurs when the student experiences a sudden urge to purchase an item that he or she cannot resist.

### Data Analysis Method

#### Validity and Realibility Testing

Validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure. To analyze the validity of questionnaire, Pearson Product Moment is used. The instrument will valid if the instrument is able to fill the requirement in validity test. Validity for each variable is good where the values are above minimum level of 0.30. Reliability test is established by testing for both consistency and stability of the answer of questions. Consistency indicates how well the items measuring a concept hang together as a set; Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another, the questionnaire is reliable if the value of Cronbach's Alpha more than 0.6 (Sekaran and Bougie, 2009:162).

#### Multiple Regressions Analysis Method

Multiple regression analysis is similar to the simple regression analysis but the different only multiple regression use more than one independent variable to explain variance in the dependent variable. (Sekaran and Bougi 2009: 350). Multiple regression was using because there are two independent variable for this research. The two independent variables those are Product Involvement ( $X_1$ ) and Social Influence ( $X_2$ ). The Equation of Multiple regression for this research as follow:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

- Y = Online Impulse Buying (dependent variable)  
 a = Constant  
 $\beta_1, \beta_2$  = The regression coefficient of each variables  
 $X_1$  = Product Involvement  
 $X_2$  = Social Influence  
 E = Error

### RESULT AND DISCUSSION

#### Validity and Reliability

Validity test is used to know whether the instrument is valid or not. The instrument is valid if the value of variable is positive and more than 0.3 ( $r > 0.3$ ). The result of product involvement ( $X_1$ ) is 0.617 and social influence ( $X_2$ ) is 0.548. It means that all the indicators are valid. Reliability test is used to check the consistency of the measurement instrument. The reliability test in this research using Alpha Cronbach that will show the instrument is reliable if the coefficient value is more than 0.6. The value of Cronbach Alpha is 0.827 which is more than 0.6. Therefore, the measurement instruments used for this research are reliable.

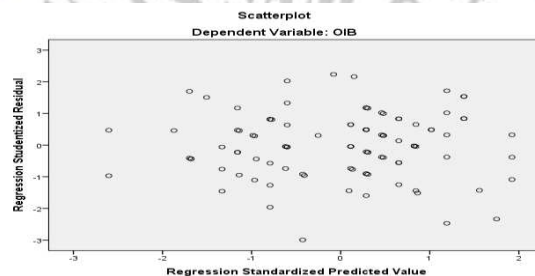
**Classical Assumption****Multicollinearity****Table 1. Multicollinearity result**

Model		Collinearity Statistics	
		Tolerance	VIF
1	PI	.597	1.675
	SI	.597	1.675

a. Dependent Variable: OIB

*Source: SPSS data analysis, 2014*

Table 1 show that the tolerance value of product involvement is 0.597 and social influence is 0.597 meaning the tolerance value of each variable is more than 0.1. The VIF value of product involvement is 1.675 and social influence is 1.675 meaning the VIF value of each variable is less than 10. Since all the tolerance values are more than 0.1 and VIF value of each independent variable is less than 10, this research is free from multicollinearity.

**Heteroscedasticity****Figure 2. Heteroscedasticity Results***Source : SPSS data analysis 2014*

The Figure 2 shows that the pattern of points is spreading. The points are spreading above and below of zero point in ordinate. It proves that there is no heteroscedasticity in this regression model.

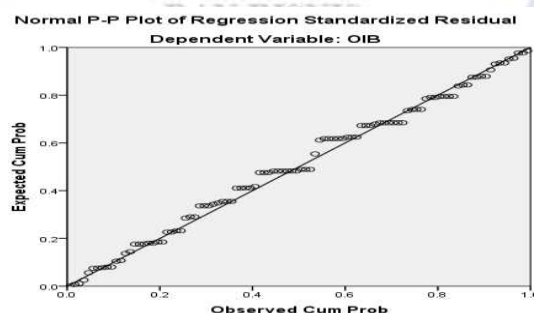
**Normality****Figure 3. Normality Results***Source : SPSS data analysis 2014*

Figure 3 shows that the data spreads near the diagonal line and follow the direction of diagonal line. Therefore, the normality test is accomplished.

**Multiple Regression Analysis****Table 3. Multiple Regression Result**

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1 (Constant)	6.108	2.188		2.791	.006
PI	.501	.088	.542	5.692	.000
SI	.237	.111	.204	2.142	.035

a. Dependent Variable: OIB

Source : SPSS data analysis, 2014

The calculation is conducted by using the SPSS software. The computerized calculation ensures the accuracy of the analysis. From the result in table 3, the multiple regression models can be defined as:

$$Y = 6.108 + 0.501X_1 + 0.237X_2$$

From the multiple linear regression equation above, it can inform the interpretation as follows:

- 1) Constant value of 0.6108 means that if the variables in this research of Variable  $X_1$  and  $X_2$  simultaneously increased by one scale or one unit will increase the Y at 0.6108 point.
- 2) Coefficient value of 0.501 means that if the variables in this research of  $X_1$  increased by one scale or one unit, it will improve and increase Y at 0.501.
- 3) Coefficient value of 0.237 means that if the variables in this research of  $X_2$  increased by one scale or one unit, it will improve and increase Y at 0.237.

