

STORE DYNAMICS, EMPLOYEE AND GENERATION Y IMPULSE PURCHASE

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Abstract

Prior studies on impulse purchasing behaviour have focused on general segments covering mostly Baby Boomers, and Generation X (Gen Y). This study attempts to examine how apparel store dynamics manifested in music, lighting, layout and employees' behaviour influence impulse purchase of Gen Y. Using convenience sampling technique, data was collected via a survey questionnaire from 120 Gen Y from a large suburb outside Kuala Lumpur to analyse the impact of store environment and impulse buying. Findings found that music, lighting, and layout had significant impact on impulse purchase. Contrary to prior theory, employee behaviour, however had a significant negative relationship with impulse buying behaviour. Findings have implications for theory and retail management.

Keywords: Store environment dynamics, impulse purchase, Generation Y

Introduction

Impulse buying is an instinctive behaviour which every person possesses. Impulse purchase occur when there is an urge which occurs in a very short span of time, and the driving force behind the urge is the customer's internal state which includes the emotions followed by the external environmental forces which includes all the internal and external environment of the store (Beatty and Ferrell, 1998).

Retailers have exploited instinctive buying behaviour by putting more focus on marketing activities which lead to many widespread incidence of impulse buying across various types of products (Sharma, 2010). Due to the fierce competition in the market there is therefore a need to improve the environment of the store and the presentation of the store, so that they can differentiate their offerings from the rest in the market. Bakers et al. (2002) studied the store environment and found that characteristics such as ambience factors which includes lighting, scent and music, design factors in the assortment, layout, as well as social factors such as salespersons and the type of buyers in the store.

Kotler brought about the idea of visual merchandising to retail store environment about three decades ago (Kotler, 1973). Guenzi et al. (2009) found that visual merchandising positively correlates retail store environment and results in more favourable actions and evaluation of the products (Guenzi et al., 2009). The objective of this paper is to understand the dynamics of store environment and impulse buying among millennial shoppers.

Literature Review

S-O-R (Stimulus-Organism-Response) model underpins this study. S-O-R has been widely used for evaluating emotional response and how environmental factors affect customer behaviour. S-O-R model is an update to the Stimulus-Response theory of Pavlov's Classical Conditioning theory and introduces the idea that the organism may choose to respond to the same stimulus in different ways depending upon its state of mind. In the context of this study, the organism is the millennial or Gen Y customer.

Generation Y, born between 1980 to 1994 and aged between 20's to 36's has been considered to be one of the special market segments over more than two decades. Their spending power, notably because many of them have entered the work force and possess higher earning power, is enough to justify, why so much attention should be given to them. Hovanesian (1999) also observed that Gen Y due to their increasing disposable income are now regarded as an essential market segment and while they are aware of the brands and products largely, this group has a tendency to spend more quickly than other generations (Hovanesian, 1999).

Gen Y share similar life experiences and beliefs (Meriac et al., 2010), adopting values through their experience with social media and new technology unheard of by Baby Boomers (born 1946 to 1955). Invariably these values remain rather permanently with them and thus have strong influence on their motivations in purchase behaviour (Parment, 2013). According to a survey by the Malay Mail online, Malaysia's Gen Y in their early 20s and 30s tend to overspend when they buy on impulse (Malaymailonline, 2015), and one of its implications is overspending on credit due to the relative ease of getting credit cards from banks.

Customers evaluate the stores on hedonic attributes, such as fantasies which creates excitement to buyers (Ashley et al., 2010). Morrison et al. (2011) found out that customers like better services in the store in terms of good payment system, good visual merchandising and informative signage which can guide the customers while shopping. The environmental factors also play significant roles in effecting response - for instance, music which invokes the emotions of the buyers (Morrison et al., 2011). Mohan et al (2013) found that the store environment elements such as music, light, layout and

employees do not correlate with each other but have significant effects on store environment.

Music

Slow music played on the background affects the sub-conscious of the shoppers and it is related to the cognition process of the brain. If the appropriate music is played the shoppers tend to spend more time in the store (Hui, Dube and Chebat, 1997). Ambient factors including music and lighting have a positive effect on arousal (Sherman, 1997).

