

THE EFFECT OF VIRTUAL EXPERIENTIAL MARKETING TOWARDS PURCHASE INTENTION OF ELECTRONIC PRODUCT IN INDONESIA (CASE STUDY: LAZADA)

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Abstract: Online shopping trend has revolutionized in-store experience into virtual experience. Lazada is the largest online retailer company that hits the highest selling on electronic product. Electronic product is categorized as shopping goods where consumer has high involvement in pre-purchasing stage. Therefore, website design that has the ability to surrogate the real world experience will have competitive advantage especially for online retailer. The objective of this research is to examine the effect of Virtual Experiential Marketing that consist of five dimension (Sense, Flow, Pleasure, Interaction, Community) towards purchase intention of electronic product on Lazada's website. There are 96 respondents collected via questionnaire survey and analyzed using Partial Least Square (PLS). The result shows that designing website that leverage VEM is important to enhance vivid, involving, active, affective state that induce emotional attachment for purchase intention.

Keywords: *Virtual experiential marketing, Purchase intention, Electronic products, e-commerce, Website*

1. INTRODUCTION

Indonesian online market is rising to the golden era. In 2013, Indonesia's e-commerce hits \$8 billion (IDR 94.5 trillion) and forecasted to increase three times up to \$25 billion (IDR 295 trillion) in 2016. Meanwhile, it reported that online shopping market value in Indonesia is around \$1-\$10 billion which increased 200%-300% from previous years (Dewi and Binekasri, 2015).

Indonesian E-Commerce Association (idEA) (2014) reported that 78% online shopping market is dominated by fashion product, mobile phone (46%), consumer's electronic product (48%), books and magazine (39%) and groceries (24%). It indicates that online shopping has become prevailing trend, including for electronic products (idEA, 2014).

Lazada is one of the renowned e-commerce in Indonesia. Firstly launched in 2012, Lazada hits 95% selling of electronic products which 70%-80% dominates by smartphone (Mitra, 2014). Electronic products considers as shopping goods where customer has high involvement in the pre-purchasing process stage from the alternatives until decision making. However, Customers nowadays have no hesitate in shopping electronics product via online.

In traditional way, Schmitt (1999) views consumers as rational decision-makers who care about functional features and benefit. As in physical store, experiential marketing help customer to engage with the holistic experience including visual, verbal and communication that influence their decision making. Meanwhile, In this digital era, environmental experience has changed into an immersive experience. As Li, Daugherty and Biocca (2001) defined that virtual experience is psychological and emotional state that consumer undergo while interacting with products in an immersive environment. Website plays vital role in replicating the real world experience into digital.

Website has been leveraged to the next level for marketing. In attempt to create real-world experience, website considered full range of user-interfaces that can enable the best possible human performance (Zaphiris, Ghiawadwala dan Mughal, 2005), for example Image Interactivity Technology (IIT) that allow viewers to alter a product's design features, background, context,

viewing angle or distance to enrich product visualization (Lee, Ha and Widdows, 2011). This VEM theory includes interaction, sense, flow, pleasure and community relation that bound to surrogate physical experience.

As Chen et al. (2008) stated that nowadays enhancing shopping experience is essential to shape customer's attitudes, mood and behavior. In terms of online shopping, the experience offered is presented through the website. Therefore, website design is critical to replicate the traditional shopping experience. This research is addressed to examine the effect of virtual experiential marketing (VEM) towards purchase intention of electronic products on Lazada's website.

2. THEORETICAL BACKGROUND

2.1. Experiential Marketing

Experiential marketing is new topic and has been extensively discussed as strategic marketing in gaining competitive advantage (Khusnul et al, 2016; Alagoz & Ekici, 2014). Since the fundamental of experiential marketing is to understand the customer's experience as Gentile (2007) defined as "the interaction between a customer and a product, a company, or part of organization, which provoke reaction. This experience is strictly personal and implies the customer's involvement at different level (rational, emotional, sensorial, physical and spiritual)" (Schmitt, 2010).

