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# Editor's Introduction

Assalamu'alaikum Wr. Wb.

All praise and gratitude we pray to Allah SWT because of His blessings, mercy, taufiq, and guidance, Jurnal MANDIRI: Ilmu Pengetahuan, Seni, dan Teknologi, can be published again. Fourteenth edition, Vol. 7, No. 2, December 2023, of course it is very proud and happy for us as managers.

Alhamdulillah, based on the Decree of the Director General of Strengthening Research and Development of the Ministry of Research, Technology and Higher Education of the Republic of Indonesia, Number 36/E/Kpt/2019 concerning the Scientific Journal Accreditation Ranking Period VII of 2019 as of December 13, 2019, starting from Vol. 3, No. 1, June 2019, Jurnal MANDIRI Accreditation rose to SINTA 4 rank.

As for the coverage in the Jurnal MANDIRI: Ilmu Pengetahuan, Seni, dan Teknologi, these are ideas or ideas as well as the results of studies and scientific works both originating from research and community service with the aim of advancing science, art, and technology. In addition, the existence of this journal is expected to be a means for improving the competence of lecturers and also as an alternative for the general public in publishing their work.

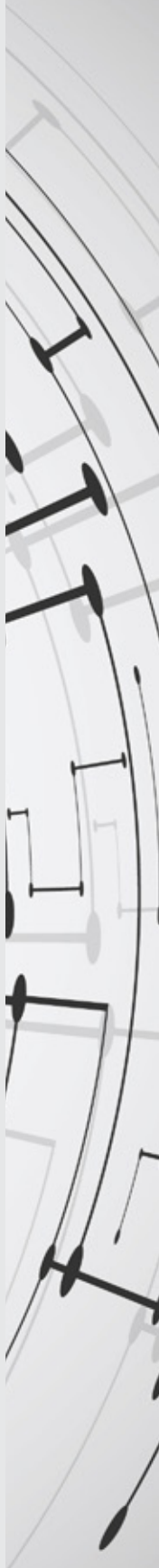
We realize, in this fourteenth publication, there are still many shortcomings. For this reason, we welcome criticism and suggestions for improvement in the next edition. Criticisms and suggestions can be sent to the editorial address of Jurnal MANDIRI.

In closing, we invite Mr/Mrs/Mr. to be able to fill out this journal.

Thanks and happy reading.

Wassalamu'alaikum Wr. Wb.

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## **Indonesia's Economic Diplomacy to South Korea in Increasing Coffee Exports in 2016 – 2021**

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### **Abstract**

As a coffee-producing country, Indonesia needs help exporting its coffee to South Korea, which has high coffee consumption. It causes the value and volume of Indonesian coffee exports to fall below expectations. This research aims to discuss the export of Indonesian coffee to South Korea by using international trade theory and the concept of economic diplomacy. This study uses descriptive qualitative methods with primary data from semi-structured interviews, while secondary data is obtained from documents and literature related to data collection collected from January – April 2023. The results of this study are economic diplomacy carried out to maximize Indonesian coffee exports in 2016 – 2021, consisting of business matching, coffeevervation, the Seoul coffee expo and Seoul café show, and the role of government and private actors. These efforts significantly increased the value and volume of Indonesian coffee exports to South Korea the following year.

**Keywords:** Economic Diplomacy, Coffee Export, Indonesian Coffee, South Korea

### **INTRODUCTION**

Indonesia has many natural resources ranging from agricultural to aquacultural. Through the natural resources, Indonesia's economy is improved through International Trade. In addition, coffee is one of Indonesia's renowned commodities in international trade. Coffee is one of the plantation's most important exports and essential to Indonesia's economic growth. Forms of coffee trade in the global market include green coffee beans, roasted coffee, and instant coffee (Siregar & Rahayu, 2023). Although Indonesia

focuses on the central destination countries for coffee exports, several countries have good opportunities for Indonesian coffee exports. One is South Korea, where people tend to consume coffee, especially looking at the coffee-drinking culture known to South Koreans since the 1950s after a shift from a tea-drinking culture due to globalization (Lee & Kwon, 2022). As it became lifestyles changed, coffee-drinking culture became common in South Korea (Lee, Kim, & Kim, 2017). South Korean people's interest in coffee increases the amount of coffee consumption in

South Korea every year. This high consumption will eventually increase the demand for coffee in South Korea. In addition, South Korea has limited land for managing plantations, so coffee commodities are challenging to grow, coupled with the sub-tropical climate, which is also an obstacle to the growth of coffee beans in South Korea. It causes a high number of coffee imports in South Korea every year. Due to the limitations in natural resources, South Korea makes many efforts to maintain its economic stability and the needs of its people by increasing activities in international business such as international trade, investment, export-import, and many more (Anjani & Warsito, 2023).

Meanwhile, tropical Indonesia produces many commodities, including coffee, so this is an excellent reciprocal relationship and an opportunity for increasing Indonesian coffee exports to South Korea through economic diplomacy activities. In addition, Indonesian coffee's unique and distinctive taste can undoubtedly be an added value for its competition in the South Korean coffee market, mainly since South Korean people import raw coffee beans (green coffee beans) the most (ITPC Busan, 2021).

The potential of Indonesia's excellent coffee distinctiveness in the South Korean market must be pursued by maximizing existing opportunities. Therefore, diplomatic relations are needed to face existing challenges through economic diplomacy. Economic diplomacy is a research concept here, with coffee commodities as its main instrument. According to Rana (2011), economics diplomacy was examined using economic salesmanship, networking, regulation management and image building/promotion.

Based on the opportunities Indonesian coffee faces in its exports to South Korea, a new approach is needed to increase its exports through economic diplomacy. Fadillah's (2019) writings explain Indonesian coffee exports to South Korea, the government's prospects for increasing coffee exports, and domestic problems. Then, a paper by Shertina (2019), Hervinaldy (2021) and Ibnu, Offermans and Glasbergen (2019) examines Indonesian national policies and laws in pursuing

Indonesian coffee exports. Furthermore, the writings by Putri (2019) explain the obstacles experienced in coffee exports to Italy and Japan due to sustainability standards and carbaryl pesticides. A paper by Winingsih and Septiani (2022) and Zuhdi and Yusuf (2021) analyzes the aspects affecting the volume of Indonesian coffee exports and measures the competitiveness of Indonesian coffee in Germany. Germany is also one of the highest consumer countries in Europe.

Based on the literature review, research has yet to comprehensively discuss the form of economic diplomacy and how it was used to increase Indonesian coffee exports. This research is expected to expand and add to the discussion on the field of international political economy and precisely can be a solution for handling Indonesian coffee exports to South Korea from 2016-2021.

## METHODS

This research uses qualitative descriptive research intending to produce findings following the facts. Data collection in this study was conducted by conducting semi-structured interviews with representatives from the Indonesian Ministry of Trade, the Indonesian Embassy in Seoul, Indonesian Trade Promotion Centre (ITPC) Busan and Association of Indonesian Coffee Exporters (AEKI) as primary data and related documents and literature as secondary data collected from January – April 2023.

After collecting data, data analysis techniques are carried out using data analysis, according to Miles and Huberman (1994). First, data reduction is a process carried out to simplify and sort data so that the data focuses on research themes and patterns. Second, data presentation organizes and compresses data to make it easier to understand. Third, conclusions are made to answer the problem question.

## RESULTS

Mutual benefits arise from South Korea's and Indonesia's bilateral and regional interactions. Those benefits arise because Indonesia sees

South Korea as an important strategic ally. Many cooperation agreements made and developed over time prove that the bilateral collaboration between South Korea and Indonesia has benefited both nations significantly (Rahim & Sudirman, 2023).

As trade liberalization continues, the economy is expected to grow even further. International trade has become an inevitable part of interactions with the domestic economy. It is closely related to the economic conditions of trading partner nations. The Indonesia-Korea Comprehensive Economic Partnership Agreement (IKCEPA) is an example of a cooperative partnership that aims to enhance trade and investment performance between both countries (Abdullah, 2016).

The establishment of IKCEPA also intends to complement the existing ASEAN Free Trade Area (FTA) Agreement. The IKCEPA negotiations begin a new chapter in bilateral relations between Indonesia and South Korea, expected to benefit each country economically (Rompas, 2019).

Cooperative measures between nations can enhance bilateral trade and investment, according to the theory of economic diplomacy. Economic diplomacy functioning smoothly and productively can lead to an increase in trade and investment (Bila & Wijayati, 2022). Thus, cooperation and improving economic relations are among the efforts made by the country to enhance international trade performance.

Regarding international trade, coffee is the second most traded commodity after crude oil. Additionally, demand for coffee, a popular beverage ingredient, is rising annually and economically benefits every link in the global value chain, from farmers to consumers. Regarding the coffee export trade, South Korea is a potential market for Indonesian coffee (Yuhendra & Pebrian, 2023).

Indonesia is the fourth largest coffee-producing country in the world, following Brazil, Vietnam, and Colombia. The country's focus is on marketing its coffee products. Over the last 15 years (2003-2017), Indonesia has maintained an average market share of 3.75% in the world coffee export market (Apriani, Marissa, & Igamo,

2022).

The performance of agricultural products, like coffee, can be improved through an agreed trade cooperation program because it is considered a strategic product and the primary source of income for small Indonesian farmers (Dermoredjo, Pasaribu, Azahari, & Yusuf, 2021). Coffee is also one of Indonesia's most significant sources of foreign exchange, especially in recent years. It increased because the popularity of coffee has been increasing each year due to the growth of cafe culture and the changing drinking habits of the younger generation (Widadi & Dellyana, 2023).

However, the growth has not been stable every year because of economic globalization. Indonesia faces an ever-evolving free trade process that ultimately brings influences, opportunities, and challenges to trade activities. Increasing the competitiveness of Indonesian coffee can also be done through market diversion and penetration into other countries such as South Korea, ASEAN countries, the United States and European countries due to the increasing demand for coffee (Rosiana, Nurmalina, Winandi, & Rifin, 2018).

Gross domestic product positively and significantly impacts Indonesia's coffee exports abroad. The exchange rate positively and significantly impacts the overseas export volume of Indonesian coffee (Lubis, Syafii, & Sukardi, 2023). Therefore, Indonesia needs to take advantage of countries with extensive market opportunities in exporting its coffee, and this research focuses on the South Korean coffee market.

Indonesia is one of the countries with the best quality coffee products compared to other coffee-producing countries. Indonesian coffee has a unique taste because Arabica coffee, one of Indonesia's typical coffees, is famous for its intense and unique taste.

Three central regions of Indonesia produce coffee, including Sumatra, Java, and Sulawesi. Java is the largest coffee production region among the three regions, and it has Arabica coffee that tastes high and has an intense taste concentration,

characteristic of Arabica coffee types. One of Java's oldest and best coffees is known as Old Java. The Sulawesi region famous for its coffee production is Toraja, where Toraja coffee cultivation uses traditional methods that are selected and picked by hand. The uniqueness of Toraja coffee is from the sweet aroma integrated with the thick, crisp, and clean aftertaste. The Sumatran region famous for its coffee production is Mandailing and Ankola. This coffee has low acidity, complex flavour density, and high viscosity (Gumulya & Helmi, 2017).

However, Indonesian Arabica coffee from other regions has distinctive characteristics, such as Kintamani coffee from Bali, Wamena coffee from Papua, Bajawa coffee from Flores, Liberika coffee from Riau, and many more. In addition to Arabica types, Indonesia also produces Robusta coffee types, whose production is almost 90% (Gumulya & Helmi, 2017).

Robusta coffee has a more pungent caffeine taste. It is more bitter than Arabica, so milk coffee dishes like latte, macchiato, cappuccino, and others use it as a coffee base. Although the productivity of Arabica coffee is higher than Robusta coffee, current Indonesian production is dominated by Robusta coffee (Sahat, Nuryartono, & Hutagaol, 2016). Indonesian coffee's unique taste is an opportunity to gain more recognition in a country with a large coffee consumption, like South Korea.

In South Korea, coffee is a beverage that is more recognized than other beverages. More than 65% of Korean adults drink coffee every day. The proportion of Koreans drinking coffee tends to increase at least one time a day, especially in the middle-aged group (40-59 years old) and older to the elderly (60 years and older) people (Kim, Tan, & Shin, 2021).

The percentage of coffee sales in South Korea for ten years from 2007 – 2017 increased to 295.6%, with an average annual increase of 2.09%. This percentage shows South Koreans consume up to 512 cups of coffee annually, or around 26.5 billion coffees yearly (Hong-Jo, 2022). High coffee consumption also supports increased coffee retail businesses throughout

South Korea. The condition of the increase is inversely proportional to the existing conditions because South Korea has limited land to grow coffee. Not only is land limited, but the climate and weather in South Korea are less favorable for plantation commodities to grow luxuriantly. With limited land and an unfavorable climate and weather, it certainly cannot meet the coffee consumption needs of the South Korean people. Therefore, South Korea decided to import coffee from coffee-producing countries and became one of the countries with considerable coffee market opportunities for these coffee-producing countries (Syaputra, 2017).

Although it has considerable opportunities, the position of Indonesian coffee needs to be improved. Indonesian coffee exports to South Korea fluctuate every year from 2016 – 2021. These fluctuations can be clarified in Table 1 from the following data.

**Table 1.** Indonesian coffee exports to South Korea in 2016 – 2021

Year	Value (000 US\$)	Volume (ton)
2016	11.458	2.593
2017	13.306	3.334
2018	11.501	3.037
2019	11.045	2.714
2020	9.633	2.888
2021	8.471	2.142

Source: BPS and Trademap, 2016 – 2021, data processed by the author.

In Table 1, it can be seen that Indonesian coffee exports decrease every year, both in value and volume. Although the decline is inversely proportional to the coffee opportunity in South Korea, Indonesia still shows consistency by shipping coffee above 2,000 tons per year. The decline occurred due to market dominance by major import countries such as Vietnam, Colombia, Brazil, Ethiopia, and others.

Moreover, as one of the competitor countries, Vietnam has never shipped its products below 30,000 tons in the same period based on Trademap. Therefore, Indonesian coffee needs to increase its quantity and quality. Moreover, the existence

of a reasonably strict import policy will filter coffee products that are suitable for consumption by the community. Also, based on information findings from representatives of ITPC Busan and the Indonesian Embassy in Seoul, one of the challenges Indonesian coffee faces is the price of coffee, which tends to be more expensive than coffee from other countries.

Behind Indonesia's great opportunity to export coffee, some challenges affect the decline in the value of Indonesian coffee exports. In a condition like this, there will be inequality in economic diplomacy between countries (Killian, 2012). The challenges faced by Indonesia in exporting coffee to the South Korean market consist of several aspects.

