THE INFLUENCE OF PHYSICAL STORE AND FASHION E-COMMERCE USAGE ON PREFERENCE OF PURCHASE INTENTION IN FASHION

COVER GILLIAN

UNDERGRADUATE THESIS

Submitted to complete part of the requirements
for Bachelor's Degree in Management

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PARAHYANGAN CATHOLIC UNIVERSITY
FACULTY OF ECONOMICS
UNDERGRADUATE PROGRAM IN MANAGEMENT
Accredited by BAN – PT No. 227/SK/BAN-PT/Ak-XVI/S/XI/2018
BANDUNG
2022

PENGARUH TOKO FISIK DAN FASHION E-COMMERCE TERHADAP PREFERENSI NIAT BELI PADA INDUSTRI FASHION

COVER GILLIAN

SKRIPSI

Diajukan untuk memenuhi sebagian syarat dalam memperoleh gelar
Sarjana Ekonomi

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UNIVERSITAS KATOLIK PARAHYANGAN
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The Influence of Physical Store and Fashion E-Commerce Usage on Preference of Purchase Intention in Fashion

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LETTER OF STATEMENT

I am undersigned below,

Name	: Agatha Gillian Tanusantoso
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Type of Paper	: Undergraduate Thesis

Stating that the thesis entitled:

The Influence of Physical Store and Fashion E-Commerce Usage on Preference of Purchase Intention in Fashion

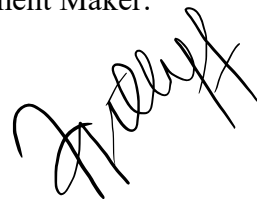Which has been completed under the supervisor: Fernando S.E., M.Kom.

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ABSTRACT

This study focuses on the importance of physical stores, especially in the Fashion Industry (clothes, bags, jewellery, etc.). Physical stores used to be one of the most critical requirements for running a market orientation strategy business in many industries, and the fashion industry is one of them. However, Fashion E-commerce comes up and results in consumer behaviour changes becoming a challenge and further potential for business. In addition, the whole world is experiencing a pandemic, Covid-19. This situation forced all industries to adapt and survive.

This study aims to find out how the Physical Store and Fashion E-Commerce influence the Preference of Purchase Intention in Fashion Industry. This result study in line with the previous research from Paulins & Geistfeld (2003); Visser, Preez, & Noordwyk (2006); Paul, Sankaranarayana, & Mekoth (2016); Wong, Wong, & Ke (2018); Ghosh, Tripathi, & Kumar (2010) that determines the influence of Physical Store towards Purchase Intention. Also the previous research from Escobar – Rodriquez & Bonson - Fernandez (2016); Lin, Chai, & Piew (2010); Siregar & Kent (2019); Perna – Garcia, Gill – Saura, Rofiguez – Orujuela, & Ribamar Siqueira (2020) has supported this study accordance with the Influence of Fashion E-Commerce towards Purchase Intention.

Due to collecting data for this research, a questionnaire was distributed to 140 respondents who had purchased a product from the same brand either in a physical store or fashion e-commerce. This study uses the Multiple Linear Regression Analysis and the hypothesis have passed the T-Test and F-Test. The result determine Physical Store dimensions which are Service, Merchandise Quality, Atmosphere, Convenience, and Facilities is significant, that means all the dimension has influence for 0,208. Whereas for Fashion E-Commerce dimensions which are Trust, Time Saving, and Easy to Use has influence to Purchase Intention for 0,446. Both of variables has influences 35,3% to Purchase Intention.

Keywords: Location, Physical Store, Fashion E-Commerce, Purchase Intention, Fashion Industry

ABSTRAK

Penelitian ini berfokus pada pentingnya sebuah Toko Fisik khususnya di Industri Fashion (baju, tas, perhiasan, dll). Toko fisik dulunya merupakan salah satu persyaratan paling penting untuk menjalankan bisnis strategi orientasi pasar di banyak industri, dan industri fashion adalah salah satunya. Namun, Fashion E-commerce muncul dan mengakibatkan perubahan perilaku konsumen menjadi tantangan dan potensi lebih lanjut untuk bisnis. Selain itu, seluruh dunia sedang mengalami pandemi, Covid-19. Situasi ini memaksa semua industri untuk beradaptasi dan bertahan.