2.2. Virtual Experiential Marketing

Chen et al. (2008) introduced Virtual Experiential Marketing (VEM) as the development of Experiential Marketing from Schmitt. Schmitt (1999) defined SEM (strategic experience marketing) through five dimensions which are sense, feel, think, act and relate. Shopping in modern day has changed tremendously in terms of shopping experience (Yoon, 2012). The environment has changed into more attractive in giving cues to customer such as colors, graphics, animation and design (Kotler, 1973). Further research (Lee, Ha and Widdows, 2011) said that online retailers are working to improve the online shopping environment, like for example applying chatrooms, interactive image technology, virtual community that mark memorable experience (Gilmore and Pine, 1998).

VEM aspects in online environment include five dimension which are sense, interaction, flow, pleasure, and community relationship. In the absence of physical experience, sense plays an important role in presenting experience in a represented environment by means of communication medium which is website. Interactive website is a form of virtual experiential marketing where customer can interact more about the brand (Thomson, 2010). Through the website, it can create sensory experience that appeal through sight and sound that lead to a mental model of an external space that activate the same automatic perception of the physical world. Thus, website design i.e. content, structure, interactivity, and presentation are important to enhance customer's experience (Li, Daugherty and Biocca, 2001; Chen *et al.*, 2008; Thomson, 2010).

Interaction in virtual experiential marketing is similar with think perception on the SEM (Strategic Experiential Marketing) in terms of creating experience which stimulate customer to be creative in developing a new idea (Schmitt, 1999). Regarding to the interaction features of a website, Cyr (2008) in Ganguly *et al.*, (2010) mentioned as the architecture perspective in terms of information design and navigation design.

Pleasure represents feel perception of the SEM. As Schmitt (2011) defined as customer's inner feeling and emotion, ranging mildly positive moods linked to a brand or product. Pleasure can produce favourable attitudes towards future behavior and create preference in making favorable evaluations, exploring new possibilities and taking risk (Chen et al., 2008).

Flow is defined by Schmitt (2011) as an extraordinary experience or peak experience that is achieved through intense and focus activity. Chen et al (2008) added that when consumers become immersed in using internet (website), it indicates positive attitude and exploratory behaviors.

Gentile (2007) in Schmitt (2011) defined community relation dimension similar to relational, it is experience emerge from social context and relationship that occur during common consumption as part of a real or imagined community to affirm social identity. Social identity has an impact on attitude development. Thus, website that build using VEM (virtual experiential marketing) approach has positive influence towards purchase intention (Li, Daugherty and Biocca, 2001; Chen et al., 2008; Yoon, 2012; Indrawati & Fathaani, 2016).

2.3. Purchase Intention

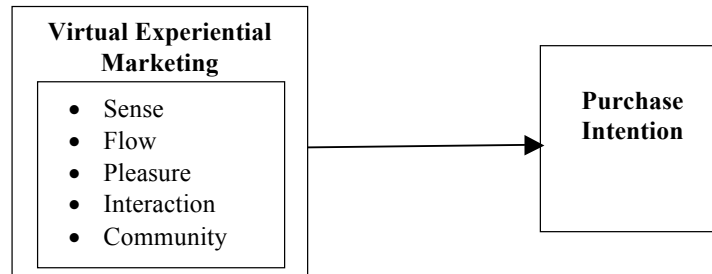


Figure 1 framework model

Source: Chen et al., 2008

In the context of e-commerce, purchase intention has been defined as consumer's desire to buy a product or service from a website as the final consequence of a number of cues that customer is received through website (Ganguly *et al.*, 2009; Shaouf, Lu and Li, 2016). Eroglu *et al.* (2001) in Yoon (2012) stated that according to S-O-R Model in the context of online environment, the stimulus consist of online atmospheric cues such as pictorial description (product information, price, delivery and policies), peripheral contents (color, background, images). Meanwhile, the Organism is represented by affective and cognitive internal states that refer to the emotional reaction in response to the environmental stimuli. Furthermore, cognitive state refers to individual's internal process in gathering, proceeding, acquiring and retrieving information.