First, competitor countries. There is a dominance from countries that also produce coffee and export large quantities to the South Korean market, especially since trade between countries is increasingly developing, creating a competitive market environment (Rahardjo, Akbar, Iskandar, & Shalehah, 2020).

Second, the price of Indonesian coffee tends to be more expensive and even reaches twice the price of coffee in other countries (ITPC Busan, 2021). The main reason is the expensive shipping costs of exporting coffee to South Korea according to the interview with one of the trade attaches of the Indonesian Embassy in Seoul. In addition, the high tariff of supporting materials and low technology and innovation in diversifying coffee products are also factors in the high price of Indonesian coffee in South Korea (Sudjarmoko, 2013).

Third, Indonesian coffee is less popular than other coffees from other countries dominating the South Korean market. Indonesia, the world's fourth largest coffee producer after Brazil, Vietnam and Colombia, aims to commercialize coffee products (Apriani, Marissa, & Igamo, 2022). However, the value of coffee imports in South Korea, according to Korea Customs and Trade Development Institute on Trademap, is dominated by these three countries, making Indonesian coffee slightly less popular.

Fourth, the consistency of the quality and

quantity of Indonesian coffee needs to be improved. The result of the interview with the representative of AEKI said that it happens because the climate and soil need more human resources (coffee farmers), which also causes this to be a challenge in increasing the consistency of the quality and quantity of Indonesian coffee. The coffee commodity management system in Indonesia indicates weakness because of this aspect (Ibrahim & Zailani, 2010). Fifth, a standardization policy in the South Korean market is stringent. These import policies enforce the control of export and import activities so that Indonesia can prevent issues such as trade competition, pollution, natural disasters, cultural differences, economic risks due to international trade, and others (Dai, Wu, Liang, & Qin, 2015).

Indonesia's economic diplomacy with South Korea is expected to be a promising approach for developing Indonesian coffee in South Korea to trigger an increase in economic welfare through incoming export and investment activities. For this reason, exporters need to know and master the crucial things in entering the South Korean coffee market to facilitate and launch economic diplomacy activities.

There are at least five main capitals that Indonesian coffee exporters need to know to enter the South Korean coffee market (KBRI Seoul, 2021). First, being able to adapt to the tastes of the South Korean coffee market, be it by innovating, proactively and creatively so that the coffee follows the interests of the South Korean people. Second, exporters ensure the quality of coffee beans delivered to withstand climate and weather changes in production areas. Third, exporters ensure consistency in export timeliness that goes hand in hand with good coffee quality. Fourth, exporters use digital technology optimally to introduce and expand Indonesian coffee's reach in the South Korean market. Fifth, comply, pay attention to and follow all regulations, standards and stimuli on coffee imports that South Korea has imposed.

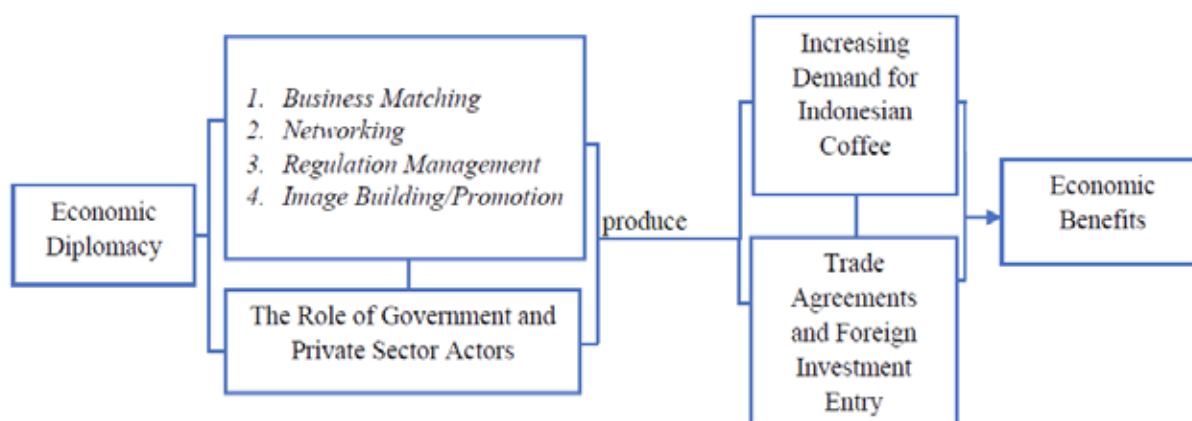
## DISCUSSION

Through the five main capitals in entering

the South Korean coffee market, Indonesian exporters will be facilitated in penetrating the South Korean coffee market. They can facilitate economic diplomacy activities such as business matching, coffeeversation, the Seoul Coffee Expo and the Seoul Café Show. Aside from that, by maximizing the role of government actors and the private sector that supports it. Coffee needs to attract the attention of both governments and the private sector to take innovations and strategic steps to overcome these problems and make future coffee prospects better and more promising (Hotman & Malau, 2022). Chart 1 shows Indonesia's Economic Diplomacy to South Korea presented in the following section.

culture, values and economic climate with another. The main goal is to achieve a continuous increase in competitiveness.

In this business matching activity, the operationalization of economic diplomacy used is economic salesmanship and networking. The application of economic salesmanship can be seen in the expansion of the coffee market carried out through virtual business matching. As a coffee exporter, Indonesia promoted trade and expanded its market through its official foreign representative. As for the application of networking, this activity involves non-state actors who are also present as Indonesian coffee exporters in the chamber of commerce.



**Chart 1.** Indonesia's economic diplomacy to South Korea.

Through Chart 1 above, the economic diplomacy activities carried out intend to address the challenges faced by Indonesia by maximizing existing opportunities. Economic diplomacy can generate demand and increase Indonesian coffee sales, trade agreements or networks between Indonesian exporters, South Korean importers, and incoming foreign investment. These results will create economic benefits for Indonesia and could increase Indonesian coffee exports to South Korea in the following periods.

### **Business matching**

According to Moghaddam and Nof in Kurniadi & Ibrahim (2021), business matching is the process of matching a concept, vision, mission, ideas and business models under one country's

The primary purpose of this virtual business matching is as a bridge to bring together Indonesian coffee exporters as business actors with South Korean importers as potential buyers (KBRI Seoul, 2021). The activity was initiated by the Indonesian Embassy in Seoul and ITPC Busan and held on September 8, 2021, through the Zoom platform, which the Directorate General of National Export Development (PEN) of the Indonesian Ministry of Trade also attended. This activity invited 22 coffee exporters from Indonesia and seven importers from South Korea. Table 2 compares coffee export volume after business matching, the limited space in implementing this activity does not prevent Indonesian coffee from becoming better known by South Korean importers.

**Table 2.** Comparison of Indonesian coffee export volume to South Korea after virtual business activities

Year	Volume (ton)
Average 2016 - 2021	2.784
2022	3.297

Source: Trademap, 2016 – 2021, data processed by author.

In Table 2, it is shown that the implementation of virtual business matching activities shows positive results. The average volume of Indonesian coffee exports to South Korea in 2016-2021 is 2,784 tons, while in 2022, it is 3,297 tons. As shown in Table 1, Indonesia's coffee export volume in 2021 was 2,142 tons. Through this data, it can be seen that there has been an increase in exports from 2021 to 2022 of 1,155 tons. Although it was not a high increase, this still brings positive value to virtual business matching activities. For this reason, it would be better if, in the future, business matching activities were carried out offline to maximize the economic diplomacy that goes on.

The Indonesian Embassy in Seoul and ITPC Busan published a digital guide for the business matching activity. The guide, titled "Practical Guide to Export Food and Beverage Products to South Korea," provides an overview of food and beverage exports to South Korea, including coffee. Start from market conditions, export strategies, lists of potential importers, and import policies imposed by South Korea, which are listed in the digital guide. Although not specifically for coffee exporters, the guide can be supporting information for Indonesian coffee exporters in knowing market conditions and policies that

apply in South Korea.

### Coffeevervation

From the words coffee and conversation, coffeevervation is an activity that includes discussions about coffee-related matters. Coffeevervation activities are a series of supporting virtual business matching activities. The operationalization of economic diplomacy from coffeevervation activities is networking and image building/promotion. Networking in coffeevervation is similar to the operationalization of networking in virtual business matching, namely through coffee industry players as non-state actors in the chamber of commerce, so that established partnerships are closer and friendlier. Meanwhile, the image-building/promotion stage can be seen from the involvement of Indonesian coffee exporters as public-private by promoting Indonesia's good name through coffee.

This coffeevervation aims to expand its existence and introduce Indonesian coffee to South Korean importers. This activity began with an opening by the former Minister of SMEs of South Korea, Young-Sup Joo, and explained a little about Indonesian coffee. After that, it continued with presentations and discussions about coffee by three coffee business actors, namely Kim Myeong Suk, the owner of Ulubelu Coffee retail in Seoul; Lee Mi Ae, the owner of MIA Coffee retail in Busan; and Steve Hidajat, the owner of PT Selera Indah Perdana or Presidential Coffee in Jakarta (KBRI Seoul, 2021). In addition to the material, the presentation of coffee by the coffee industry players also explained the technique of serving coffee in Table 3.

**Table 3.** Presentation of coffee by coffee industry players in coffeevervation activities

Coffee Industry Players	Serving Techniques or Coffee Names	Types of Coffee Beans
Ulubelu Coffee	Iced Dolce Latte dan Hot	
Cappucino	Lampung and Mandailing	
Coffe Beans		
MIA Coffee	Brewed coffee	Aceh Gayo Coffee Beans
PT Selera Indah Perdana atau Kopi Presiden	Cold Brew (Java Mocha)	Jawa Coffee Beans

Source: KBRI Seoul, 2021.

As seen in Table 3, Ulubelu Coffee, which named its coffee retail after one of the mountains in Lampung, Mount Ulubelu, uses Lampung and Mandailing coffee beans with exposure to iced dolce latte and hot cappuccino. Furthermore, MIA Coffee uses Aceh Gayo coffee beans to present brewed coffee. Finally, PT Selera Indah Perdana or Kopi Presiden serves java mocha, a unique blend by Mr. Umar Hadi, presented by Steve Hidajat. Java mocha is produced as a coffee variant, a sign of economic diplomacy by Indonesia with South Korea.

### **Seoul coffee expo**

Seoul Coffee Expo is one of the exhibitions held in South Korea since 2012. This exhibition allows coffee industry players to maximize their trade promotion, especially since it allows a country to open pavilions for more than one company. With approximately 250 companies and 800 pavilions, this international exhibition showcases premium coffee products, coffee-making equipment, raw materials, and retail. Some of the countries participating in this exhibition are Colombia, Brazil, Italy, Kenya, India, the United States, Ghana, India, and South Korea (ITPCBusan, 2017).

This exhibition applies the stages of economic diplomacy, economic salesmanship, and image building/promotion. The Indonesian Embassy in Seoul and ITPC Busan, as Indonesia's official trade representatives in South Korea in developing markets, export activities, and incoming investment, implement economic salesmanship. Meanwhile, the operationalization of image building/promotion is implemented through trade promotion carried out by participation in

exhibitions and pavilions established to expand the existence of Indonesian coffee through industry players who participate in the pavilion.

In 2017, Indonesia was honored as a guest of the country at the Seoul coffee expo, where the pavilion displayed by Indonesia is in an honorable and strategic position. By presenting the best types of coffee, of course, Indonesia became the prominent coverage for local media during the exhibition (ITPCBusan, 2017). The exhibition, held on April 6-7, 2017, presented more than 30 Indonesian specialty coffee products, both arabica and robusta. A cupping test also complemented the presentation by 9 Indonesian coffee exporters. The types of coffee displayed in cupping coffee are Sumatra Arabica Bengkulu Kaba Mountain Coffee, Sumatra Arabica Kerinci Natural Coffee, Sumatra Arabica Mandailing Lintong Coffee, Sumatra Arabica Aceh-Gayo Coffee, West Java Preanger Agro Jabar Arabica Coffee, Java Arabica IJEN Bondowoso Coffee, Sulawesi Arabica Toraja Coffee, Flores Arabica Bajawa Coffee, Java Robusta Temanggung Baron Coffee, and Flores Robusta Natural Manggarai Coffee.

With the theme Home of World's Finest Coffee, the pavilion resulted from a collaboration between the Indonesian Embassy in Seoul and ITPC Busan. Garuda Indonesia and BNI Seoul also supported it. They also participated in coffee seminars conducted at the marketing stage location. Transactions recorded at the Seoul coffee expo in 2017 reached \$270,000 (ITPCBusan, 2017). Table 4 shows several overseas pavilions at Seoul Coffee Expo 2017, presented in the following section.

**Table 4.** Presentation of coffee by coffee industry players in coffee conversation activities

Country	Person In Charge	Pavilion Size	Description
AS	BIADGI LLC	1	
Ghana	Ghana Embassy	1	
India	Embassy of India	1	
Indonesia	Indonesian Trade Promotion Centre	10	Official Guest Country
Ecuador	Pro Ecuador (Embassy)	1	
Italy	Clabo S.P.A	1	
Japan	VIDYA	4	Media Press

Source: Coffee expo Seoul (2017).

As a guest of the country, Indonesia has a much larger pavilion than the pavilions of other participating countries, as seen in Table 4. Even so, the size of the pavilion is not a barrier for a country in promoting its coffee. The proof can be seen from Indonesia's involvement as a participant in the Seoul Coffee Expo 2018. Although no longer a guest of the country, Indonesia still gains profits and investments through the pavilions displayed. At the Seoul Coffee Expo 2018, Venture Coffee, PT Indo Arabica Mangkuraja, and Alpha Gemilang signed an MoU with trading partners from South Korea, namely Beanst Coffee, Tona Co. Ltd., Quantum International Co. Ltd., and Treeplanet Co. Ltd. The signing of the MoU was carried out during the activity, where the potential of the MoU reached \$ 2 million (Rahayu, 2018).

In addition to the three coffee industry players above, the MoU was signed between the Indonesian Coffee Exporters Association (GAEKI) and the Convention & Exhibition Center (COEX) to promote and exchange information. Indonesia also presents various typical coffee products in the form of green beans, roasted beans, and ground coffee, both Arabica and Robusta (Rahayu, 2018). Indonesia did not participate in the Seoul Coffee Expo 2019. Then, the following year, the Seoul Coffee Expo 2020 was canceled due to the spread of Covid-19.

Through the Seoul Coffee Expo, which is not just an exhibition, the Indonesian government (Ministry of Trade of the Republic of Indonesia, Indonesian Embassy in Seoul, and ITPC Busan) maximizes the expansion of the existence of Indonesian coffee. With the network built with

South Korean importers, it will be a trigger for increasing demand for Indonesian coffee for the people of South Korea. The development of the network can be seen from the signing of the MoU by COEX and South Korean importers, who increased incoming investment. It is in line with the objectives of economic diplomacy, namely improving the Indonesian economy through increasing the value of coffee exports. Then, through the MoU, the network established between the Indonesian government and South Korean importers will become a new gap and opportunity for Indonesian coffee in South Korea.