Lighting

A store with appropriate lighting may entice shoppers to experience the store and create an urge to purchase. Well-designed lighting systems can bring an added dimension to an interior, guide the customer's eyes to key sales points, create an atmosphere of excitement, induce positive affect, or simply make key approach areas safe and visible (Smith, 1989). Sherman (1997) observed that music and lighting have a positive effects on arousal and emotional response.

Layout/ Floor Merchandising

Layout characteristics, which influence consumers' emotional states and buying decisions, may be particularly crucial when product and price differences are smaller or when the product mix is aimed at distinct social classes or lifestyle consumer groups (Tai and Fung, 1997). Hence the following hypothesis was proposed:

Employee Behaviour

Jones, (1999) discovered that salesman behaviour can impact the consumer responses and good responses contribute to positive feelings and behaviour such as a smile or helping them when they need a help or introducing new items to the shoppers may lead to impulse purchase (Jones, 1999).

Impulse purchase

An impulse purchase is an unplanned decision to buy a product or service, made just before a purchase. Previous research on impulse purchasing behaviour identified its antecedents as impulse buying tendency (Weun et al., 1998), optimum stimulation level (Sharma et al., 2010a), product category variables such as involvement (Jones et al., 2003), and display (Ghani and Kamal, 2010).

Research Model

A research framework as in Figure 1 was derived from the literature review and the following hypotheses were proposed:

H1: There is a significant positive relationship between music and impulse purchase.

H2: There is a significant positive impact of lighting on impulse purchase.

H3: There is a significant positive relationship between layout and impulse purchase.

H4: There is a significant positive impact of employee's behaviour on impulse purchase.

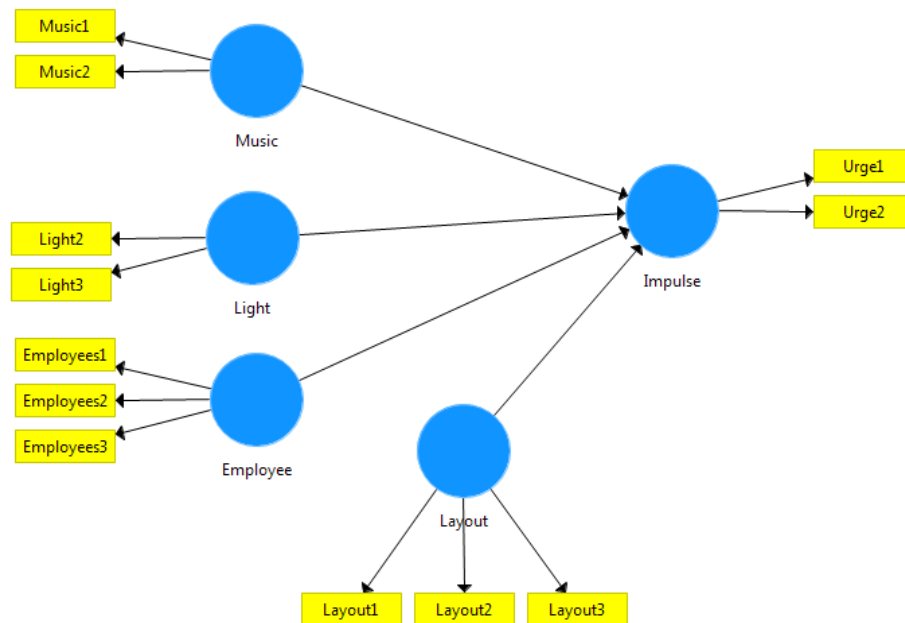


Figure 1 The Research Model

Methodology

A quantitative approach was used to examine the impact of store environment on impulse buying among Gen Y. A total of 120 Gen Y, mostly students and young working adults were selected for the study using convenience sampling in a large suburb outside Kuala Lumpur. Data was collected from a structured survey questionnaire consisting of items which were derived from the literature review.

The Smart PLS ver. 3.2.6 structural equation modeling technique was used to run a confirmatory factor analysis (CFA) on the research model. Tests on convergent and discriminant validity of the proposed model were conducted and the proposed hypotheses were tested using the same soft ware.