Penelitian ini bertujuan untuk mengetahui bagaimana pengaruh Toko Fisik dan Fashion E-Commerce terhadap preferensi Niat Beli pada Industri Fashion. Hasil penelitian ini sejalan dengan penelitian sebelumnya dari Paulins & Geistfeld (2003); Visser, Preez, & Noordwyk (2006); Paul, Sankaranarayana, & Mekoth (2016); Wong, Wong, & Ke (2018); Ghosh, Tripathi, & Kumar (2010) *yang menentukan pengaruh Toko Fisik terhadap Niat Beli. Juga penelitian sebelumnya dari* Escobar – Rodriquez & Bonson - Fernandez (2016); Lin, Chai, & Piew (2010); Siregar & Kent (2019); Perna – Garcia, Gill – Saura, Rofiguez – Orujuela, & Ribamar Siqueira (2020) *telah mendukung penelitian ini sesuai dengan Pengaruh Fashion E-Commerce terhadap Niat Beli.*

Untuk pengumpulan data untuk penelitian ini, kuesioner disebarkan kepada 140 responden yang pernah membeli produk dari merek yang sama baik di toko fisik maupun Fashion e-commerce, Penelitian ini menggunakan Analisis Regresi Linier Berganda dan hipotesis telah lulus Uji-T dan Uji-F. Hasil penentuan dimensi Physical Store yaitu Layanan (Service), Kualitas Produk (Merchandise Quality), Suasana (Atmosphere), Kemudahan (Convenience), dan Fasilitas (Facilities) adalah signifikan, artinya semua dimensi memiliki pengaruh sebesar 0,208. Sedangkan untuk dimensi Fashion E-Commerce yaitu Kepercayaan (Trust), Hemat Waktu (Time Saving), dan Mudah untuk digunakan (Easy to Use) berpengaruh terhadap Purchase Intention sebesar 0,446. Kedua variabel tersebut memiliki pengaruh sebesar 35,3% terhadap Minat Beli.

Kata kunci: Lokasi, Toko Fisik, Fashion E-Commerce, Niat Beli, Industri Fashion

PREFACE

There are no other words besides thanking God for His blessing and His assistance to complete this paper with the title "The Influence of Physical Store and Fashion E-Commerce Usage on Preference of Purchase Intention in Fashion Industry." The author prepared this paper to fulfil graduation of the 7th-semester academic program in Management Undergraduate Program, Faculty of Economics, Parahyangan Catholic University, for the academic year 2021/2022.

End of words, this paper is not perfect yet. This study expects suggestions and input from readers to improve this paper. Hopefully, after reading this, it can be helpful for both writers and readers.

Bogor, 27th of January 2022

Best Regards,
Agatha Gillian Tanusantoso

TABLE OF CONTENT

TABLE OF FIGURES

TABLE OF TABLES

CHAPTER 1
INTRODUCTION

1.1   Background

Fashion is a popular style of clothing, hair, or other accessories in a specific time or location; the state of being popular. People with taste frequently adopt the latest fashion style. The term refers to a fashionable look as determined by the fashion industry in everyday usage (Meriam Webster, 2021). Simply, Fashion is the way people dress themselves to beautify their appearance. In addition, to decorate their appearance, Fashion can also describe a person's character and reflect what they are feeling. Nowadays, fashion is not just a special thing for women but also applies to children and men. According to Karlyle in Setiawan, fashion can be interpreted as a social aspect that contains messages and also the way of life of specific individuals and communities that are part of social culture (Setiawan, 2021).

For example, a woman who every time leaves the house wearing a T-shirt, trousers, and shoes illustrates that she is a simple person in choosing clothes. It will be different with women who change their clothes every day when they leave the house to show that they are following the existing fashion trends.

There are several trending fashion styles: bohemian, arty, chic, classic, glamorous, romantic, and dazzling. However, the average woman prefers classic and glamorous fashion styles. The clothes used in the classic style are very simple and not too complicated. The glamorous style prioritizes the impression of luxury so that it looks attractive and sexy. Usually, the classic style is worn by women to go to the mall, while the glamorous style is used to go to an important event (Laurensia, 2016).