#### **Seoul café show**

Another exhibition that carries the theme of coffee is the Seoul Café Show, the largest exhibition in Asia since it was held in 2002. The Seoul Café Show officially received direct support from ICO, with 600 participants from 40 countries and 160,000 visitors from 80 countries. The Café Show is also located in other countries such as Ho Chi Minh, Beijing, and Vietnam, as well as Paris from outside Asia. The exhibition aims to share knowledge on sustainable development with the World Coffee Leaders Forum, create a network of partnerships between global coffee leaders and professionals with exhibitors, and promote industry development through special programs. The series of exhibition activities are (1) the World Barista Championship; (2) the World Latte Art Battle and Cocktail Battle; (3) the Seoul Coffee Festival; (4) "Thank you, Coffee" campaign; (5) Contribution to economic benefits through cultural and industrial marketing (Café Show, 2020).

The operationalization of economic diplomacy at the Seoul café show is economic salesmanship, networking, and image building/promotion. Economic salesmanship can be seen from the involvement and supervision of ITPC Busan and the Indonesian Embassy in Seoul, which supervised the activities and sustainability of the exhibition, market expansion, and trade promotion. Furthermore, networking is carried out through communication and trading partner relationships established to ensure the sustainability of the exhibition. Networking can be seen from the purpose of the exhibition, which hopes to create a network of partnerships between global coffee leaders and exhibitors that can facilitate established transactions, from the ordering process to other forms of collaboration. Then, image building/promotion operationalization is carried out by displaying the best coffee products in the pavilion to expand Indonesia's existence as a coffee-producing country.

Seoul Café Show focuses on not only coffee products but also products that are available in cafes and F&B (food and beverage) industries, such as tea, ice cream, desserts, machines, raw materials, interiors, services, and others; the opportunity of increasing the existence of coffee through this exhibition is quite ample. Therefore, visitors from the Seoul Café Show are not only ordinary people but also importers, exporters, factory entrepreneurs, wholesalers, distributors, independent resellers, service companies, exporter agents, and importer agents to purchasing offices (Café Show, 2020).

In 2017, Indonesia participated in one of its series of activities, the World Barista Championship, and ranked 12th out of 60 participants (Coffee Expo Seoul, 2017). Then, in 2018, Indonesia participated and established a pavilion with the Indonesian Embassy in Seoul as the coordinator. Indonesia also showcased its coffee production at the origin adventure session, where Indonesia served and displayed Mandailing coffee. In this case, Indonesia is referred to as one of Asia's leading coffee-producing countries, with Mandailing as one of its signature coffees (Café

Show, 2018).

Indonesia again participated in the Seoul Café Show 2019, with 11 companies participating in establishing pavilions and serving other café products such as chocolate, coconut sugar, palm sugar, herbal drinks, tableware, coffee roasting machines, and mini barong roasting machines. Visitor interest in the Indonesian pavilion can be seen from the total transaction of \$3.5 million from 155,012 visitors.

In addition to mini barong, the most popular Indonesian products are coffee, chocolate, and tableware, such as eco-friendly bamboo straws (Kementerian Perdagangan, 2019).

As in previous years, Indonesia participated in the Seoul Café Show 2020 and 2021. At the Seoul Café Show 2021, Indonesia also received honors and awards as an honorary country. Indonesia's consistency in participating in the Seoul café show certainly makes Indonesia better known for branding coffee-producing countries. With this existence and branding, it will undoubtedly increase the sales value of Indonesian coffee and increase the demand and value of Indonesian coffee exports to South Korea.

Just like the Seoul Coffee Expo, which is not just an ordinary exhibition, through the Seoul Café Show, the Indonesian government maximizes the potential of Indonesian coffee. It is done by maximizing established trade contacts so that incoming investment can increase by using the dollar as a benchmark. The increase in investment can also be maximized by participating in a series of Seoul café show activities and not only being a pavilion participant. The results that will be obtained are certainly an opportunity for Indonesian coffee's existence, which can be seen from Indonesia, which received an award as an honorary country. Through this honor, Indonesian coffee will be more branded and respected by the people of South Korea. Although not establishing direct relations in writing, the network built between the Indonesian government and, South Korean importers and other pavilion participants can be a business opportunity in the future.

The role of government and private sector actors to maximize Indonesian coffee exports

Different actors in the Indonesian coffee industry integrate into the global coffee value chain, such as smallholder farmers, large plantations, village collectors, traders, factory operators, exporters, and coffee processing and roasting coffee companies (Neilson, 2013). In addition to the forms of economic diplomacy carried out above, economic diplomacy can also be carried out between state actors, both government and private actors. As representatives in conducting economic diplomacy, these actors strive to maximize their work units' main tasks and functions in the Indonesian coffee industry. It is done to support the form of economic diplomacy carried out. The government actors are the Directorate General of PEN of the Indonesian Ministry of Trade, the Indonesian Embassy in Seoul, and ITPC Busan, while the private actor is AEKI.

The Directorate General of PEN of the Ministry of Trade oversees official representatives of Indonesia abroad, including the Indonesian Embassy in Seoul and ITPC Busan, and serves as a supervisor. In general, the functions of the Directorate General of PEN of the Ministry of Trade in the Indonesian coffee industry refer to the provisions of a Regulation of Minister of Trade No. 29 of 2022 stipulated on May 18, 2022, such as formulating and implementing policies, providing technical guidance and supervision, conducting evaluation and reporting and carrying out administration.

In addition to these functions, the result of the interview with the representative of the Directorate General of PEN of the Ministry of Trade of the Republic of Indonesia, the Directorate General of PEN also runs several programs to maximize market opportunities for Indonesian coffee products, namely: First, participate in trade show promotion activities on an international scale and carry out trade missions. Second, increasing competitiveness and developing products through Product Adaptation activity facilities, Product Design or Packaging Development and Consultation at the Indonesia Design Development Center (IDDC), Good Design Indonesia, Brand Development, Certification

of export products such as Halal and Hazard Analysis and Critical Control Points (HACCP), and registration of Intellectual Property Rights (IPR). Third, export development cooperation with ASEAN Regional Integration Support from the European Union (ARISE+ IPR) and Trade Facilitation Office (TFO) Canada. Fourth, utilize and maximize information services on export market opportunities through INAEXPORT. The program is in line with the five main capitals to enter the South Korean coffee market previously described, where the above program complements the principal capital.

The participation of the Directorate General of PEN of the Ministry of Trade in Indonesia's economic diplomacy towards South Korea can be seen from the support and presence of the Directorate General of PEN of the Ministry of Trade in business matching and coffee conversation activities. Especially as the government in charge of the Trade Attaché of the Indonesian Embassy in Seoul and ITPC Busan as the official representative of Indonesia in South Korea, of course, the Directorate General of PEN of the Ministry of Trade appreciates the activities initiated by the Indonesian representative in South Korea. The role of the Directorate General of PEN of the Ministry of Trade in maximizing the concept of economic diplomacy, according to Rana (2007), is that domestic government actors, namely ministries involved in economic activities, are stakeholders and main drivers in these activities.

Then, the Indonesian Embassy in Seoul, which is also a government actor and official representative of Indonesia in South Korea, takes care of all types of trade carried out in South Korea, ranging from export activities to requests from exhibitions or outside exhibitions through its trade attaché. The function of the Indonesian Embassy in Seoul in the Indonesian coffee industry focuses on promoting coffee (coffee as a commodity or coffee as a product), maximizing incoming investment, and distributing information in the field.

Law Number 11 of 2020 facilitates the transaction process and coffee export activities

to South Korea. Based on Law Number 11 of 2020, coffee business actors do not bother determining Registered Coffee Exporters (ETK). Moreover, the requirements of ETK often make it challenging for business actors to sell their products to the international market. Indonesian coffee business actors need to have a Business Identification Number (NIB), Certificate of Origin (SKA) or Certificate of Origin (CoO), relevant ministerial regulatory documents regarding South Korean import standardization or policy, as well as additional provisions imposed by South Korea as an export destination country (GAEKI, 2023). Essentially, this certification approach can allow coffee farmers to improve their income, produce higher-quality coffee beans, and expand their market (Prihandono & Relig, 2019). The policy is in line with the stages of economic diplomacy regulation management.

The Indonesian Embassy in Seoul, as the official representative of Indonesia and the initiator of economic diplomacy activities through coffee in South Korea, follows Indonesia's economic diplomacy activities with a government-to-government focus. An interview conducted with one of the trade attaches of the Indonesian Embassy in Seoul shows that government-to-government relations between Indonesia and South Korea are well established, helping and supporting each other. The Indonesian Embassy in Seoul, through its trade attaché, also plays an active role by directly participating or taking part in economic diplomacy activities as described above (business matching, coffee conversation, Seoul coffee expo, and Seoul café show). According to Rana (2007), the role of the Indonesian Embassy in Seoul is also in line with the concept of economic diplomacy, which is that the embassy is an actor that holds the key to reaching new markets and developing outlets for new export products.

Next is ITPC Busan, which takes care of trade promotion and is the primary key to promoting Indonesian coffee in South Korea through international exhibitions, followed by cooperation with coffee industry players in South Korea. ITPC Busan's functions in the Indonesian coffee industry include expanding the existence

of Indonesian coffee, developing the market and trade potential of Indonesian coffee in South Korea, providing information services, and engaging in business contracting.

Unlike the Indonesian Embassy in Seoul, which has a broader scope (not only taking care of the trade section), ITPC Busan has much direct contact with South Korean importers. An interview conducted with ITPC Busan representatives mentioned that South Koreans like the taste of Mandailing coffee. The liking for Mandailing can be seen from the agreement made by the Indonesian exporter, PT. Santama Arta Nami with South Korean importer Sun Woo New Media Corp. The agreement resulted in a cooperation agreement on Mandailing Arabica coffee exports to South Korea for three years, namely from 2016 – 2019, with ITPC Busan as a facilitator of business meetings between Indonesian exporters and South Korean importers. The cooperation resulted in an agreement from both parties with an export value of up to \$ 1 million per year from 2016 to 2019. Mandailing Arabica coffee is exported to South Korea in the form of raw beans or green beans whose export volume reaches 2 tons (Syaputra, 2017).

ITPC Busan is also the official representative of Indonesia and the initiator of Indonesia's economic diplomacy activities in South Korea by focusing on business relations and product promotion. As described above, most of Indonesia's economic diplomacy activities with South Korea involve ITPC Busan as an actor and facilitator of promotion. The role of ITPC Busan is also in line with economic diplomacy, according to Rana (2007), where export promotion involves commercial companies finding markets, market studies, business delegation visits, participation in international trade fairs, and buyer and seller meetings.

In addition to government actors, the private sector maximizes Indonesia's economic diplomacy with South Korea. In this case, economic diplomacy carried out by the private sector will focus more on domestic needs and maximize domestic production to suppress the increase in Indonesian coffee exports. Although

more focused on the domestic sector, the role of the private sector is no less important than government actors.

As a private sector, the AEKI primarily functions in the domestic plantation process. AEKI is tasked with analyzing and improving the condition of Indonesian coffee, ranging from quality quantity to the supply chain. In addition, AEKI also has other functions, namely improving the image of Indonesian coffee in the international arena, directing and developing cooperation between members, conducting joint efforts with the government, and collaborating to improve the standard of living of Indonesian coffee farmers.

Although not directly involved in Indonesia's economic diplomacy activities with South Korea, AEKI, as a private sector, still has an active role in the Indonesian coffee industry. AEKI which is also under the supervision of the Ministry of Trade of the Republic of Indonesia, the Ministry of Industry of the Republic of Indonesia, the Ministry of Agriculture of the Republic of Indonesia, and the Ministry of Cooperatives and MSMEs of the Republic of Indonesia and maintains quite good relations. Even the government assists Indonesian coffee producers, and through AEKI, the assistance is well distributed. However, sometimes assistance is not an essential ingredient that is more needed in Indonesian coffee production. Establishing relations between AEKI as a private sector and the government supports increasing Indonesian coffee production for the better. It is also in line with the typology of economic diplomacy, according to Rana (2007), where non-state actors must establish solid networks and harmonize with economic stakeholders.

Economic diplomacy activities carried out in conjunction with the role of government actors and the private sector are carried out quite well. However, for business matching that is carried out, it would be better if it invited the South Korean government trade department to establish better relations between government and government. Moreover, business matching is quite successful in increasing Indonesian coffee exports because, through these activities, Indonesian coffee

exporters become more understanding and can set strategies for selling and expanding the existence of Indonesian coffee in South Korea. Coffeevervation is also quite successful in facing the challenges of trade competition because, through these activities, it can be known that there are coffee retailers in South Korea that specifically use Indonesian coffee beans in serving their coffee.

## CONCLUSION

Efforts by conducting economic diplomacy are an excellent strategy for Indonesia to increase the value and volume of its coffee exports. It is done so that Indonesian coffee's existence is well-known worldwide. More and more foreign investment is coming in through Indonesian coffee commodities. This foreign investment will improve the Indonesian economy and experience benefits that will prosper the community's economy. For this reason, Indonesia's economic diplomacy towards South Korea will seek the challenges experienced by maximizing all existing opportunities.

Indonesia's economic diplomacy towards South Korea must be maximized in responding to the challenges and opportunities faced. Economic diplomacy consists of several forms: business matching, coffeevervation, Seoul coffee expo, and Seoul café show. In addition, this form of economic diplomacy is maximized by the role of government actors (Directorate General of PEN of the Ministry of Trade, Indonesian Embassy in Seoul, and ITPC Busan) and the private sector (AEKI) in the Indonesian coffee industry. The economic diplomacy efforts carried out have achieved quite good results, where it can be seen that in 2022, the value and volume of Indonesian coffee exports have increased from before. The increase in 2022 is also the most significant value and volume compared to 2016-2021. It is under the opinion of economic diplomacy, according to Rana (2011), where the stages of economic diplomacy carried out will produce economic benefits for a country.

This research takes the perspective of the Indonesian government and the private sector

in seeking the value and volume of Indonesian coffee exports. However, the author also feels it is essential to see South Korean coffee importers or the South Korean government's point of view regarding economic diplomacy. Future research should consider research on economic diplomacy from the point of view of South Korean coffee importers or the South Korean government so that economic diplomacy activities can be maximized. Of course, this can also contribute to academic development, especially for economic diplomacy discourse.