Results

Table 1 Demographic profiles of the respondents

| Gender | Age | | Status | | | | | |
|--------|------|------|--------|----|------|---------------|------|------|
| | Freq | % | Freq | % | Freq | % | Freq | % |
| Male | 65 | 54.2 | 16-26 | 68 | 56.7 | Students | 69 | 57.5 |
| Female | 55 | 45.8 | 27-37 | 35 | 29.2 | Working | 36 | 30.0 |
| | | | 38-48 | 17 | 14.1 | Unemployed | 4 | 3.3 |
| | | | | | | Self-employed | 11 | 9.1 |

Table 1 shows that out of 120 respondents, 68 (56.7%) were between 16-26 years old, followed by 35 (29.2%) between 27-37, and 17 (14.1%) between 38-48. Generally the sample falls within the Gen Y age group.

Measurement model evaluation

The research model was tested using algorithm to determine the validity and reliability of the measurement model. Table 2 explains the convergent validity of the measurement model.

Table 2 Convergent validity

| Variables | Indicators | Loadings | ^a CR | ^b AVE |
|-----------|------------|----------|-----------------|------------------|
| Employee | Employees1 | 0.846 | 0.866 | 0.682 |
| | Employees2 | 0.821 | | |
| | Employees3 | 0.811 | | |
| Layout | Layout1 | 0.873 | 0.946 | 0.897 |
| | Layout2 | 0.964 | | |
| | Layout3 | 0.773 | | |
| Lighting | Light2 | 0.928 | 0.906 | 0.764 |
| | Light3 | 0.755 | | |
| Music | Music1 | 0.779 | 0.833 | 0.716 |
| | Music2 | 0.983 | | |
| Impulse | Urge1 | 0.946 | 0.879 | 0.787 |
| | Urge2 | 0.948 | | |

^aCR = Composite reliability = (square of the summation of the factor loadings)/ [(square of the summation of the factor loadings) + (square of the summation of the error variances)]

^bAVE=Average Variance Extracted = (summation of squared factor loadings)/(summation of squared factor loadings) (summation of error variances)

As suggested by Hair et. al (2014), both loadings and composite reliability (CR) should be more than 0.70 and the average variance extracted (AVE) more than 0.50. Three indicators, Light1, Music3 and Urge3 were removed from the model because of loadings < 0.70. Results in Table 2 hence indicate that convergent validity was established in the model as the factor loadings, CR and the AVE have all met the

requirements of convergent validity.

Procedures proposed by Fornell and Larcker (1981) were adopted to test for discriminant validity of the measurement model as examined in Table 3.

Table 3 Discriminant validity

| | Employee | Impulse | Layout | Light | Music |
|----------|--------------|--------------|--------------|--------------|--------------|
| Employee | 0.826 | | | | |
| Impulse | 0.409 | 0.947 | | | |
| Layout | 0.204 | 0.143 | 0.874 | | |
| Light | 0.297 | 0.25 | 0.348 | 0.846 | |
| Music | 0.131 | 0.084 | 0.033 | 0.251 | 0.887 |

Note: Diagonal values in bold are the square root of the average variance extracted (AVE). Values below the diagonals are correlations among the constructs. Diagonal values (bolded) should be larger than the correlations in order to establish discriminant validity.

The diagonal values in bold represent the square roots of the AVE's (average variance extracted) and they were all found to be greater than the correlations found in the off diagonal section of the table. Therefore discriminant validity of the measurement model was also established.

Structural model evaluation

Table 4 Results of hypothesis tests

| Hypo-thesis | Relationship | Std. beta | Std. error | t-value | Decision | f ² |
|--------------------------------|---------------------|-----------|------------|---------|---------------|----------------|
| H1 | Employee -> Impulse | -0.418 | 0.099 | 4.218 | Not Supported | 0.228 |
| H2 | Layout -> Impulse | 0.340 | 0.122 | 2.789 | Supported | 0.144 |
| H3 | Light -> Impulse | 0.301 | 0.1 | 2.997 | Supported | 0.102 |
| H4 | Music -> Impulse | 0.226 | 0.119 | 1.892 | Supported | 0.068 |
| $R^2 = 0.312$ $Q^2 = 0.251$ | | | | | | |

The structural model was evaluated by examining the R Square (R^2), Beta (β) and the corresponding t-values in test of hypotheses. Bootstrapping procedure was applied to obtain t-values, report predictive relevance (Q^2) and effect sizes (f^2). Table 4 presents the results of hypotheses testing.