According to Fatma (2017), industry is one of the economic sectors owned by a country. Almost all countries already have an industrial sector as a substitute or complement to the agricultural industry. This industrial sector consists of various

types. In Indonesia, it is divided into ten industrial classifications. One industry classification is divided based on the location of a business unit, which are:

1. Market-oriented industry, is a business unit closer to the customer distribution region. Industries like this are industries that are closer to consumers. Some examples of these industries are industries that we often find around us, such as the food and beverage industry.

2. Employee-oriented industry, This labour-oriented industry is an industry established around or near the labour market. Industries like this are found mainly in places with a large population distribution or a large workforce, especially people with low levels of education. Examples of this kind of industry include the convection industry, which is mainly established in villages.

3. Supply-oriented industry, Processing-oriented industries are industries that are established close to the processing site. In this way, the costs required will be smaller.

The Fashion Industry is a company that makes clothes from raw materials to goods that are ready to be sold. According to Major & Steele (2020), Design, manufacture, distribution, marketing, retail, advertising, and promotion of various forms of clothes are all part of the process. According to CNBC Indonesia (2019), the fashion business will contribute 18,01%, or IDR 116 trillion.

The Coronavirus illness (COVID-19), produced by the SARS-CoV-2 virus, began to spread worldwide in early 2020, causing a pandemic (World Health Organization, 2021). This situation forced all industries to adapt and survive. There are so many industries that are experiencing a slump, including the fashion industry. According to Business of Fashion (2020), nearly three-quarters of the listed fashion companies suffer losses. There was a 34% decline in sales in the January-March 2020 period when the COVID-19 pandemic had just exploded. Based on McKinsey Global Fashion Index (2020), the profit rate fell by 90% compared to 2019. Throughout 2020, the fashion industry was threatened by the high risk of bankruptcy. Industry leaders must rack their brains to change strategies and new business models to survive.

According to Amed (2020), so far, the fashion industry has relied heavily on sales from physical stores. Data shows that more than 80% of fashion transactions occur in physical stores. Due to the pandemic that makes it difficult for people to do shopping, consumers are using technology for online purchases. This behaviour change has made many fashion companies close their outlets and switch to using digital technology.

Physical stores are stores that require physical space to sell and display products from related stores. A physical store can be a stand-alone structure, a tenant in a mall, or located in a shopping centre. Physical Stores need workers to help shoppers and maintain the shop (Indeed Editorial Team, 2021). One of the advantages of physical stores is that sellers don't have to bother sending goods to consumers. From the consumer's point of view, consumers do not need to think about shipping costs, which are usually higher than transportation costs to the store (Jurnal Entrepreneur, 2021).

Besides physical stores, there are so-called online stores, specifically for fashion, called fashion e-commerce. An online store is a site that can be a particular web, social media site, or online marketplace, where customers can view, buy a product without having to come to the physical store. The difference from offline stores is that online stores can be accessed and serve customers worldwide (Indeed Editorial Team, 2021). Although many brands have offline stores, many of them also have online stores. Thus, the brands have offline and online stores at the same time (H&M, Zara, Uniqlo, etc.). Fashion e-commerce is an online shop specifically for buying fashion items, such as ZALORA, Pomelo, Bobobobo, Berrybenka, Zara.com, H&M, etc (kumparanWoman, 2020).

In industry, technology means scientific knowledge is applied in practical ways, such as creating new machines. In other words, technology is used to offer commodities and services necessary for human survival and comfort (Merriam Webster, 2021). In the 21st century, technology has transformed our daily lives and our world, which means we use technology every day. Technology affects every aspect of our life. The reason is that technology brings everything that we need to solve the problem of human beings, reduce the time required to do daily work, and

make our lives secure and more manageable. Technology is helpful for the everyday life of human beings but also beneficial for Businesses and Industries.

As in Industrial revolution 4.0, technology is having a significant impact and is also essential. All industries are becoming easier to manage using the latest technology of computer & network, and making everything digital. The fashion industry is one of the industries affected by the technology that is becoming more sophisticated. The impact of developing technology to become more sophisticated is positive and negative.