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## **The Influence of Employee Creativity and Job Involvement on Competitive Advantage Mediated by Strategic Planning at PT Nesinak Industries**

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### **Abstract**

The purpose of this study was to determine the direct and indirect effects between the variables of employee creativity and job involvement variables mediated by strategic planning on competitive advantage. This research was conducted using a quantitative method approach. The sample used in this study was 90. Data collection was used by distributing questionnaires. The research results show that employee creativity (X1) has a positive influence on competitive advantage (Y) with a t-statistic value ( $5,570 > 1,96$ ), work involvement (X2) has no influence on competitive advantage (Y) with a t-statistic value ( $1,685 < 1,96$ ), strategic planning (Z) has no influence on competitive advantage (Y) with a t-statistic value ( $1,258 < 1,96$ ), employee creativity (X1) has a significant influence on strategic planning (Z) with a t-statistic value ( $2,609 > 1,96$ ), work involvement (X2) has a positive influence on strategic planning (Z) with a t-statistic value ( $5,934 > 1,96$ ), employee creativity (X1) mediated by planning strategy (Z) has no influence on competitive advantage (Y) with a t-statistic value ( $0,937 < 1,96$ ), work involvement (X2) mediated by strategic planning (Z) has no influence on competitive advantage (Y) with a t-statistic value ( $1,298 < 1,96$ ).

**Keywords:** Employee Creativity, Job Involvement, Strategic Planning, Competitive Advantage

### **INTRODUCTION**

In the current era of globalization, the success of an organization is largely determined by human factors. Having quality human resources in the company is very important. Quality and capable human resources determine the company's development. The company's jobs are obtaining competent employees such as talented employees who show energy, creativity, and high enthusiasm (Iskandar & Andriani, 2019). Business cannot run

without human resources. Human resources are something that is really needed by the business world in the current era of globalization. Human resources are the driving and determining factor in the progress of an organization in achieving organizational goals (Ekhsan, 2019).

Globalization brings intense competition in various fields. Companies compete and are required to recruit competent human resources who can support business progress that is

able to compete with other companies to win the competition (Nour Halisa et al., 2020). Companies must identify improvements in company operations to evaluate the business activities the company carries out, including performance appraisal. Performance appraisal is an important function of human resources that provides management with a systematic basis for identifying and evaluating current and potential human resource capabilities effectively. Better employee performance appraisal will increase productivity so that they are able to compete with other competitors (Faza et al., 2023).

Competitive advantage contributes in the long term to company performance (Zainol & Al Mamun, 2018 dalam Setyaningrum & Muafi, 2022). Competitive advantage is closely related to competence. Competence is known as the ability, professionalism and reliability of a human resource, where a worker can complete his work according to his expectations and skills (Barney, 2014 dalam Setyaningrum & Muafi, 2022). Competitive advantage a company can be achieved able to provide more value to customers than what other competing companies provide (Widyagoca et al., 2021). The following are the product result of competitive advantage in a company that can be seen through the following table 1:

**Table 1.** Timing belt product list

Month	2020	2021	2022
Jan	277.467	305.384	280.406
Feb	244.285	330.686	189.481
Mar	266.061	330.686	276.467
Apr	176.666	351.484	347.308
May	100.678	236.444	126.960
Jun	319.149	287.718	254.522
Jul	356.832	186.359	298.572
Aug	307.023	192.412	321.685
Sep	242.906	301.447	424.081
Oct	222.463	283.209	412.580
Nov	314.264	307.274	443.420
Dec	352.905	365.023	436.600
Total	3.182.719	3.433.403	3.814.041

Source: PT Nesainak Industries, 2023.

The result of the data above can prove that PT Nesainak Industries is able to do well in facing competitive advantage in the current and future globalization. Since 2020 to 2022 production result have increased as shown in table 1, this is due to the performance appraisal which has increased every year, but this makes management have to keep working hard considering the competition between companies is getting tighter. Management expects the role of human resources to achieve competitive advantage. The competitive advantage and creativity of employees is what makes an organization's goods or product superior to those of its competitors (Shabrina et al., 2023).

Competitive advantage is a condition where a company can create a good defensive position against its competitors (Elisa Ema et al., 2020). Competitive advantage is based on specific skills, specifically company-specific strengths that enable the company to make its products different from those offered by competitors and at lower prices than those offered by competitors (Soebroto, 2021). Competitive advantage allows a company to obtain higher profits compared to the of its competitors. Competitive advantage the stronger company's, the greater the profits generated, and vice versa. The ability of an organization to remain slightly ahead of its current or potential competitors is known as competitive advantage (Alhosseiny, 2022).

The role in increasing economic growth lies in and the most influential economic source is the creative industry. The creative industry relies heavily on human resources and other economic resources to create creativity. Creativity acts as a component of the managerial process that will contribute to the development and competitive advantage of a company (Setyaningrum & Muafi, 2022). Creativity can be practiced by teams or groups, even organizations and individuals, with companies that have employees who have creative ideas. Developing and sharing it with other organizational members will enable the company to adapt to changes, seize opportunities and be able to win the competition with competitors (Setyaningrum & Muafi, 2022).

Creativity or creative thinking is the ability to find various solutions to a problem and is a form of thinking that until now has received little attention (Ogi, 2018 dalam Indrajita et al., 2021). Creativity is the ability to produce new, useful ideas (Anthony, 2017 dalam Indrajita et al., 2021). Employee creativity can shape the way work is done more easily and is expected to generate profits for the company (Dewi et al., 2022).

Research states that employee creativity has a significant influence on competitive advantage (Setyaningrum & Muafi, 2022), however, there is research which states that employee creativity has an influence but not directly on competitive advantage because, in this case, a context for the formation of creative human resources is needed, so it is recommended to provide employees with training (Benea- Popușoi & Duca, 2023). Company management really needs work involvement from employees to achieve its targets.

Job involvement is a concept that emphasizes the role and contribution of employees who have psychological behavior, are interested in work, actively participate in work, and consider it important for themselves and their families, so that the level of performance that has been achieved is a form of commitment to self-expression and a form of appreciation for performance (Mubin et al., 2022).

Job involvement is an important indicator of the welfare of the workforce or employees. Therefore, job involvement is important for an organization. It is because when employees have good job satisfaction, they will also provide good feedback to the company (Zeijen et al., 2020). Job involvement is considered as employee enthusiasm for work. Job involvement has the potential to greatly increase organizational success and competitiveness (Bakker & Laiter, 2011 dalam Zeijen et al., 2020).

Job involvement is a participatory process that utilizes the abilities of all employees for the purpose of increasing commitment to the company's success. Job involvement has the

potential to greatly increase organizational success and competitiveness. Job involvement is also described as a psychological state where employees are able to participate in their work and business both mentally and physically (Gupta & Shaheen, 2017 dalam Zeijen et al., 2020), therefore, individuals who have job involvement must be able to identify their work for a common goal, thus job involvement has a positive relationship with competitive advantage (Faikul Umam et al., 2023).

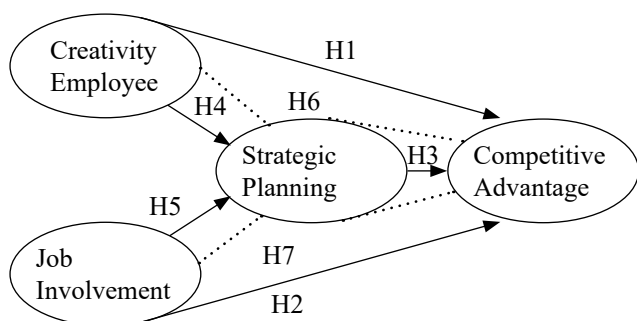
However, there is research which states that job involvement has an influence but not directly on competitive advantage because it is necessary to add the variables of leadership, organizational culture and job satisfaction which can have a big influence on job involvement (Widjajani et al., 2017). Companies need strategic planning to have a well-structured business. Careful planning is the key to business success.

Strategic planning is a strategic plan that provides clear direction for a business (Soebroto, 2021). Strategic planning will help a company have good competitiveness (Bataincha, 2014 dalam Soebroto, 2021). Strategic planning prepared by the company with the participation of other parties is considered important (Mulyaningsih et al., 2021). Strategic planning is a systematic and formal effort by a company to determine company goals, rules and strategies to achieve the company's main goals (Elisa Ema et al., 2020).

Strategic planning is very important for a company to maintain its competitive advantage. Strategic planning makes teamwork easier and it is hoped that the company will always be one step ahead of competitors due to its competitive advantage (Alhosseiny, 2022). Research states that employee creativity has a positive influence on strategic planning (Jayapriya Gopinath, 2023), however research states that job involvement has a positive influence on strategic planning (Albaloula Ali & Tamim, 2017). There is research which states that strategic planning has a significant influence on competitive advantage (Natasha & Devie, 2013 dalam Soebroto, 2021).

**METHODS**

This research was conducted using a quantitative approach. The type and source of data in this research is primary data. Primary data is a data source that provides data directly to data collectors (Sugiyono, 2016 dalam Laksono & Wardoyo, 2019), while secondary data is obtained from previous research and literature study. The population in this study were employees of PT Nesinak Industries, totaling 630 employees with a sample of 90 samples. The analytical method used in this research is Partial Least Square (PLS) using the SmartPLS version 3.0 program.



**Figure 1.** Diagram path analysis

**RESULTS**

**Validity test**

**Convergent validity**

Validity refers to the extent of accuracy between the information collected from the object of research and the data that can be submitted by researchers. To assess the validity of the data, a comparison is made between the calculated r-value and the r-table value with a significance level of 5%, as a way to determine whether the data used has a significant contribution.

**Table 2.** The result of validity test

Variable	Indicator	Outer Loading	Validity
	KK1	0.812	Valid
	KK2	0.868	Valid
	KK3	0.880	Valid
	KK4	0.856	Valid
	KK5	0.851	Valid
	KK6	0.787	Valid
	KEK1	0.829	Valid
	KEK2	0.875	Valid
	KEK3	0.874	Valid
	KEK4	0.800	Valid
	KEK5	0.893	Valid
	KEK6	0.814	Valid
	KEK7	0.831	Valid
	KEK8	0.768	Valid
Job Involvement	KUK1	0.282	Valid
	KUK2	0.641	Valid
	KUK3	0.807	Valid
	KUK4	0.845	Valid
	KUK5	0.880	Valid
	KUK6	0.835	Valid
	PS1	0.797	Valid
	PS2	0.769	Valid
	PS3	0.849	Valid
	PS4	0.865	Valid
	PS5	0.832	Valid
	PS6	0.798	Valid
	PS7	0.782	Valid
	PS8	0.816	Valid
	PS9	0.817	Valid
	PS10	0.777	Valid

Source: Processed Primary Data, (2023).

Derived from the information provided in table 2, it is evident that each indicator possesses an outer loading value of  $> 0.5$ , thereby affirming their validity.

### Discriminant validity

Discriminant validity measures the extent to which the instrument can identify differences between constructs that should not be related to each other.

**Table 3.** Average varian extracted (AVE)

Variable	Average Variance Extracted (AVE)
Employee Creativity	0.711
Job Involvement	0.700
Competitive Advantage	0.656
Strategic Planning	0.657

Source: Output SmartPLS 3.0, processed primary data (2023).

Based on table 3 above, it can be concluded that the discriminant validity (AVE) value is said to be achieved or valid if the ave value  $> 0,5$ , which means that te four variables (employee creativity, job involvement, strategic planning, competitive advantage) are valid.

### Reliability test

Reliability test reflects the extent to which a measurement tool shows consistency and reliability in measuring a trait or quality of the object being tested.

**Table 4.** The result of reliability test

Variable	Composite Reliability	Result
Employee Creativity	0.936	Reliable
Job Involvement	0.949	Reliable
Competitive Advantage	0.919	Reliable
Strategic Planning	0.950	Reliable

Source: Output of SmartPLS 3.0, processed primary data (2023).

According to the findings presented in table 4, it is deduced that the composite reliability value for every construct  $> 0.7$ , this indicates that all constructs meet the criteria for composite reliability, signifying a high of reliability for each construct examined in this study.

The reliability test is also strengthened by the Cronbach's Alpha value. The following ae the result of the reliability test with Cronbachs alpha

**Table 5.** Cronbach's alpha

Variable	Cronbach's Alpha	Result
Employee Creativity	0.918	Reliable
Job Involvement	0.938	Reliable
Competitive Advantage	0.893	Reliable
Strategic Planning	0.942	Reliable

Source: Output of SmartPLS 3.0, processed primary data (2023).

Derived from the data presented in table 5, it can be inferred that the Cronbach's alpha value for all error constructs exceeds  $> 0.6$ . This implies that all constructs adhere to the Cronbach's alpha criteria, indicating a high level of reliability for each construct examined in this study.

### Inner model analysis

The outer model deals with the relationship between measurement variables or indicators, while the inner model deals with the relationship between latent variables (constructs that are not directly measured).

**Table 6.** R-Square

Variable	R Square	R Square Adjusted
Competitive Advantage (Y)	0.867	0.863

Source: Output of SmartPLS, processed primary data (2023).

Based on table 6 above, it can be seen that R-Square value is 0.863. it can be explained that the influence of the variables employee creativity (X1), job involvement (X2), and strategic planning (Z) on competitive advantage (Y) gives a value of 0.867, with the interpretation that the variables of competitive advantage construct can be explained by the employee creativity variable, job involvement, and strategic planning with planning as a mediating variable between employee creativity and job involvement on competitive advantage with a percentage of 86.7% while the remaining 13.3% is explained by other variables outside this research.

### Hypothesis analysis

Hypothesis analysis is a statistical approach used to test hypotheses against sample data.

### DISCUSSION

The results of this research show that the Employee Creativity variable (X1) has a significant influence on Competitive Advantage (Y) at PT Nesinak Industries. The results are based on the path coefficient test on the inner model which shows the t-statistical results for the employee creativity variable which is 5.770 and is declared significant because the t-statistic value  $> 1.96$  ( $5,770 > 1.96$ ), then hypothesis test 1 states that  $H_0$  is rejected and  $H_a$  accepted. It can be interpreted that employee creativity has a significant influence on competitive advantage at PT Nesinak Industries. The results of this research are in line with in journal (Ira Riany, 2020) stating that employee creativity has a significant effect on competitive advantage, which means that

Table 7. Part coefficient

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV)	P Values
Employee Creativity -> Competitive Advantage	0.642	0.620	0.108	5.770	0.000
Job Involvement -> Competitive Advantage	0.181	0.166	0.168	3.685	0.093
Strategic Planning -> Competitive Advantage	0.157	0.173	0.125	1.258	0.209
Employee Creativity -> Strategic Planning	0.300	0.308	0.115	1.609	0.009
Job Involvement -> Strategic Planning	0.635	0.628	0.107	5.934	0.000

Source: Output of SmartPLS 3.0, processed primary data (2023).

Table 8. Special indirect effects

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV)	P Values
Employee Creativity -> Strategic Planning -> Competitive Advantage	0.642	0.620	0.108	5.770	0.000
Job Involvement -> Strategic Planning -> Competitive Advantage	0.181	0.166	0.168	3.685	0.093

Source: Output SmartPLS 3.0, data primer (2023).

if the employee creativity variable increases, competitive advantage will increase.