Table 4 indicates that 3 hypotheses, H2, H3 and H4 were supported. Layout (t=2.789, beta=0.340), Lighting (t=2.997, beta=0.301) and Music (t=1.892, beta=0.226) were found to have significant positive effects on impulse purchase of Gen Y in apparel stores. Employee behaviour, H1, contrary to prior theory, had a significant but negative

effect on impulsive buying among the Gen Y. Table 4 shows that there is a significant negative relationship between employee behaviour and impulse buying (beta = -0.418, t = 4.218). The beta value of -0.418 shows a negative relationship between the employee's behavior and the impulse purchase. Hence H1 is not supported by the data.

The R^2 of 0.312 shows that all the 4 predictor variables could explain about 31% of the variance in impulse purchase. The f^2 values show that the effect size for the predictive regression equations range from small to medium effect for H2, H3, and H4 while for H1, the effect size ranges from medium to large as Cohen, (1988) suggested that f^2 of 0.02, 0.15 and 0.35 indicate small, medium and large effects respectively. Table 4 shows that $Q^2 = 0.251$ indicating that there is predictive relevance in the model as when $Q^2 > 0$, there is predictive relevance in the results while $Q^2 < 0$ shows no predictive relevance (Hair et al. 2014; Fornell and Cha 1994).

Conclusions and Discussion

In testing the impact of Employee behaviour on Gen Y' impulse purchase, the result was not supported by previous research findings of Hu and Jasper (2006) who found that there is a correlation between good employee's behaviour and impulse buying. Westbrook and Oliver (1991) asserted that salesman relationship is like a friendship and it affects the satisfaction level of the consumer and also the retailer, which contributes to a store environment that evokes emotional responses and impulse purchase. Mohan et al (2013) specifically urged retailers to focus on enhancing friendliness of store employees, playing appropriate music, designing proper layouts and having well-lit stores to encourage impulse buying. The finding of this research did not concur with the previous research because the samples of previous research did not specifically comprise the Gen Y whereas this study studied a sample where more than 87% of the respondents are Gen Y. The finding in this study suggests that the S-O-R theory need to be modified as motivations of Gen Y towards impulse buying have invariably shifted. Solomon's (2014) interesting insight on Gen Y purchasing behaviour has its basis on Gen Y's years of experience with online and self-service solutions conditioning them to a generation "who have grown used to the way technology can reduce the need for human gatekeepers to ensure accuracy and manage data".

The finding has implications for both theory and retail management. Models developed to study Gen Y' shopping behaviour need to take cognition of their dismissal of human factors in their shopping decision, that they do not want shop employees to be in their way by offering them suggestions or cues in making their choice of products. For retail managers design of customer service practices and customer experience need

to change to serve the needs of this millennial generation whose purchasing power will soon equal and then overtake that of the Baby Boomers. These young customers are also becoming decision makers at major corporations, thus controlling purse strings that affect success and failures of companies.

The results show that layout significantly impacts on the impulse purchase of Gen Y. A study by Mohan et al (2013) found that music, layout, employee and lighting have significant impact on impulse buying. There is significant impact of lighting on impulse purchase. The finding concurs with earlier research findings by Smith (1998) who found that good lighting have significant positive effect and induce positive affect on emotional response. Music too has a significant impact on impulse purchase of the Gen Y. This means that the higher the appropriate music played the greater it will induce impulse buying. The finding is supported by the past researchers who examined store environment (Hui and Dube, 1997). The authors surmised that music could affect the subconscious mind of the consumers influencing directly or indirectly the cognition process of the brain. This finding also found support in the results of the previous researchers such as Kotler (1997) which stated that owner uses tools such as music and colours to induce the positive emotional responses for the products. The finding is supported Turley and Milliman (2000) who claimed that music is a type of communication with the consumers in nonverbal way and is usually use to increase the store environment attractiveness in order to make the consumer feel good inside the store and to subsequently make un-planned purchases by impulse.

The generalizability of the findings would be limited to the suburbs around the Malaysian capital due to its small sample size selected through a non-probability convenience sampling. Suggestions for future research would include the inclusion of a bigger sample of Gen Y, selected from the suburbs of the major cities in Malaysia. A larger sample could identify clearer direction of relationships between the independent variables and impulse buying among Gen Y which could bring about new insights on the motivations behind impulse buying behaviour.

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