Figure 1.1

Indonesia's population for Mobile, Internet & Social media use
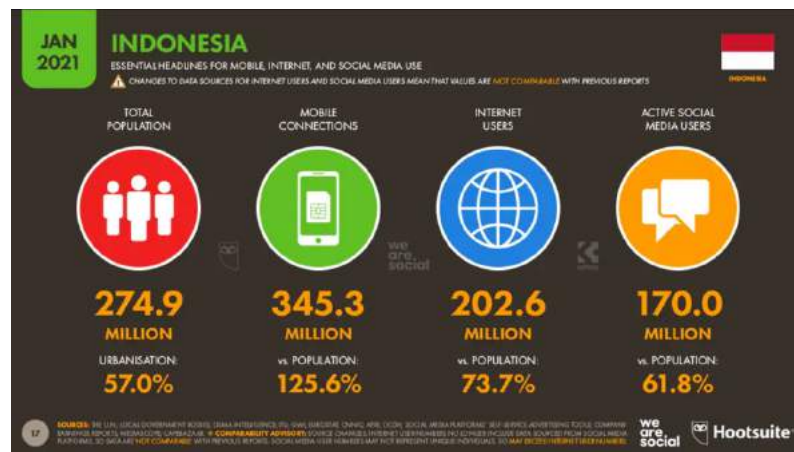
Source: Kemp (2021)

From figure 1.1, the total population in Indonesia is 274,9 million, 345,3 million has mobile connection, there are 202,6 million internet users and 170,0 million active social media users.

Figure 1.2

Mobile Apps in Indonesia by category

Source: Kemp (2021)

From Figure 1.2, the use of mobile apps by the Indonesian people towards shopping applications is 78,2%, it's in 4th place, higher than map apps and music apps.

There are a lot of advantages to technology from the customer side. Before technology had not developed as advanced as it is now, people who wanted to buy something they needed had to come to the store, which took more time. In today's era in which technology has developed, people no longer need to go to the store when they want to buy something. Simply, technology has changed lots of things. Making life easier is one of the advantages of developing technology (Davina, 2021).

In terms of the fashion industry, technology supports long-established firms while also making room for young brands with fewer resources. For example, some new brands that cannot build a store will choose to open an online store because the cost required is lower than opening an offline store (Gani S. , 2016). The benefit side of opening an online store is that their market reach will be more comprehensive because there will be a possibility that customers from all over the world can visit the online store.

E-commerce has gained in popularity due to several benefits linked with online shopping, such as easier transactions and lower costs than traditional shopping methods. You can buy faster, have more options, and get a broader range of products or services at a lower price when you purchase online (Koyuncu & Bhattacharya, 2004).

Figure 1.3

Apparel E-Commerce market size in the US from 2016 to 2021
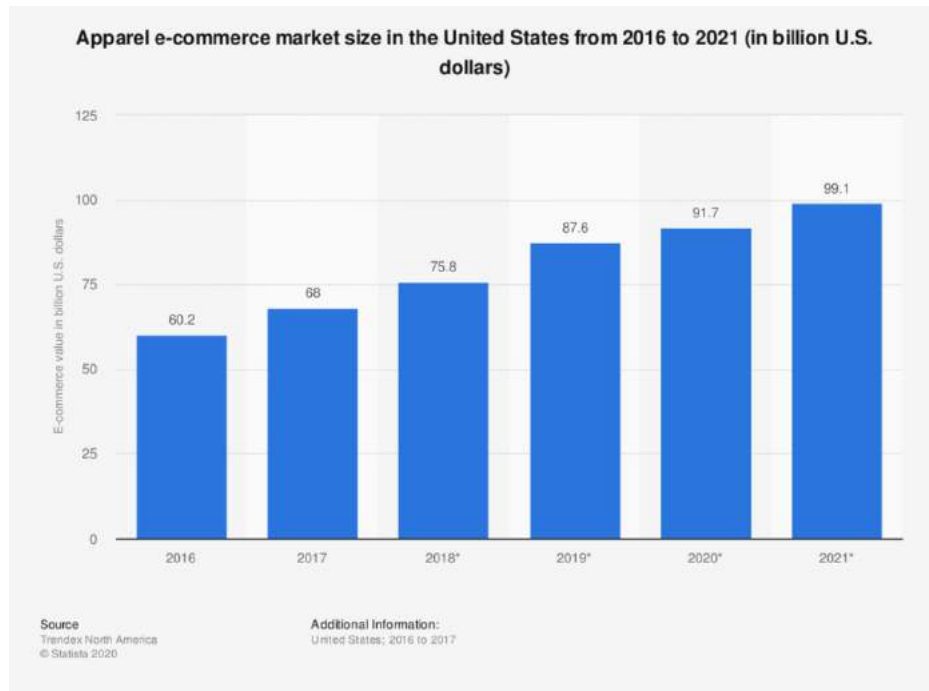
Source: Trendex North America (2020)