The results of this research show that the Job Involvement variable (X2) has a insignificant influence on Competitive Advantage (Y) at PT Nesinak Industries. The results are based on path coefficient testing in the inner model which shows the t-statistic result for the job involvement variable is 1.685 and thus is declared insignificant because the t-statistic value is  $<1.96$  ( $1.685 < 1.96$ ). Therefore, the hypothesis test 2 states that  $H_0$  is accepted and  $H_a$  is rejected. The research in journal (Heyns et al., 2021) stating that job involvement has a positive influence on competitive advantage, where job involvement can ensure that a company that is more productive will be more profitable. The result of this research are in line with research in journal (Widjajani et al., 2017) stating that job involvement has an indirect influence on competitive advantage because it requires adding the variables of leadership, organizational culture and job satisfaction and behavior in various knowledge.

The results of this research show that the Strategic Planning variable (Z) does not have an influence on Competitive Advantage (Y) at PT Nesinak Industries. The results are based on path coefficient testing in the inner model which shows the t-statistic result for the strategic planning variable is 1.258 and is declared insignificant because the t-statistic value is  $<1.96$  ( $1.258 < 1.96$ ). Therefore, the hypothesis 3 test states that  $H_0$  is accepted, and  $H_a$  rejected. The research result in the journal of (Alhosseiny, 2022) states that strategic planning has a positive influence on competitive advantage. However, in this research, it is known that after the strategic planning variable on competitive advantage is applied to PT Nesinak Industries, there are results that show that strategic planning has no influence on competitive advantage. This research result is in line with research in journal (Tryson, 2022) showing that strategic planning does not have influence on competitive advantage.

The results of this research show that the Employee Creativity variable (X1) has a significant influence on Strategic Planning

(Z) and Competitive Advantage (Y) at PT Nesinak Industries. The results are based on path coefficient testing in the inner model which shows the t-statistic value of employee creativity variable is 2.609 and is declared significant because the t-statistic is  $>1.96$  ( $2.609 > 1.96$ ). Therefore, the hypothesis 3 test states that  $H_0$  is accepted, and  $H_a$  rejected. The research result in the journal of (Amrita, 2021) states that creativity has an influence on strategic planning.

The results of this research show that Job Involvement variable (X2) has a significant influence on Strategic Planning (Z) at PT Nesinak Industries. The results are based on path coefficient testing in the inner model which shows the t-statistic value of job involvement variable is 5.934 and is declared significant because the t-statistic value is  $>1.96$  ( $5.934 > 1.96$ ). Therefore, hypothesis 5 tests declares that  $H_0$  is rejected, and  $H_a$  is accepted. It can be interpreted that job involvement has a significant influence on strategic planning at PT Nesinak Industries. The results of this research are in line with research in journal of (Surjo hadi et al., 2020) which states that job involvement has a significant influence, meaning that employees having high work can improve better quality of the company.

The results of this research show that Employee Creativity variable (X1) before mediated by Strategic Planning has a significant influence on Competitive Advantage (Y) at PT Nesinak Industries with the t-statistic value of 5.770. Meanwhile, the results based on path coefficient testing on the inner model t-statistic of hypothesis 6 after being mediated by strategic planning shows the result of 0.937 ( $0.937 < 1.96$ ). Therefore, from testing hypothesis 6 it can be seen that  $H_a$  is accepted, and  $H_0$  is rejected. This can then also be interpreted that the direct influence value is 5.770 and the indirect influence is 0.937, which means that the strategic planning variable as a mediating variable weakens the employee creativity variable on competitive advantage at PT Nesinak Industries.

The results of this research show that Job Involvement variable (X2) before being mediated by Strategic Planning has a insignificant influence

on Competitive Advantage (Y) with the t-statistic value of 1.685. Meanwhile, the results based on path coefficient testing on the inner t-statistical model of hypothesis 7 after being mediated by strategic planning are 0.298 ( $0.298 < 1.96$ ). Therefore, the hypothesis test 7 states that  $H_a$  is accepted, and  $H_o$  is rejected. This can also be interpreted that the direct influence value is 1.685 and the indirect influence is 0.298, which means that the strategic planning variable as a mediating variable weakens the job involvement variable on competitive advantage at PT Nesinak Industries.

## CONCLUSION

Employee creativity has a significant influence on competitive advantage at PT Nesinak Industries. This is because the company has consistent employees who can produce creativity through exploring new ideas. This is supported by research (Setyaningrum & Muafi, 2022) which states that employee creativity has a significant effect on competitive advantage. Job involvement does not have a significant influence on the competitive advantage at PT Nesinak Industries. This is because by several additional factors that are needed such a organizational culture leadership variables and job satisfaction and behavior in various knowledge. This is supported by research (Widjajani et al., 2017) which states that job involvement has no significant effect on competitive advantage. Strategic planning does not have a significant influence on competitive advantage at PT Nesinak Industries, this is because the implementation of strategic planning is unstable and strategic planning does not meet the criteria for competitive advantage. This is supported by research (Alhosseiny, 2022) which states that strategic planning has no significant effect on competitive advantage.

Employee creativity does has a significant influence on strategic planning at PT Nesinak Industries. This is supported by research (Indrajita, 2021) which states that employee creativity has a significant effect on strategic planning. Job involvement has a significant influence on strategic planning at PT Nesinak Industries. Strategic planning can be carried out

due to the participation and job involvement of the employees in the company This is supported by research (Surjo hadi et al., 2020) which states that job involvement has a significant effect on strategic planning. Strategic planning as a mediating variable plays a role in negatively weakening the influence of employee creativity variables on competitive advantage at PT Nesinak Industries. Apart from that, the existence of strategic planning reduces the significant value. Strategic planning as a mediating variable plays a role in negatively weakening the influence of the job involvement variable on competitive advantage at PT Nesinak Industries. This is because job involvement has a significant influence on competitive advantage at PT Nesinak Industries.

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## **The Influence of Prices and Promotions on Purchasing Decisions on Dine-in Services at McDonald's Cideng, Central Jakarta**

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### **Abstract**

The purpose of this research is to determine the effect of prices and promotions on customers' purchasing decisions for dine-in services at McDonald's Cideng, Central Jakarta, both partially and simultaneously. The method used in this research is associative quantitative with a population of 37,500 customers taken as a sample of 100 respondents. The sampling technique uses a probability sampling method, namely accidental sampling. The data analysis techniques in this research are: simple linear regression analysis, multiple linear regression analysis, and coefficient of determination analysis. Then hypothesis testing is the t test and f test. The results of this research are that price influences purchasing decisions, this can be seen from the t test with the calculated t value  $>$  t table or  $(10.084 > 1.660)$ . This is also reinforced by the  $\rho$  value  $<$  Sig.0.05 or  $(0.000 < 0, 05)$ . Promotions influence purchasing decisions this can be seen from the t test with the calculated t value  $>$  t table or  $(9.126 > 1.660)$ . This is also reinforced by the  $\rho$  value  $<$  Sig.0.05 or  $(0.000 < 0.05)$ . Price and promotions influence purchasing decisions, this can be seen from the results of the f test where F calculated  $>$  F table or  $(73.628 > 2.70)$ , this is also reinforced by  $\rho$  value  $<$  Sig.0.05 or  $(0.000 < 0, 05)$ .

**Keywords:** Placement, Work Quality, Work Discipline, Work Performance

### **INTRODUCTION**

In the current era of globalization, life can be said to be modern. Era globalization is era Which free and strict in competition. With this development, people's lifestyles are increasingly

developing. Style instant and practical life makes a number of people want accuracy And speed in various matter. One of them is in terms of consuming food or drinks.

Currently, the culinary business in Indonesia

is very mushrooming. Besides business authentic Indonesian culinary cuisine (Indonesian Food), there is also a culinary business foreigners who have entered Indonesia, one of which is fast food (Fast food). McDonald's was founded by Ray Kroc. Ray Kroc started his career as driver ambulance Cross Mera on year 1917, though moment That actually He Not yet fulfil condition For plunge to Medan war Because his age new step on 15 year. In year 1954 Ray shocked with the arrival of a large order in the form of 8 multi-mixers from a restaurant in San Bernardino, California. There He find A restaurant which is not too large in scale, but is considered successful and managed by Dick And Mac McDonald's. In 1960 Ray Kroc has right exclusive on brand McDonald's.

Standard Operational Program Which executed by McDonald's Indonesia, Wrong the only one is McDonald's Cideng Which located in region Central Jakarta is dominated by office areas, hotels, hospitals, etc other public places such as Tanah Abang Station and Busway stops. Where p This can provide business potential in the region This. He is known McDonald's by public make McDonald's s always crowded visited, Good For place Eat, hang out chilli sauce doing assignments, and many others. One of them is McDonald's Cideng Central Jakarta is always busy with visitors because of the McDonlad's Cideng area Central Jakarta is surrounded by offices, hospitals, schools and public places such as stops and stations.

The following is the number of visitors to McDonald's Cideng Jakarta Center per 5 months, from January-May 2022.

**Table 1.** Number of visitors to McDonald's Cideng, Central Jakarta January-May 2022

Month	Amount
January	5.850
February	6.665
March	8.730
April	7.560
May	8.695
Sum	37.500

Source: McDonald's Cideng, Central Jakarta.

Based on the data above, it shows that visitors to McDonald 's Cideng Central Jakarta is busy with visitors every month, both from children, teenager, even people mature Which always visit McDonald's. The purchase decision was taken after going through several calculations and consideration of alternatives. Before the choice is made, there are several stages Which may be passed by the decision maker. The purchasing decision process Specific consists from order incident following, that is: introduction problem need, information search, evaluation of alternatives, purchasing decisions and post behavior purchase.

According to (Kotler & Amstrong, 2016) the purchasing decision is stage in the process taking decision buyers where consumers actually buy. (Mulyana, 2021) states that the purchasing decision process goes through several stages carried out by consumers. This stage will result in a decision whether to buy or not and after buying the consumer will be satisfied or not.

The research is located at McDonald's Cideng, jl. Cideng West no 55-56 Gambir, Central Jakarta which is surrounded by office areas and houses Sick, And Also place general other like station Land Brother And Stop busway Which make location McDonald's Cideng This strategic with access vehicle Which very easy.

**Table 2.** Average volume sales and frequency transaction 2019-2021

Year/Month	2019	2020	2021
January	5.500	3.677	4.500
February	4.300	3.450	5.550
March	4.600	3.265	4.950
April	4.350	3.345	5.250
May	5.670	2.550	6.300
June	5.255	2.670	6.150
July	6.720	3.110	6.600
August	4.255	2.150	6.450
September	3.350	2.340	6.600
October	3.240	3.455	6.750
November	3.125	3.545	6.815
December	3.167	3.760	7.200
Sum	53.532	37.317	73.115

Source: McDonald's Cideng, Central Jakarta.

From the table above it can be seen that the number of transactions that occurred in McDonald's Cideng is quite varied from 2019 to 2021. final number on year 2019 is as much 53.532 transaction. And exists decline due to the Covid-19 pandemic which occurred at the end of 2019 and increasingly decreased in 2021 with a total of 37.317 transactions. And start getting better again on 2021 with number of transactions as much as 73.115.

The occurrence of ups and downs or fluctuations in the number of existing transactions, causes restaurants to have an uncertain amount of income. In this case, the factors thought to influence purchasing decisions are price and promotion.

According to (Tjiptono, 2012) "price is a monetary unit or other measure (including goods and other services) that is exchanged in order to obtain the right to own or use a good or service, this understanding is in line with the concept of exchange in marketing". According to (Ekowati & Finthariasari, 2020) Price and promotions, it is a sensitive factor for consumers because consumers always make considerations when making purchasing decisions.

The prices offered at McDonald's are quite varied and suit the budgets of both the ordinary, middle and upper class and also for various genders. The following is a pre-survey conducted on McDonald's Cideng, Central Jakarta customers.

The table above shows that there are problems regarding the prices offered by McDonald's which can be reached by all groups (65%), the prices of McDonald's products are the cheapest compared to others (70%), consumers are satisfied with the prices offered (55%), the prices offered not burdensome for consumers (60%) Prices are in line with competitors (50%).

Based on the observations made, there are several problems regarding the price variable, namely the prices offered by McDonald's, not all levels of society can afford to buy products from McDonald's at quite expensive prices, and the prices from McDonald's are quite high compared to other fastfood restaurants. Price is also the only element of the marketing mix that generates revenue, all other elements represent only price. Price is also the most flexible element in the marketing mix and plays an important role in consumer purchasing decisions regarding a product or service. When the price offered for the sale of a product is offered at a very affordable price, consumers tend to buy the item or product. Apart from price, what is suspected to influence is promotion. According to (Prilano, Sudarso, & Fajrillah, 2020) stated that the price problem is caused by the competitiveness of cheaper prices which has an impact on purchasing decisions.

Promotion is one of the determining factors for the success of a marketing program or marketing strategy, this is because promotion is communication that is persuasive, inviting, urging, persuading and convincing someone (Mursid, 2016). If even a

**Table 3.** Pre-survey price variables

No.	Statement	Answer		Percentage	
		Yes	No	Yes	No
1.	Price Which offered McDonald's can reachable by all circles	7	13	35%	65%
2.	Price product McDonald's most cheap compared Which other	6	14	30%	70%
3.	Consumers feel satisfied with that price Offered	9	11	45%	55%
4.	The price offered is not burdensome Consumer	8	12	40%	60%
5.	Price in accordance with competitors	10	10	50%	50%

Source: Pre-Survey.

good product does not have effective promotion, the product will not sell. With promotions, consumers will know how useful the product is to own. With promotions, consumer attitudes will change and they will be encouraged to make purchasing decisions.

The relationship between promotion and purchasing decisions, according to (Sunyoto, 2014) promotion, is a variable in the marketing mix that is very important for companies to implement in marketing a product. Promotion is not only a communication tool in introducing products to consumers, but also as a tool to influence consumers in purchasing or using products according to consumer needs and desires. According to (Sari, Rachman, Ronaldi, & Sanjaya, 2020) Sales promotion includes tools for consumer promotion, merchant promotion, business promotion and sales force. With good promotion, the delivery of information about the advantages of a product will be well received and understood by consumers.

A good sales promotion will make consumers stop for a moment, make them think about a brand or product, and if the influence is right it will divert consumers so that they make a decision to follow the sales promotion that is being offered so that there is great hope for consumers to decide to purchase a product or product. services offered. Thus, McDonald's provides many promotions that its customers can take advantage of through many alternative channels for purchasing McDonald's products, such as direct purchases for Dine-in, take away, Drive thru, Mcdelivery, as well as online orders through collaborating partners. The following is a pre-survey statement with McDonald's Cideng customers.