Based on the theoretical background above, the hypotheses of this research are:

H1: Virtual Experiential Marketing has significant effect towards purchase intention of electronic product on Lazada's website

H1a: Sense has significant effect towards Purchase Intention of electronic product on Lazada's website

H1b: Flow has significant effect towards Purchase Intention of electronic product on Lazada's website

H1c: Pleasure has significant effect towards Purchase Intention of electronic product on Lazada's website

H1d: Interaction has significant effect towards Purchase Intention of electronic product on Lazada's website

H1e: Community Relation has significant effect towards Purchase Intention of electronic product on Lazada's website

3. THE RESEARCH METHOD

A survey in form of questionnaire has been conducted to examine the effect of virtual experiential marketing on purchase intention of electronic products on Lazada's website. The sample is chosen using purposive sampling which is visitor who browsed electronic products on Lazada's website over the past three months. There were 96 respondents collected across Jakarta area. Females respondents dominate by 58.3%, age between 15-20 count as much as 31.3%. Meanwhile, 84.4% is single respondents and income more than IDR3.000.000 is 30.2%. The data is analyzed using

Structural Equation Modelling-PLS (Partial Least-Square) software to examine the measurement model and structural model in sequence.

4. RESULT AND DISCUSSION

Table 1 psychometric properties of the measurement model

First Order	Items	Loading	CR	AVE	Second Order	Items	Loading	CR	AVE
Sense	SN1-SN8	0.761-0.817	0.923	0.602	Virtual Experiential Marketing	LV_Sense	0.649	0.861	0.556
Flow	FL1-FL4	0.798-0.873	0.901	0.694		LV_Flow	0.749		
Pleasure	PL1-PL5	0.761-0.815	0.877	0.590		LV_Pleasure	0.852		
Interaction	INT1-INT4	0.769-0.818	0.875	0.637		LV_Interaction	0.743		
Community	CR1-CR3	0.815-0.870	0.876	0.702		LV_Community	0.675		

Source: Personal Documentation

To assess the complex hierarchical model, the data is analysed using Smart PLS 3.0. At first step was measurement model, the model type of this research is first order reflective second order formative. Second order confirmatory factor analysis is performed to validate Virtual Experiential Marketing (VEM) dimension in terms of the convergent and discriminant validity after the component has been identified from the first order confirmatory analysis. The findings confirm that all the loading factors, composite reliability (CR) and Average Variance Extracted (AVE) of the first order and second order measurement model exceed the cut off value of 0.6, 0.7 and 0.5 (Hair, 2010) as shown in Table 1.

First order confirmatory analysis is used to identify the variable structure that explained underlying items of Sense, Flow, Pleasure, Interaction and Community. For construct with reflective indicators, the Cronbach's alpha of the five dimension (latent variable) are 0.905, 0.853, 0.827, 0.811 and 0.790. And then assessing the convergent validity using three criteria: factor loading for all items were significant and ranged from 0.761-0.870, it exceed the required threshold of 0.6. The composite reliability score for the first order construct were above 0.8 and the AVE for the first order construct ranged from 0.590-0.702, well above 0.50. Thus, all conditions of convergent validity met the requirement. Meanwhile the discriminant validity shows in Fornell-Larcker criterion exceed the threshold 0.7 with the highest was community (0.838) and the lowest was pleasure (0.768). On the higher-order latent construct, the type of the model is formative. First, evaluating the absolute contribution of the formative indicators to the higher-order construct by examining the indicator weights. Virtual experiential Marketing was developed as a construct that is determined by five distinct formative constructs.

Table 2 shows the result for the effect of VEM dimension (Sense, Flow, Pleasure, Interaction, and Community) that support all the hypotheses relationships with purchase intention (H1, H1a, H1b, H1c, H1d, H1e supported). All the relationship are significant to purchase intention. Thus, VEM play important role in influencing customer's purchase intention. WarpPLS 5.0 is performed to double check the findings, and yielded nearly the same result.

