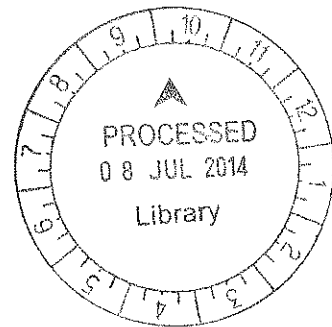


# INTI INTERNATIONAL UNIVERSITY

## MASTER OF BUSINESS ADMINISTRATION

### **The study on the factors that affect Generation Y's impulsive buying behavior at supermarket**

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## Abstract

The behavior of Impulsive buying is a major research issue among customer behavior researchers, not only because of its complexities, but also its widespread prevalence over a broad range of product categories. Therefore, understanding consumers' impulsive buying behavior is important for both the academic and business sectors. This study is to explore the relationship between promotional mix factors and impulsive buying behavior at supermarket. In this study, I will use four promotional mix factors which are advertising, sales promotion, personal selling and public relation as independent variables, while using impulse buying behavior as a dependent variable. Moreover, I will also add in two demographic factors as independent variables which are gender and race, so that I can better understand the relationship between consumers' demographic backgrounds and impulse buying behavior. In this study, 400 questionnaires were sent out and the success rate was 75%. Through the multiple regressions analysis it was found that advertising and sales promotion has positive influence on generation Y's impulse buying behavior. In addition, ANOVA analysis showed that consumers of various races differed in impulse buying behavior in the supermarket. Finally, the study will discuss conclusion derived from this research, its limitations and some recommendations for future research and for the benefit of supermarket retailers.

**Keywords:** Promotional mix, impulse buying behavior, supermarket.

## Acknowledgement

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Finally, I would like to thank all the respondents who willingly shared their opinions and views in the conducted questionnaire for this thesis. Their valuable feedback helps me to achieve enough primary data which can analysis them and conclude this research.

Li Song

April 2014

## Student's Declaration

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## Chapter 1

### Introduction

#### 1.0 Chapter Outline

This chapter provides the basic knowledge on impulse buying behavior, the current Malaysian supermarket industry, as well as an overview of generation Y consumers in section 1.1. In addition section 1.2 identifies problems that exist in Malaysian supermarkets, followed by the research questions (section 1.3) and research objectives (section 1.4). The significance of this study is emphasized in section 1.5 and its limitations shown in section 1.6. Section 1.7 briefly introduces the scope of study and the assumptions of this research are explained in section 1.8. This chapter ends with an outline of the research (section 1.9).

#### 1.1 Background of study

With the rapid development of e-commerce and mass media, consumers' buying behavior has been affected to a great extent worldwide, accelerating the chances of consumers making an impulse purchase. Currently, a large number of retailers and marketers focus their marketing efforts on the shopping areas, in order to catch more consumers on such "impulse buying", as they are of the opinion that an increase in impulse buying will bring in a significant amount of revenue (Munusamy, Lau, & Shankar, 2010). In the circumstances, retailers have embarked on improving their understanding of consumers' shopping processes and creating a new shopping environment in order to stimulate the

occurrence of impulse buying. According to Foroughi, Buang and Sherilou (2011), they confirmed that this process would lead to impulse buying.

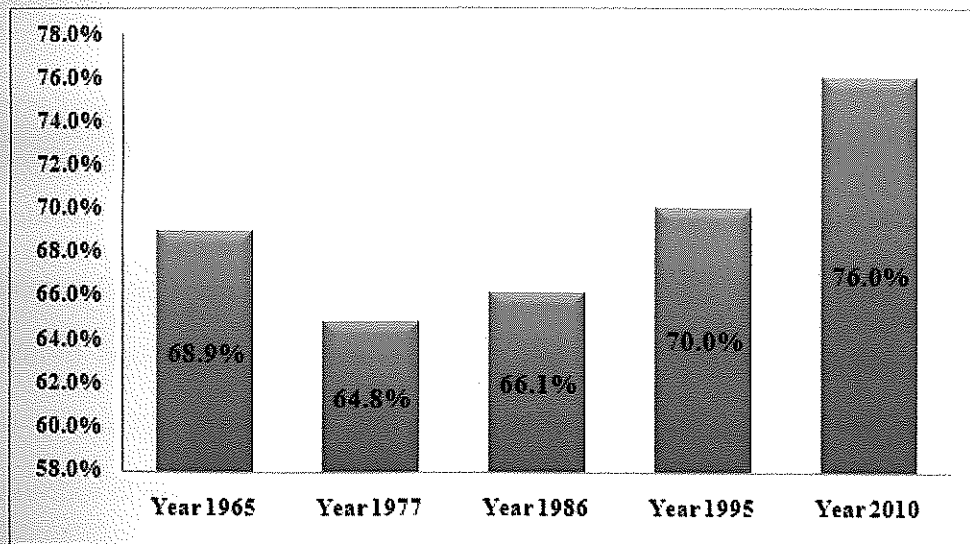
#### 1.1.1 Status of Impulse Buying Behavior