The bold above shows that there are problems regarding the promotions offered by McDonald's which are valid every day (60%), There are special promotions for pupils and students (65%), There are special promotions for loyal McDonald's customers (65%), There are promotional menu packages specifically for dine-in customers (55%) Every purchase via drive thru service gets a different promotion (55%).

Based on the observations made, there are several problems with the promotion variable, where consumers are less satisfied with the promotions offered by McDonald's, such as there are no promotions specifically for students, there are no promotions specifically for loyal McDonald's customers and there are no special menus being promoted. If the promotion offered is attractive and provides large benefits to consumers, then consumers will tend to buy the goods or products being promoted.

## METHODS

The research carried out used quantitative research methods. According to (Sugiyono, 2017), "Quantitative research methods can be defined as research methods that are based on the philosophy of Positivism, used to research certain populations or samples, collecting data using research instruments, analyzing quantitative/statistical data, with the aim of testing predetermined hypotheses." Carried out in this research is an associative approach. According to (Sugiyono, 2017) the associative problem formulation, it is a research problem formulation that asks about the relationship between two or more variables. Meanwhile, for the form of relationship,

**Table 4.** Pre-survey promotion variables

No.	Statement	Answer		Percentage	
		Yes	No	Yes	No
1.	Promotion Which offered applies every day	8	12	40%	60%
2.	There is promotion special student and student	7	13	35%	65%
3.	There are special promotions for loyal customers McDonald's	7	13	35%	65%
4.	There is package menu promotion special customer Eat in place	9	11	45%	55%
5.	Every purchase through service drives thru get promotion Which different	9	11	45%	55%

Source: Pre-Survey.

a causal relationship is used, namely a relationship that is cause and effect.

The population in the study were visitors who frequently visited McDonald's Cideng, Central Jakarta between January and May 2022 with a population of 37,500 visitors. The sampling technique used by researchers is probability sampling technique. According to (Sugiyono, 2017) explaining that, "Probability sampling is a sampling technique that provides an equal opportunity for each element (Member) of the population to choose to become a member of the sample". The form of probability sampling used in this research is accidental sampling. This sampling technique was used because it makes it easier for the author to obtain data directly at the research site and also visitors are people who are making purchases at McDonald's Cideng.

In this case, sampling must be representative and researchers must understand the size of the sample and the characteristics of the population in the sample. Sampling requires a formula using the Slovin formula. Based on the results of calculations using slovin, the sample of respondents in this study was adjusted to 100 consumers who visited McDonald's Cideng.

The data collection technique used was a questionnaire. A questionnaire is a number of questions asked to respondents in writing. The list

of questions is aimed at respondents, especially those related to the problem to be researched and answered with the answers provided by the respondent. Meanwhile, the data analysis techniques in this research are: simple linear regression analysis, multiple linear regression analysis, and coefficient of determination analysis. Then hypothesis testing is the t test and f test.

## RESULTS

### Simple linear regression analysis

Simple linear regression analysis is used to see whether there is an influence between the price (X1) and promotion (X2) variables on purchasing decisions (Y) partially. Simple linear regression analysis was calculated using SPSS version 25.

Based on the results of the regression calculations in the table above, the regression equation  $Y = 5.527 + 0.862X1$  can be obtained. From the equation above, it can be concluded as follows:

If the value  $X = 0$  we will get  $Y = 5.527$ . This means that the value (a) or constant is 5.527. This value indicates that when the price (X1) is 0 or does not increase, then the Purchase Decision (Y) will still be worth 5.527. The regression coefficient value (b) is 0.862 (positive), which shows a unidirectional influence, which means that if the price is increased by one unit it will increase the purchasing decision by 0.862 units.

**Table 5.** Simple linear regression test results for price variables (X1) on purchasing decisions (Y)

	Coefficients <sup>a</sup>			
	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	
(Constant)	5,527	3,612		1,530 ,129
Price	,862	,086	,714	10,084 ,000

a. Dependent Variable: Purchase Decision

Source: Processed Primary Data, 2022

**Table 6.** Results of simple linear regression testing promotion variables (X2) on purchasing decisions (Y)

	Coefficients <sup>a</sup>			
	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	
(Constant)	13,687	3,099		4,416 ,000
Promotion	,678	,074	,678	9.126 ,000

a. Dependent Variable: Purchase Decision

Source: Processed Primary Data, 2022

Based on the results of the regression calculations in the table above, the regression equation  $Y = 13.687 + 0.678X_2$  can be obtained. From the equation above it can be concluded as follows:

If the value  $X = 0$  you will get  $Y = 13.687$ . This means that the value (a) or constant is 13.687. This value indicates that when the Promotion ( $X_2$ ) is 0 or does not increase, the Purchase Decision ( $Y$ ) will still have a value of 13.687. The regression coefficient value (b) is 0.678 (positive), which shows a unidirectional influence, which means that if Promotion is increased by one unit, it will increase Purchasing Decisions by 0.678 units.

#### Multiple linear regression analysis

Multiple linear regression analysis is used to see whether there is an influence between the price ( $X_1$ ) and promotion ( $X_2$ ) variables on purchasing decisions ( $Y$ ) simultaneously. Simple linear regression analysis was calculated using SPSS version 25.

Based on the table above, the results obtained from the regression coefficient above, a regression equation can be created as follows:

$$Y = 1.437 + 0.578X_1 + 0.386X_2$$

Based on the multiple regression equation formed above, it can be concluded that: the Price and Promotion variables have a positive coefficient on the Purchasing Decision variable. The coefficient for the Price variable gives a value of 0.578, which means that if the price variable gets better assuming other variables remain constant, the Purchasing Decision variable will increase. The Promotion Coefficient gives a value of 0.386, which means that if the Promotion variable gets better assuming other variables remain constant, purchasing decisions will increase.

#### Coefficient of determination test

The analysis of the coefficient of determination is intended to determine the percentage strength of influence between the independent variables on the dependent variable (either partially or simultaneously), in this research the variables Price ( $X_1$ ) and Promotion ( $X_2$ ) on Purchasing Decisions ( $Y$ ). The following are the results of the calculation of the coefficient of determination processed using the SPSS Version 25 program.

**Table 7.** Results of multiple linear regression testing for price variables ( $X_1$ ) and promotion ( $X_2$ ) on purchasing decisions ( $Y$ )

	Coefficients <sup>a</sup>		Standardized	
	Unstandardized B	Coefficients Std. Error	Coefficients Beta	
(Constant)	1,473	3,374	,437	,663
Price	,578	,098	,478	5,920 ,000
Promotion	,386	,081	,386	4,783 ,000

a. Dependent Variable: Purchase Decision

Source: Processed Primary Data, 2022

**Table 8.** Results of partial determination coefficient testing between price ( $X_1$ ) and purchasing decisions ( $Y$ )

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.714 <sup>a</sup>	,509	,504	2,823

a. Predictors: (Constant), Price

Source: Processed Primary Data, 2022

Based on the table 8, it can be seen that the Adjusted R square is 0.504 or 50.4%. This shows that the percentage influence of the independent variable Price (X1) on the dependent variable Purchase Decision (Y) is 50.4% while the remaining 49.6% is influenced or explained by other variables outside the variables studied.

Based on the table 9, it can be seen that the Adjusted R square is 0.454 or 45.4%. This shows that the percentage influence of the independent variable Promotion (X2) on the dependent variable Purchase Decision (Y) is 45.4% while the remaining 54.6% is influenced or explained by other variables outside the variables studied.

Based on the table 10, it can be seen that the Adjusted R square is 0.595 or 59.5%. This shows that the percentage of simultaneous influence of the variables Price (X1) and Promotion (X2) on the dependent variable Purchase Decision (Y) is 59.5% while the remaining 40.5% is influenced or explained by other variables outside the variables studied.

**Hypothesis test**

**t test (partial test)**

Hypothesis testing for the Price (X1) and Promotion (X2) variables on Purchasing Decisions (Y) is carried out using the t test (partial test). In this study, a significance criterion of 5% (0.05) was used.

**Table 9.** Results of partial determination coefficient testing between promotion (X2) and purchasing decisions (Y)

<b>Model Summary</b>				
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.678 <sup>a</sup>	,459	,454	2,963

a. Predictors: (Constant), Promotion  
Source: Processed Primary Data, 2022

**Table 10.** Results of simultaneous determination coefficient testing between price (X1) and promotion (X2) on purchasing decisions (Y)

<b>Model Summary</b>				
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.776 <sup>a</sup>	,603	,595	2,553

a. Predictors: (Constant), Promotion, Price  
Source: Processed Primary Data, 2022

**Table 11.** Hypothesis test results (t Test) price variable (X1) on purchasing decisions (Y)

	<b>Coefficients<sup>a</sup></b>			
	<b>Unstandardized B</b>	<b>Coefficients Std. Error</b>	<b>Standardized Coefficients Beta</b>	
(Constant)	5,527	3,612		1,530 ,129
Price	,862	,086	,714	10,084 ,000

a. Dependent Variable: Purchase Decision  
Source: Processed Primary Data, 2022

Based on the test results in the table above, the calculated t value > t table or (10.084 > 1.660) is obtained. This is also confirmed by the  $\rho$  value < Sig.0.05 or (0.000 < 0.05). Thus, H0 is rejected and H1 is accepted, this shows that there is a significant influence between price on purchasing decisions.

Based on the test results in the table above, the calculated F value > F table or (73.628 > 2.70) is obtained. This is also confirmed by the  $\rho$  value < Sig.0.05 or (0.000 < 0.05). Thus, H0 is rejected and H3 is accepted, this shows that there is a significant simultaneous influence between Price and Promotion on Purchasing Decisions.

**Table 12.** Hypothesis test results (t Test) promotion variables (X2) on purchasing decisions (Y)

	Coefficients <sup>a</sup>		Standardized	
	Unstandardized B	Coefficients Std. Error	Coefficients Beta	
(Constant)	13,687	3,099	4,416	,000
Promotion	,678	,074	,678	9.126 ,000

a. Dependent Variable: Purchase Decision  
Source: Processed Primary Data, 2022

Based on the test results in the table above, the calculated t value > t table or (9.126 > 1.660) is obtained. This is also confirmed by the  $\rho$  value < Sig.0.05 or (0.000 < 0.05). Thus, H0 is rejected and H1 is accepted, this shows that there is a significant influence between Promotion on Purchasing Decisions.

**F Test (Simultaneous test)**

To test the influence of the Price and Promotion variables simultaneously on Purchasing Decisions, the F statistical test (simultaneous test) is carried out with a significance criterion of 5% (0.05).

**DISCUSSION**

**Influence of price (X1) on purchasing decisions (Y)**

Based on the statistical test results of the simple linear regression test, the equation  $Y = 5.527 + 0.862X1$  was obtained and the coefficient of determination with the Adjusted R square value was 0.504. This shows that the percentage influence of the independent variable Price (X1) on the dependent variable Purchasing Decision (Y) is 50.4% while the remaining 49.6% is influenced or explained by other variables outside

**Table 13.** Hypothesis results (F Test) between price (X1) and promotion (X2) on purchasing decisions (Y)

Model	ANOVA <sup>a</sup>				
	Sum of Squares	df	Mean Square	F	Sig.
Regression	959,441	2	479,721	73,628	,000 <sup>b</sup>
Residual	631,999	97	6,515		
Total	1591,440	99			

a. Dependent Variable: Purchase Decision  
b. Predictors: (Constant), Promotion, Price  
Source: Processed Primary Data, 2022

the variables studied, while the t test results obtained  $t_{count} > t_{table}$  or  $(10,084 > 1.660)$ . This is also reinforced by the  $\rho$  value  $< \text{Sig}.0.05$  or  $(0.000 < 0.05)$ . Thus,  $H_0$  is rejected and  $H_1$  is accepted, this shows that there is a significant influence between price on purchasing decisions.

The results of this research are in line with the results of research (Pratiwi, Junaedi, & Prasetyo, 2019) entitled The Influence of Price on Consumer Purchasing Decisions: Case Study of 212 Mart Cikaret with the research results that there is an influence of price on consumer purchasing decisions. The more the price matches the quality of the product, the greater the consumer purchasing decisions will be. On the other hand, if the price does not match the quality of the product, it will reduce consumer purchasing decisions. The same thing is also in accordance with the results of research (Putranto & Kartoni, 2020) with the research title The Influence of Product Quality and Price on Tupperware Purchasing Decisions (Case Study of Housewives in Kunciran Housing - Tangerang) with the research results showing that Price ( $X_2$ ) on purchasing decisions ( $Y$ ) is 49.7%. This shows that high prices will increase purchasing decisions. From hypothesis testing, it was obtained that the value of  $t_{count} > t_{table}$   $(6.370 > 1.296)$  was also proven by a significance of  $0.000 < 0.1$ . Thus,  $H_0$  is rejected and  $H_1$  is accepted, this shows that there is a partially positive and significant influence between price on purchasing decisions.

#### **Effect of promotion ( $X_2$ ) on purchasing decisions ( $Y$ )**

Based on the statistical test results of the simple linear regression test, the equation  $Y = 13.687 + 0.678X_2$  was obtained and the coefficient of determination with the Adjusted R square value was 0.454 or 45.4%. This shows that the percentage of influence of the independent variable Promotion ( $X_2$ ) on the dependent variable Purchase Decision ( $Y$ ) is 45.4% while the remaining 54.6% is influenced or explained by other variables outside the variables studied, while the t test results obtained  $t_{count} > t_{table}$  or  $(9.126 > 1.660)$ . This is also reinforced by the  $\rho$  value  $< \text{Sig}.0.05$  or  $(0.000 < 0.05)$ . Thus,  $H_0$  is

rejected and  $H_1$  is accepted, this shows that there is a significant influence between Promotion on Purchasing Decisions.

The results of this research are in line with the results of research (Poespa, Cahyono, & Martah, 2020) entitled The Influence of Product Quality, Price and Promotion on Purchase Decisions for Marina Lotion, where from the results of this research it is known that promotions influence purchasing decisions. The same thing is also in accordance with the results of research (Kesuma, Fitria, & Al Umar, 2021) entitled Product Quality and promotion on purchasing decisions for Pattaya Corner Products in Salatiga City with research results that the promotional variable is the variable that has the most dominant influence on purchasing decisions for Pattaya Corner because it has a value of 54%.