**Multiple Regression Coefficient of Correlation & Determination****Table 4. Table R and  $R^2$** 

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.689 <sup>a</sup>	.475	.465	1.453

a. Predictors: (Constant), SI, PI

b. Dependent Variable: OIB

Source: SPSS data analysis, 2014

The coefficient of correlation (R) measures if there is significant relationship between the four independent variables with dependent variable, the value of R is 0.689 which proves that the relationship among independents and dependent variable is substantial strong. The coefficient of determination ( $R^2$ ) measures how far the ability of a model in explaining variation of dependent variable. The value of  $R^2$  is 0.475 shows the linear relationship in this model is able to explain the customer loyalty (Y) for 47.5% while the rest 52.5% is explained by the factors outside the model.

**Hypothesis Testing****F-test**

F-test is used to determine the simultaneous effect of all independent variables to dependent variable. This test is conducted by comparing the F-count and F-table. If F-count is higher than F-table,  $H_0$  is rejected and  $H_1$  is accepted.

**Table 5. F-test**

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	185.499	2	92.750	43.953	.000 <sup>b</sup>
	Residual	204.691	97	2.110		
	Total	390.190	99			

a. Dependent Variable: OIB

b. Predictors: (Constant), SI, PI

Source: SPSS data analysis, 2014

To see whether there is simultaneous effect of product involvement ( $X_1$ ) and social influence ( $X_2$ ) to customer buying decision ( $Y$ ) need to see the value of F-count and F-table. If the value of F-count > F-table it means  $H_0$  is rejected and  $H_1$  is accepted. While if F-count < F-table it means  $H_0$  is accepted and  $H_1$  is rejected. Table 5 shows the value of F-count. To get the F-table need to use F-table with probability 0,05. The value of F-count is 43,953 and F-table is 3,09. The result shows that F-count = 43,953 > F-table = 3,09. It means  $H_1$  is accepted and  $H_0$  is rejected. Hence the independent variable product involvement ( $X_1$ ) and social influence ( $X_2$ ) simultaneously have significant effect on online impulse buying ( $Y$ ).

### T-test

T-test is used to determine the partial effect of each independent variable to dependent variable. T-test value is obtained by comparing value of t-count with t-table. If t-count is higher than t-table, then  $H_0$  is rejected and  $H_1$  is accepted.

**Table 6. T-test**

	Model	T	Sig.
1	(Constant)	2.791	.006
	PI	5.692	.000
	SI	2.142	.035

a. Dependent Variable: OIB

Source : SPSS data analysis, 2014

The partial effect for each independent variable will be explained as follows.

1. Product Involvement ( $X_1$ ) on Online Impulse Buying ( $Y$ )

The value of t-count of  $X_1$  is 5.692 and t-table is 1,984. It means t-count > t-table. Therefore,  $H_0$  is rejected and  $H_2$  is accepted or product involvement affect online impulse buying partially.

2. Social Influence ( $X_2$ ) on Online Impulse Buying ( $Y$ )

The value of t-count of  $X_1$  is 2.142 and t-table is 1,984. It means t-count > t-table. Therefore,  $H_0$  is rejected and  $H_3$  is accepted or social influence affect online impulse buying partially.

### Discussion

The research is collected data from 100 respondents that were categorized by gender, age, batch, online purchasing frequency, and social media usage frequency. The data is taken from the students of IBA program in Faculty of Economic and Business, Sam Ratulangi University. The result shows that product involvement and social influence have positive effect on online impulse buying. Based on the hypothesis testing by using F-test and T-test, it is proven that there is linear relationship between independents and dependent variable simultaneously and partially.

### Product Involvement on Online Impulse Buying

The result of multiple regression analysis shows that product involvement affects online impulse buying significantly. This result support the previous research Chen (2008) and Saleem et al (2012) that found product involvement affects online impulse buying significantly. Based on the result of the survey, the IBA students mostly agree that the product that have high level of relationship with them which consists of the important, meanings, and values factors affect their online impulse buying behavior. Product with high level of involvement or have strong affective and psychological relationship with the consumers gives positive and significant effect to the online impulse buying behavior.



### Social Influence on Online Impulse Buying

The result of multiple regression analysis shows that social influence affects online impulse buying significantly. This result support the previous research Gopinathan (2012) that found social influence affects online impulse buying significantly. Based on the results of the questionnaire, the IBA students mostly agree that the process of social influence such as compliance and internalization make them did the online impulse buying behavior. Most of them tend to buy the online product impulsively because of got interest with the advertising/posting of the product in social media and/or got recommendation from friends in social media

## CONCLUSION AND RECOMMENDATION

### Conclusion

There are three constructive findings that can be concluded from overall result in this research, which are listed as follow:

1. Product Involvement and Social Influence affect Online Impulse Buying simultaneously and significantly.
2. Product Involvement affects Online Impulse Buying partially and significantly.
3. Social Influence affects Online Impulse Buying partially and significantly.

### Recommendation

The result and conclusion of the research give the recommendations are such as follows:

1. To the future research, it is suggested to make the research that focus in determine what kind of products that have high level of involvement and which social media tools are likely to have the most powerful effect on online impulse buying. It is because based on the result of this research shows the product involvement and social influence have positive and significant effect toward online impulse buying so it would be really good and sustain to make this kind of research in the future.
2. To the marketers, it is suggested to continue to develop online products that have relevance or relationship with the customer. Developing and selling online products that have a strong relationship both psychological and affective with the customers. The promotions through social media should continued intensively. The good postings from a product and influence of friends who trustworthy in social media can bring the positive and significant effect of social influence on online impulse buying behavior.

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