In 2020, according to Chevalier (2021), In the United States, e-commerce fashion sales will account for 29,5% of total fashion retail sales. By 2021, the US market is predicted to account for a large percentage of global predictions, with a value of $100 billion.
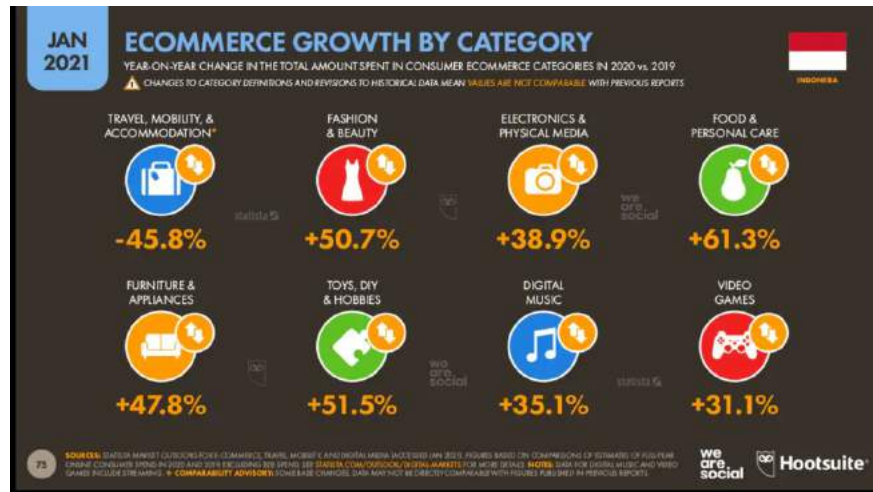
Figure 1.4

E-Commerce Activity Overview

Source: Kemp (2021)

Figure 1.4 represents the percent of internet users aged 16 to 64 who did each activity in the previous month. As we can see, the percentage of people who visited an online retail site or store is 87,3%. It did not stop until they visited the store, but 79,1% decided to purchase a product online via a mobile phone.

Figure 1.5

E-Commerce Growth by Category

Source: Kemp (2021)

Figure 1.5 shows the total amount spent in consumer e-commerce categories in 2020 vs. 2019. From the data above, fashion & beauty increased 50,7%, the third-highest after food & personal care, and Toys, DIY & Hobbies.

According to Gantra (2021), The leakage of personal data has become one of the hotly discussed issues in the community, especially regarding e-commerce transaction activities. The advantages of online shopping are quite a lot; namely, if we want to look at goods, we can do it from home to save time without having to visit shops, malls, supermarkets, boutiques, and others. When shopping online, we can also easily compare prices from several stores, so we can easily choose the cheapest product price. In online media, e-commerce usually offers many discount promos on products and free shipping, so the price is much lower than offline stores (AisaySyifa, 2021).