#### **The influence of price ( $X_1$ ) and promotion ( $X_2$ ) on purchasing decisions ( $Y$ )**

Based on the statistical test results of the multiple linear regression test, the equation  $Y = 1.437 + 0.578X_1 + 0.386X_2$  was obtained and the coefficient of determination with the Adjusted R square value was 0.595 or 59.5%. This shows that the percentage of influence of the variables simultaneously Price ( $X_1$ ) and Promotion ( $X_2$ ) on the dependent variable Purchase Decision ( $Y$ ) is 59.5% while the remaining 40.5% is influenced or explained by other variables outside the variables studied, while the results of f test obtained calculated  $F > F_{table}$  or  $(73.628 > 2.70)$ , this is also confirmed by  $\rho$  value  $< \text{Sig}.0.05$  or  $(0.000 < 0.05)$ . Thus,  $H_0$  is rejected and  $H_3$  is accepted, this shows that there is a significant simultaneous influence between Price and Promotion on Purchasing Decisions.

The results of this research are in line with research conducted by (Cahyono, Suryani, & Elvandari, 2020) entitled The Influence of Price and Promotion on Purchasing Decisions at PT Vista Bangun Propertindo with the research results showing that there is a simultaneous influence of the relationship value between the variables Price ( $X_1$ ) and Promotion ( $X_2$ ) on Purchasing Decisions ( $Y$ ) of 0.834, the level of relationship is very strong. The value of the

influence of the Price (X1) and Promotion (X2) variables on Purchasing Decisions (Y) is 69.5% resulting from the coefficient of determination test (R<sup>2</sup>) and the F test value is 5.173 with a significance level of 0.000 because  $0.000 < 0,05$ . So it can be concluded that the Price variable (X1) and the Promotion variable (X2) simultaneously influence the Purchasing Decision variable (Y) at PT. Vista Bangun Propertindo – Tangerang.

The results of the research (Nabilaturrahmah, Wiranata, & Ivona, 2021) entitled *The Influence of Grabfood Prices and Promotions on Purchasing Decisions for KFC Grand Wisata during the Pandemic* show that Prices (X1) and Promotions (X2) have a simultaneous effect on purchasing decisions (Y) of 0.555 or 55.5%.

## CONCLUSION

Partially, price has an influence on purchasing decisions, which can be seen from the t test with the calculated t value  $>$  t table or ( $10.084 > 1.660$ ). This is also reinforced by the  $\rho$  value  $<$  Sig.0.05 or ( $0.000 < 0.05$ ). Promotion's influence on purchasing decisions can be seen from the t test with the calculated t value  $>$  t table or ( $9.126 > 1.660$ ). This is also reinforced by the  $\rho$  value  $<$  Sig.0.05 or ( $0.000 < 0.05$ ). Simultaneously price and promotion influence purchasing decisions, this can be seen from the results of the f test where calculated  $F >$  F table or ( $73.628 > 2.70$ ), this is also reinforced by  $\rho$  value  $<$  Sig.0.05 or ( $0.000 < 0.05$ ).

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## **Quality of Omnichannel Integration and Perceived Value as Drivers of Customer Satisfaction and Loyalty Study at BNI Bank**

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### **Abstract**

Thus, this study investigates the relationship that exists between omnichannel integration quality, customer value and customer responsiveness, namely satisfaction and loyalty. This research was conducted at Bank BNI. More specifically, this research aims to evaluate whether the positive value created by the omnichannel system as perceived by customers and a higher level of integration quality (integrity quality) can be one of the important drivers of bank customer satisfaction and loyalty. The method used for this study is a quantitative method, which involves parameter estimation, hypothesis testing, establishing confidence intervals, and the relationship between two or more characteristics (variables) for parameters with a known distribution (normal distribution). Next, it was analyzed using validity and reliability and PLS hypothesis testing. The unit of analysis in this research was 148 BNI bank customers. The results of this study include the following: There is a significant relationship between the quality of omnichannel integration and perceived value at Bank BNI, there is a significant relationship between the quality of omnichannel integrity and customer satisfaction at BNI Bank, there is a significant relationship between omnichannel perceived value (perceived value) on customer satisfaction at bank BNI, there is no significant effect between the quality of omnichannel integration on customer loyalty at Bank BNI, there is a significant effect between the omnichannel perceived value on customer loyalty at Bank BNI, there is an influence significant relationship between satisfaction and customer loyalty at Bank BNI.

**Keywords:** Omnichannel Integration Quality, Perceived Value, Customer Satisfaction, Customer Loyalty

## INTRODUCTION

Customer behavior has undergone major changes in the evolving retail context characterized by the emergence of online channels and digital technologies (Bhalla, 2014; Hagberg et al., 2016; Huré et al., 2017). Customers are looking for new ways to search for information, make purchases, and connect with companies, and to achieve this, tend to use multiple channels and touchpoints simultaneously (e.g. physical stores, websites, mobile, social media, to complete more than one transaction (Taufique Hossain et al., 2017; Verhoef et al., 2015). According to Ostrom et al., (2015), omnichannel management is one of the 3 most important topics in service research. Academic research on omnichannel is still in its infancy (Saghiri et al., 2017). The omnichannel principle is to integrate all company communication channels with customers, which results in the sharing of the same data in each channel. Omnichannel can interact with companies through a wide range of communication channels according to their wishes, without having to repeat information when switching channels.

Research related to omnichannel management is gaining momentum with reports showing implementing omnichannel systems results in 250% higher purchase frequency, 13% more order value, 90% higher customer retention, and 13.5% more engagement rates compared to single-channel systems (Collins, 2019).

In general, companies today are aware of the importance of an omnichannel strategy to strengthen the harmonious relationship between the company and customers. Omnichannel customers assess that they can obtain better information and can use technology optimally.

Omnichannel marketing focuses on consumers/target audiences, seeking to deliver a holistic experience. According to Verhoef et al., (2015), omnichannel management is the synergistic management of various channels available at customer touchpoints, so that the customer experience across all channels can be optimized. Nevertheless, academics and professionals need to study this topic from a customer perspective, and most importantly, to

understand the results of omnichannel adoption and management on consumer behavior such as satisfaction or loyalty (Saghiri et al., 2017). Additionally, omnichannel channels are involved to ensure perfect coordination and synergy across all channels (Saghiri et al., 2017; Verhoef et al., 2015). In this sense, the concept of integration quality (IQ) originally advocated in a multichannel context (Sousa and Voss, 2006) appears to be more important in omnichannel. IQ has been advanced as a key element that enables integrated omnichannel experiences (Shen et al., 2018; Taufique Hossain et al., 2017) that will be highly valued by customers (Kabadayi et al., 2017), and can therefore lead to better company performance, especially through strengthening customer relationships (Huré et al., 2017). Thus, this research investigates the relationship that exists between the quality of omnichannel integration, customer value, and customer response, namely satisfaction and loyalty. This research will be carried out at BNI Bank. More specifically, this research aims to evaluate whether the positive value created by an omnichannel system as perceived by customers as well as a higher IQ level can be an important driver of bank customer satisfaction and loyalty.

One research study empirically investigates the relationship between IQ, customer perceived value, satisfaction, and loyalty in the context of omnichannel banking. This, not only enriches the limited existing research in the omnichannel literature by providing an overview of the resulting phenomenon from the customer perspective but also provides some insight to professionals in the retail banking context about how delivering omnichannel banking services can be experienced by their customers.

Several recent studies have attempted to investigate the use of customer intentions (Juaneda- Ayensa et al., 2016; Shen et al., 2018) and some customer responses (Zhang et al., 2018) around the world, the academic literature on omni-channels from the standpoint of customer perspective is still rare (Taufique Hossain et al., 2017).

BNI offers fund storage services and loan

facilities for both corporate, medium, and small segments. Some of the best products and services have been adapted to the needs of customers from childhood, adolescence, and adulthood, to retirement. Bank BNI's Omnichannel Strategy Omnichannel is a communication channel that is universal by combining various communication channels in one interface.

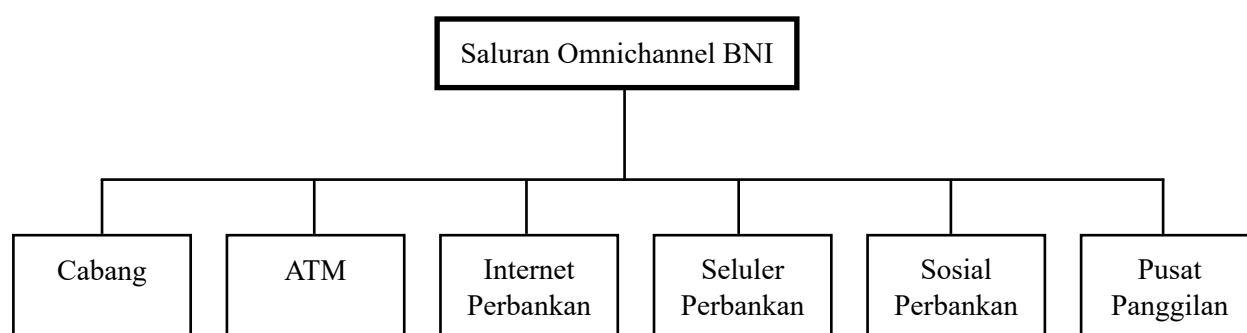
The strategy taken by Bank BNI in implementing the Omnichannel strategy is to provide services to customers through one complete platform. Digital development is not only carried out internally at the bank but also to facilitate third-party partners by using Application Programming Interface (API) services. By implementing the omni-channel strategy at Bank BNI, BNI also recorded an increase in the number of BNI Mobile Banking users which reached 9.9 million people with a growth of 46.6% YoY.

Apart from the significant increase in the number of users, the transaction value via BNI Mobile Banking has also reached IDR 447 trillion, or an increase of 33.4% YoY. Reporting from idxchannel.com In the future, BNI Mobile Banking features will continue to be improved with Omni Channel Experience, Personal Financial Management, and integrated MSME solution features.

As seen in the picture above, omnichannel can make it easier for consumers to make transactions and also the obstacles they face in banking. From the explanation above, the author is interested in conducting research with the title "Quality of omnichannel integration and perceived value as drivers of consumer satisfaction and loyalty. Study at Bank BNI Indonesia"

### Definition omnichannel

This retail phenomenon can be interpreted as having "omnichannel" characteristics, which are based on the multichannel concept of the World Wide Web. The term "omni" comes from business people related to academia. However, Parker and Hand, (2009) and Ortis and Casoli, (2009) claim that "omnichannel" buyers evolved from multichannel consumers using all different channels simultaneously. Rigby, (2011 p. 65-76) first defined omnichannel retail as "the integration of a sales experience that combines the advantages of physical stores with the breadth of online shopping information and experiences". Omnichannel comes from the origin of the word omni, which means universality. In this sense, an omnichannel is a universal communication channel that combines different communication channels into one type



**Figure 1.** Main omnichannel components in banking

**Source:** (Cuesta et al., 2015; Ericsson et al., 2012; Liu et al., 2017; Suvarna dan Banerjee, 2014).

of interface. These combined communication channels allow companies to interact with their customers to create comprehensive schedules. Omnichannel is an advanced multi-channel strategy that allows users to experience real-time development. For stores, especially retailers, this omni-channel strategy makes it easier for customers to find information about the products they sell. Indirectly, this omni-channel strategy also facilitates interaction between entrepreneurs and their buyers. Simply put, omnichannel is a multi-channel sales approach that focuses on providing a seamless customer experience, whether customers are shopping online from a mobile device, laptop, or brick-and-mortar store.

### **Omnichannel banking**

Banking is one of the earliest sectors to adopt omnichannel by strengthening their physical and electronic channels by switching to digital channels (Liu et al., 2017). In addition, omnichannel potential is one of the top 3 pillars to further attract new bank customers and retain existing ones, thereby achieving a sustainable competitive advantage. In 2020, according to a study conducted by Helin and Sadowski (2017) on the prospects of banking. Omnichannel then becomes a new strategy in the banking industry that needs to be adopted by banks to remain competitive in the market (Bhalla, 2014). Whether from a PC (personal computer), through mobile devices, through ATMs or at branches, omnichannel banking makes it easy for customers to access various banking services smoothly (Liu et al., 2017). Omnichannel focuses on smooth and consistent interactions between a bank and its customers across multiple channels (Tang and Ofori-Boateng, 2014), for example, a customer starts an interaction with one channel, such as at a bank branch, and finishes it with another, such as mobile banking, through smartphone or tablet.

However, channels continue to diversify, due to continuous technological development, which will result in more complexity in system management for bank managers but will create added value for bank customers through more choices, not only to meet their current needs but

also to satisfy future needs. (Tang and Ofori-Boateng, 2014). However, as the number of channels increases, the need for tighter integration between omnichannels becomes more important than in multichannel banking (O'Brien, 2013). Banking, the distinction identified in the previous paragraph between omni- and multi- channel also applies to distinguish between multi- and omni-channel banking (Komulainen and Makkonen, 2018) where it is expected that the level of integration will be higher and the PV (perceived value) will be greater in the context of omni-channel banking (compared to multi-channel banking), which can improve customer outcomes. Therefore, this study aims to study empirically, in the context of omni-channel banking services, whether investment in channel integration and the added value of the omni-channel will affect the variables of customer satisfaction and loyalty.

### **Omnichannel integration quality**

Channel integration refers to the coordination between the various forms of interaction used by companies, such as websites, physical stores, and finally other channels (Seck and Philippe, 2013) to offer a seamless experience, characterized by easily moving from one channel to another, to customers during their interactions with the company (Goersch, 2002).

According to Saghiri et al., (2017) define omnichannel integration from three perspectives: integration between channel stages, because customers can move easily between all channel stages during their interaction process without confusion, loss of control, or inconsistencies in information related to product or service received; integration between channel types to ensure close collaboration between the various channel types used by enterprises such as online, offline and mobile channels to produce synchronous operations and decisions; and integration between channel agents, meaning that the information sent and the products and/or services offered by different channel agents are the same. According to Zhang et al., (2018) consider omnichannel quality integration as "the degree to which a retailer coordinates its various

channels to create synergies for the company and offer a seamless shopping experience to its customers". Omnichannel quality integrity aims to make it easier for customers to benefit from the advantages of each channel used and eliminate cannibalization by creating synergies between channels, which can result in increased company performance (Shen et al., 2018). Quality of omnichannel integration and perceived value

Perceived Value by customers in multichannel systems has received particular attention from both academia and business, with a notable shift from an enterprise-centric view to a more customer-centric view of the value creation process (Banerjee, 2014). It seems that the value created, including saving money, time and effort, is the main reason that leads customers to use multiple channels (Hsiao et al., 2012). Many research studies argue that multichannel IQ (integration quality) has an influence on the PV (perceived value) of a multi-channel system (Wu and Chang, 2016; Yu et al., 2011). More precisely, high-quality multi-channel integration, which brings great synergy between channels and a seamless customer experience, will increase the perceived value of a subscriber multi-channel system (Gentile et al., 2007). These results have been well highlighted in the context of multi-channel banking (Kabadayi et al., 2017). Thus, this study proposes to examine the relationship in the case of omnichannel banking, especially with omnichannel systems, companies tend to improve the quality of their channel integration through more personalization of the shopping experience and offering great mobile value and ancillary services (Taufique Hossain et al., 2017).