In the United States, the behavior of impulse buying has become a widely recognized phenomenon and this kind of behavior embodies a ubiquitous and unique aspect of American' lifestyle (Parboteeah, 2005). According to researches done by Kacen and Lee (2002), sales from such impulsive buying account for more than 80 % of the total purchases in terms of certain goods like candy, and people are more likely to make an unplanned purchase when they come across new products. Paco Underhill, the author of "Why We Buy: The Science of Shopping" (1999) affirms that many purchases have been affected by stores, and consumers tend to make decisions of impulsive buying. Moreover, with the development of technology, Internet and TV shopping has entered our lives, and they are also have significant impacts on people's buying behavior. In recent years, they have enhanced opportunities for impulse purchases by consumers by increasing accessibility to products and services. According to researches done by Cobb and Hoyer (1980), they show that 30-50 percent of all purchases are impulse buying, and about 90% of consumers clearly know that they will make impulse purchase occasionally.

In today's multi-billion dollar supermarket industry, there are approximately 76% of all buying decisions which are classified as unplanned or impulse purchase. By going through the data over the past few decades, it was observed that unplanned purchases appear to be more frequent in the supermarket,

increasing from 68.9% in 1966 to 76% today (Mburu, 2010) (Refer to figure 1.1). The statistics by Agins (2004) showed that impulse buying contributed \$4 billion dollars to annual sales in the United States, which shows that impulsive buying is a very common behavior. In Canada, for instance, the total personal expenditure reached \$656 billion in 2001, with a significant portion of the sales attributed to impulse buying. Thus, the above information on impulse buying behavior is considered an important study by both retailers and the retail industry (Ellison, 2001).

Figure 1.1: Impulse buying rates for supermarket shoppers



Source: New media and marketing, 2013

### 1.1.2 Supermarket in Malaysia

Initially grocery stores in Malaysia were known as “do not touch stores”, because customers were not allowed to directly touch the products. Customers had to order the items from one side of the counter while a salesperson on the other side completed the order (Usmani, 2006). Such indirect sales were costly

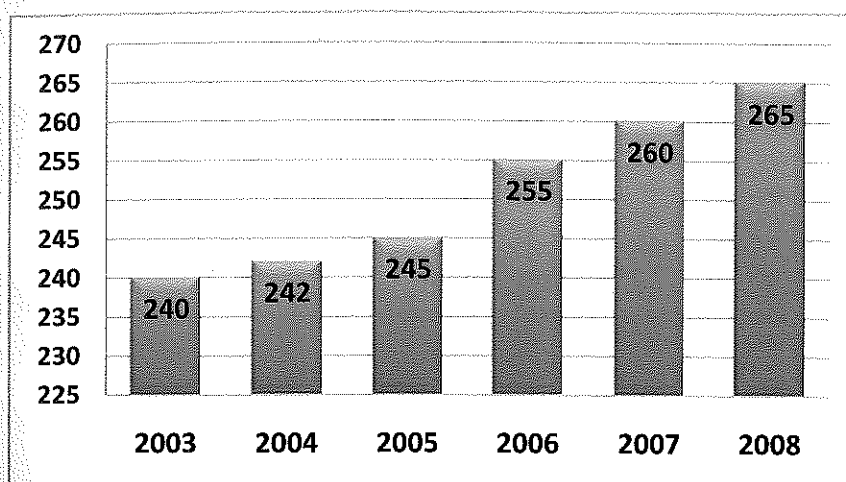
because the entire selling process needed a high volume of labor. In order to decrease the labor cost, retailers started to trust the customers and then the idea of supermarkets came into existence.