Table 2 significant test of the path coefficients and R²

Causal Relationship	Path Coefficient (t-value)	R ²
Endogenous Variable : Purchase Intention		0.295
Senses	0.125 (3.982)	
Flow	0.149 (6.269)	
Pleasure	0.153 (6.931)	
Interaction	0.170 (7.383)	
Community	0.128 (5.846)	

Source: Personal Documentation

From the result above, the number of R^2 value was 0.295, it means that 29,5% purchase intention will be explained by the independent variable which is VEM (Sense, Flow, Pleasure, Interaction, Community) while 70.5% is influence by other variables outside this research. T-test is performed to investigate the significant level and shows that all the construct has greater T-value or exceed 1.96 and p-values <0.001. It can be concluded that Virtual experiential Marketing which consist of five dimensions have significant effect toward purchase intention of electronic product on Lazada's website.

From the result above, it shows that VEM has small contribution on purchase intention of electronic products on Lazada's website. It's been challenging task for Lazada to replicate the real world experience into its website. Although the finding confirmed that VEM could be marketing strategies by presenting Sense, Flow, Pleasure, Interaction and Community Relationship on its website. However, the result seems far from expectation for some reasons. Regarding to the respondent's characteristic, South Asia internet user share similar behaviour in terms of purchasing electronic products via online. Based on research conducted by Nielsen on 2014 about Global survey of E-commerce, electronic products have lower/buy ratios. Electronic Products such as electronic equipment, mobile phones, computer hardware/software are likely expensive and require a physical try-before-you-buy. Consumers especially in Indonesia usually look at products online, read online reviews and research products online before purchasing in-store (Nielsen, 2014). Consumer are actively search/browse the product but less likely to purchase in online.

Chen et al. (2008) investigated browse intention as the mediating variables that effect purchase intention because consumer tend to seek information from website are principally driven by economic motives (price orientation), as Setyawan and Adrian (2012) stated that in the context of shopping, price drives purchase intention because consumer can easily compare prices from one store to another. Besides that, they also indicated trust as important factors in e-commerce, web shopping is perceived to be more risky (Ling, Chai and Piew, 2010). Online retailer need to increase the trust to enhance purchase intention. Trust in online shopping includes security, privacy and reliability. Regarding to the website, trust could be maintained by providing customer with convenience or comfortable feeling in revealing their personal information such as credit card and social security number through internet (Ling, Chai and Piew, 2010).

This research helps Lazada to enhance its website in offering more real-world experience by leveraging the five dimension of VEM. By understanding VEM, website could be a competitive advantage strategy that enhance purchase intention. Lazada and online retailer should design its website which is rich in atmospheric cues as Li, Daugherty and Biocca (2001) suggested by engaging 3-D simulation of product and shopping environment Like for example animated product or 3-D products which entirely visual cues with little textual information. Website should enhance consumer's experience that consists of vivid, involving, active, and affective psychological states experience to induce emotional attachment.

The research provides insight for online retailers to have understanding towards factors that contributing to the online purchase intention in developing marketing strategies by leveraging VEM. However, this research has some limitations: 1) small number of respondents and coverage area. Indonesia is wide and rich in terms of coverage area and individual characteristic (demographics, psychographic etc.) that need to be addressed. 2) online purchase intention antecedent like for example trust and browse intention should be studied because consumer tend to active in browsing the product but less likely to purchase it via online, therefore, study about virtual experiential marketing and trust should be studied more. 3) Moderating effect like for example gender, age, and prior purchase experience should be addressed since individual difference might explained different findings.

5. CONCLUSION

The aim of this research is to examine the effect of virtual experiential marketing which consists of five dimension (Sense, Flow, Pleasure, Interaction and Community) towards purchase intention of

electronic product via online. Based on the result, Virtual Experiential Marketing simultaneously has significant effect towards purchase intention of electronic product on Lazada's website although the impact is low. All dimension of VEM (Sense, Flow, Pleasure, Interaction and Community) have significant effect towards purchase intention. Online retailer has entered competitive age where consumer is categorized as savvy saver and researcher who active in browsing the product to compare the price and look for great deals meanwhile they tend to purchase the product in-store. Designing website that leverage VEM to replicate real-world experience is important to enhance vivid, involving, active, affective state that induce emotional attachment that impact purchase intention.

ACKNOWLEDGEMENTS

The authors would like to thank Julyan Elsa Rizqita for assisting this research with tremendous support, Ahmad Cahyo Nugroho as Assistant Director of Polytechnic of APP Jakarta for his continued support and valuable discussion in this research.

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