To gather more information, author did preliminary study with questionnaire methods. This questionnaire aims to determine customers' purchase intention in buying fashions in physical stores and fashion E-commerce. From preliminary study, the author got 13 respondents. Twelve respondents have bought fashions

online without knowing where is the physical stores. Even though purchasing some items online without knowing the physical stores has many disadvantages, such as getting cheated by the stores and not getting the things you bought, etc. From the questionnaire, most respondents said they trust in purchasing Fashion in a place they have never been there before for a few reasons, such as reviews from other customers, the photos of the items, and the brand. Reviews, lots of promotions, got a free delivery fee, and ratings are the basis for the respondents to decide to buy the Fashion without knowing the physical store of the Fashion. 77% of respondents said physical stores are not essential and needed anymore, 23% said physical stores are still necessary, especially for branded fashions or Fashion that expensive such as jewellery, perfume, branded bags.

The preliminary study-validated consumers have a changing behaviour from offline to online fashion purchasing. In this situation, customers are more concerned about the rating or reviews, promotions, delivery fee to purchase fashion items than the location of physical stores.

After all, in Operational Management, location is one of the essential things in a strategic business to choose the right place to open a physical store before running the business. However, Fashion E-commerce comes up and results in consumer behaviour changes becoming a challenge and further potential for business. This change determined that business could not stay the same. This study intended to see **The Influence of Physical stores and Fashion E-Commerce Application Usage on Preference of Purchase Intention in Fashion.**

1.2   Problem Identification

The problem identification of this study are:

1. How the influence of Physical Store to Purchase Intention in Fashion Industry?

2. How the influence of Fashion E-commerce usage to the Purchase Intention in Fashion Industry?

3. Which factors among physical stores and fashion e-commerce has more influences to preference of purchase intention?

1.3   Purpose of Research

The purpose of this study are:

2. To know the influence of Physical Store to Purchase Intention in Fashion Industry.

3. To know the influence of Fashion E-commerce usage to the Purchase Intention in Fashion Industry.

4. To know which factors among physical stores and fashion e-commerce has more influences to preference of purchase intention.

1.4 Framework

According the preliminary study, consumer behaviour has shifted. More people had shopped online since physical stores reopened than were still closed (Morgan, 2020). People intend to order fashion by Fashion E-Commerce due to all efficient factors in the current situation. In this research, aim to look The Influence of Physical Store (Chan, Wang, Xu, & Chen (2021); Paul, G.S, & Mekoth (2016)) to the Purchase Intention in Fashion Industry (Rodriquez & Fernandez (2016);Yang & Mattila (2016); Bagla (2017); Siregar & Kent (2019); Sunil (2015)). Figure 1.6 illustrates the overall structure of this study.

Figure 1.6

Framework
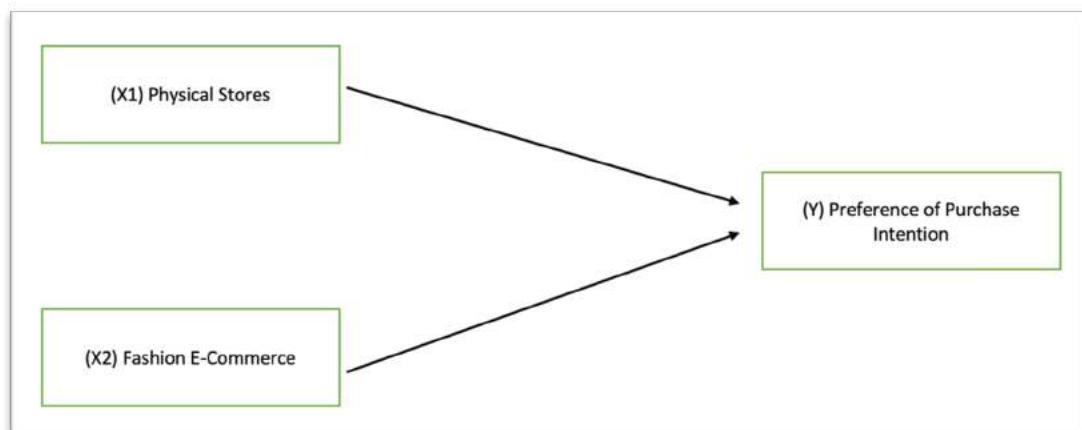
H1: The Influence of Physical Stores to Purchase Intention

H2: The Influence of Fashion E-Commerce to Purchase Intention

H3: The influence of Physical Store and Fashion E-Commerce towards Preference of Purchase Intention