In Malaysia, supermarkets started to emerge in the early 1960's. Supermarket is defined as a self service store, which offers one-stop shopping and holds a large product selections in pleasant surroundings (Chamhuri and Batt, 2013; Cheeseman and Wilkinson, 1995). For example, the "Weld Supermarket" was the first modern supermarket which opened in Kuala Lumpur in 1963, and it was initially built to cater for expatriates who were working and living in the city. During the 1970's, modern supermarkets started to expand with the entry of several foreign ventures into the Malaysian Market.

In Malaysia, modern retail formats are mainly located in the major urban areas (Shamsudin and Selamat, 2005). Most supermarkets are located in highly populated and affluent states, such as Selangor, Kuala Lumpur, Johor and Penang. In 2003, there were 240 supermarkets in Malaysia, and five years later, the number of supermarkets increased to 265 (Euromonitor International, 2010). (Refer to figure 1.2).



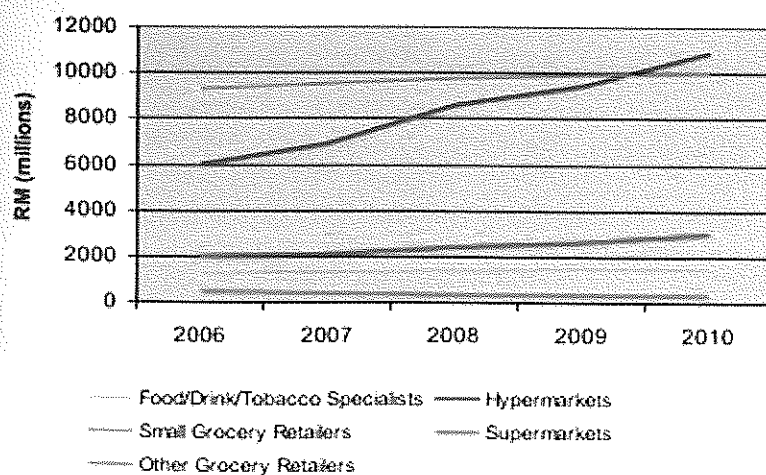
Figure 1.2: Diagram show growth if supermarket in year 2003 to 2008



Source: Euromonitor International, 2010

In order to attract more foreign direct investment, the Malaysian government started to support more modern retailers to operate in Malaysia, like the international supermarket. In this respect, sales in supermarkets continued to grow from a million Ringgit in 2006 to 3500 million Ringgit in 2010. (refer to figure1.3) The rapid growth of supermarket sales in the past few years indicates that the supermarket plays a key role in developing the Malaysian economy.

Figure 1.3: Sales in grocery retail channels in Malaysia, 2006-2010



Source: Euromonitor, Grocery retailing, 2011

According to the above diagrams, all of them show that supermarkets in Malaysia have a growth trend and bring in growing sales. Hence, this research identifies the generation Y's impulse buying behavior at the supermarket which will contribute to a high volume of business in Malaysia.

### 1.1.3 Generation Y

Generation Y is known as Millennials or the Millennial Generation, which is a generation of children born between 1980 and 2004 (Himraj, 2013). The number of this group continues to grow to about 78 million in the world (Krayewski, 2013). This new leading generation accounts for a huge percentage of 75% in the workforce, representing the main income group in the world (Dhawan, 2012 and Escalera, 2012).

Generation Y is viewed "as a generation with very high buying power" as they would spend about \$200 billion per year. In addition, their buying behavior will influence \$300 billion to \$400 billion in other expenditures (such as parents spending or household spending), representing about 21% of the total US annual spending (Nowak, Thach and Olsen 2006; Williams and Page, 2010). According to the statistics compiled by Ganesan (2012) and Visa USA Inc (2007), they imply that generation Y's annual spending will reach approximately USD2.45 trillion by 2015. Therefore, generation Y's propensity to buy will definitely affect the future direction of the economy and market development.

According to the statistics collected by Population and Housing Census of Malaysia in 2010, Generation Y is equivalent to 26.9% of the Malaysian