### **Customer satisfaction**

Customer satisfaction is a key concept in consumer research (Oliver, 1980; Rust and Oliver, 1994). Customer satisfaction expresses "an individual's perception of product or service performance compared to expectations" (Torres and Kline, 2006). In the literature, two main conceptualizations of customer satisfaction are distinguished (Montoya-Weiss et al.,

2003) transaction-specific conceptualizations (Parasuraman et al., 1994). Then, this research focuses on banking, which is a service with a high level of involvement and is mostly characterized by frequent and long-term interactions (Narteh, 2018). Moreover, previous research conducted in the context of multiple channels considers satisfaction as "the result of successive experiences through all channels used" (Seck and Philippe, 2013). Among the most important antecedents of global customer satisfaction is perceived quality (Fornell et al., 1996). Indeed, several studies highlight a positive relationship between perceived quality and overall satisfaction (Cronin et al., 2000; Rust & Oliver, 1994). In particular, in multi-channel settings, channel quality has been considered a major driver of customer satisfaction (Montoya-Weiss et al., 2003; Sousa and Voss, 2006).

In fact, Seck and Philippe (2013) show that multichannel customers, who use at least two channels over the course of their experience with a company, develop their perceptions of quality across all channels, not just one of them, which, in turn, influences their satisfaction overall. Furthermore, in the case of multi-channel banking, perceived IQ (integrity quality) through the use of various banking service channels was found to be a determining factor in the formation of overall customer satisfaction (Krishnan et al., 1999).

Otherwise, and as suggested customer satisfaction in an omnichannel context will be greater because the perceived quality of channel integration is high (Juaneda-Ayensa et al., 2016; Lazaris and Vrechopoulos, 2014), Conversely, Perceived Value is also recognized as another variable of customer satisfaction (Cronin et al., 2000; Fornell et al., 1996). More precisely, as the customer value framework suggests, overall satisfaction is the result of customers' perception of the value they receive (Parasuraman and Grewal, 2000; Woodruff, 1997). In the multichannel retail context, a positive relationship exists between perceived value and customer satisfaction (Carlson et al., 2015). Huré et al. (2017)

## Loyalty

Loyalty can be defined as an attitude that refers to the attachment of the individual as a whole to a brand or company (Hallowell, 1996). In addition, loyalty can also be defined as behavior that reflects customers repeatedly buying the same product or service from the same company, even though other alternatives are available in the market (Lenka et al., 2009) for a long time, the behavioral component is considered the most important for understand consumer loyalty. This conceptualization was adopted in the case study of customer loyalty in the banking context (Kaura et al., 2015). In addition, several studies have shown that bank customer loyalty is positively related to customer perceptions of service quality (Kaura et al., 2015; Kumar et al., 2013; Narteh, 2018). In a multi-channel context, it has been argued that perceived higher quality of integration, realized through smoothness and transparency between various channels (Lazaris and Vrechopoulos, 2014), has a greater impact on customer loyalty (Schramm-Klein et al., 2011; Seck and Philippe, 2013). Therefore, in an omnichannel context where quality integrity should be at the highest level (Saghiri et al., 2017). Other studies have supported that perceived value significantly contributes to increasing customer loyalty (Kotler & Keller, 2016; Parasuraman & Grewal, 2000). Research by Carlson et al. (2015) and Swaid

and Wigand (2012) have shown these results in a multi-channel context because they found that the Perceived Value used by companies increases customer loyalty. In the omni-channel context, Huré et al. (2017) predict that omnichannels that are highly rated by customers will also encourage loyalty.

According to the marketing literature, customer loyalty is highly valued through satisfaction (Hallowell, 1996). However, satisfied customers may seek offers from other companies to obtain a higher level of service or to benefit from more competitive prices, whereas dissatisfied customers may choose not to leave the company and repeat their purchase because they believe there is no alternative in place. others (Mittal and Lassar, 1998). Studies conducted in the banking sector (Kaura et al., 2015; Kumar et al., 2013), as well as in multichannel environments (Wallace et al., 2004), highlight empirically that increasing satisfaction has been shown to have an impact on increasing customer loyalty.

## Conceptual framework and hypothesis development

Based on the analysis of all dimensions described in the omnichannel integration quality in bank, omnichannel perceived value, customer satisfaction, and customer loyalty.

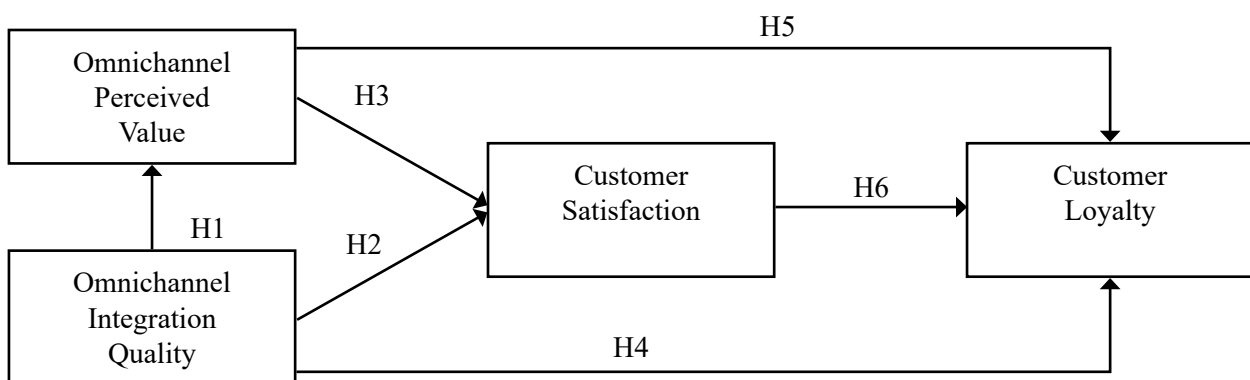


Figure 2. Hypothesis Model

Furthermore, to build on the findings of the literature review and expand the limited knowledge about the quality of omnichannel integration, this study conducted a quantitative analysis.

Based on the explanation above, the model hypothesis in this study are:

H1: There is a significant influence between the quality of omnichannel integration on the perceived value at Bank BNI

H2: There is a significant relationship between the quality of omnichannel integrity and BNI bank customer satisfaction

H3: There is a significant relationship between omnichannel perceived value and customer satisfaction at BNI bank.

H4: There is a significant influence between omnichannel quality integrity on customer loyalty at BNI Bank

H5: There is a significant influence between omnichannel perceived value on customer loyalty at Bank BNI.

H6: There is a positive and significant influence between satisfaction and customer loyalty at Bank BNI

## **METHODS**

### **Research population and sample**

The population in this research are customers who have made Tokopedia purchases. Sampling was carried out using non-probability sampling, namely that each respondent has the population criteria and does not have the same opportunity to become a sample. More precisely, this

sampling method is convenience sampling, that is, members of the population are selected based on the researcher's judgment. The researcher selects respondents based on the researcher's knowledge and views who assess that someone who is a member of the population is worthy of being a sample in this research. The number of respondents was 148 customers who had made transactions at BNI bank

### **Data analysis techniques**

This study uses the SEM Partial Least Square (PLS) method. SEM PLS can also analyze reflective and formative measurement models as well as latent variables. PLS-SEM can work efficiently with small sample sizes and complex models. In addition, the assumption of data distribution in the Stages of analysis in using SEM Partial Least Square. (Hair, Joseph F; Hult, G. Tomas. M., Ringle, Christian & Sarstedt, 2013), suggesting several stages that are passed to evaluate the model structurally, the first by conducting a multicollinearity test, followed by analyzing the relationships in the model and estimating the predictive ability of the model. The first stage after testing the validity and reliability is to ensure the level of collinearity.

## **RESULTS**

### **Validity test**

The measures of the construct should be highly correlated. An individual reflexive measure is said to be high if it correlates more than 0.7 with the construct to be measured (Ghozali & Latan, 2015).

**Table 1.** Validity test

Variable	Indicator	Outer Loading	Information
	IQ.1	0,901	Valid
	IQ.2	0,899	Valid
	IQ.3	0,763	Valid
	IQ.4	0,820	Valid
	PV.1	0,878	Valid
	PV.2	0,879	Valid
	PV.3	0,859	Valid
	PV.4	0,852	Valid
	PV.5	0,825	Valid
	Sat.1	0,926	Valid
	Sat.2	0,931	Valid
	Sat.3	0,891	Valid
	Loy.1	0,785	Valid
	Loy.2	0,878	Valid
	Loy.3	0,888	Valid
	Loy.4	0,880	Valid
	Loy.5	0,881	Valid

Based on the data in Table 1, it is known that each variable indicator of omnichannel integration quality, omnichannel perceived value, customer satisfaction, and customer loyalty has an outer loading value of >0.7, which means the data

above shows that each variable indicator in this research has been declared valid. Discriminant validity is tested with reflective indicators, the criteria seen are the cross-loading values for each variable must be >0.7 (Ghozali & Latan, 2015).

**Table 2.** Validity discriminant

Indicator	Omnichannel Integration Quality (IQ)	Omnichannel Perceived Value (PV)	Customer Satisfaction (SAT)	Customer Loyalty (LOY)
IQ.1	0,901	0,704	0,717	0,597
IQ.2	0,899	0,652	0,605	0,518
IQ.3	0,763	0,533	0,502	0,496
IQ.4	0,820	0,584	0,643	0,541
PV.1	0,649	0,878	0,690	0,629
PV.2	0,673	0,879	0,742	0,697
PV.3	0,632	0,859	0,649	0,577
PV.4	0,639	0,852	0,660	0,586
PV.5	0,553	0,825	0,677	0,604
SAT.1	0,710	0,754	0,926	0,699
SAT.2	0,683	0,725	0,931	0,717
SAT.2	0,623	0,713	0,891	0,741
LOY.1	0,608	0,692	0,853	0,785
LOY.2	0,508	0,608	0,611	0,878
LOY.3	0,504	0,581	0,605	0,888
LOY.4	0,512	0,574	0,594	0,880
LOY.5	0,575	0,616	0,644	0,881

Based on the data in Table 2 above, it is known that the cross-loading value of each latent variable has a large loading value  $> 0.7$ . These data indicate that all latent variables in the research instrument are stated to be discriminantly valid.

### Construct reliability and validity

Another method that can be used to measure discriminant validity is by comparing the root value of the Average Variance Extracted (AVE) for each construct with the correlation between other constructs in the model. An indicator is considered valid if it has an AVE value above 0.5 (Hair, 2012). It can be seen in Table 3 that the AVE value is  $> 0.7$  for each variable, including omnichannel integration quality, omnichannel perceived value, customer loyalty, and customer

satisfaction. This shows that there is good validity.

The criteria for reliability are seen from Cronbach's alpha and composite reliability, namely the accepted limit value for the composition reliability level, namely  $> 0.70$  (Hair, 2012). From the table below the composite variable value is  $> 0.9$  and the Cronbach alpha value is  $> 0.8$ , this shows that the reliability is well-received.

### Structural model evaluation

Structural model testing is the development of a model based on theoretical concepts in order to analyze the relationship between exogenous and endogenous variables. The stages of testing the structural model (inner model) can be done using the fit model. The results of measuring the fit model in this study can be seen in table 4.

**Table 3.** Validity and reliability

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Customer Loyalty	0,914	0,920	0,936	0,745
Customer Satisfaction	0,904	0,904	0,940	0,839
Omnichannel Integration Quality	0,868	0,879	0,910	0,718
Omnichannel Perceived Value	0,911	0,913	0,933	0,737

**Table 4.** Model fit

Goodness Model Of Fit	Saturated Model	Estimated Model	Explanation
SRMR	0,070	0,070	Model Fit
d_ ULS	0,752	0,752	Model Fit
d_ G	0,536	0,536	Model Fit

Source: Smart PLS Versi 3.

From table 4 of the fit model it can be seen that the SRMR value is referred to as Standardized Root Mean Square Residual, this value explains the level of error in the prediction of the independent variable on the dependent variable. The estimated residuals in this study are smaller (<0.1) and d\_ULS (The Squared Euclidean Distance) and d\_G (The geodesic distance) means that a good research model must have a value greater than 0.05 (if using confidence 95% interval or > 0.01 (if using a 99% confidence interval) means that the research model has a low residual distribution. Next is the coefficient of determination whose results can be seen from the value of R Square. The coefficient of determination is a percentage value that shows the contribution of the influence of the predicting variable to the variable it predicts. The higher the number indicates the higher the contribution of these independent variables in influencing the decrease or increase of the dependent variable.

**Hypothesis test result**

**R-square**

The criteria for the R-Square value are, an R-Square value of 0.67 indicates that the model is strong, 0.33 indicates a medium model, and 0.19 indicates a weak model (Ghozali & Latan, 2015).

**Table 5.** R square

Variable	R Square	R Square Adjusted
Customer Loyalty	0,642	0,635
Customer Satisfaction	0,684	0,679
Omnichannel Perceived Value	0,539	0,536

**Source:** Smart PLS Versi 3.

Based on the data in the table above, it is known that the R-Square value for customer loyalty is 0.642, indicating the model is being strong, and the customer satisfaction variable is 0.684, indicating a strong model and the omnichannel perceived value model is 0.539.

**Table 6.** Path coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( OSTDEV )	P Values
Customer Satisfaction -> Customer Loyalty	0,552	0,551	0,099	5,564	0,000
Omnichannel Integration Quality -> Customer Loyalty	0,053	0,056	0,083	0,638	0,262
Omnichannel Integration Quality -> Customer Satisfaction	0,322	0,328	0,069	4,685	0,000
Omnichannel Integration Quality -> Omnichannel Perceived Value	0,734	0,748	0,065	11,314	0,000
Omnichannel Perceived Value -> Customer Loyalty	0,243	0,245	0,105	2,310	0,011
Omnichannel Perceived Value -> Customer Satisfaction	0,561	0,561	0,077	7,301	0,000

**Source:** Smart PLS Versi 3.

## DISCUSSION

Based on the structural model and hypothesis testing, following the two-phase SEM technique, the measurement model results are used to test the structural model including the research construction path. In addition to testing the structural model, we investigate the statistical significance of the research hypothesis. Table 4.7 Path Coefficient summarizes the results of hypothesis testing.

### **H1: There is a significant relationship between the quality of omnichannel integration and perceived value at Bank BNI**

This supports research on the value created, including saving money, time and effort, are the main reasons that lead customers to use multiple channels (Hsiao et al., 2012). Many research studies argue that multichannel IQ (integration quality) has an influence on the PV (perceived value) of a multi-channel system.

### **H2: There is a significant relationship between the quality of omnichannel integrity on BNI bank customer satisfaction**

This supports research, in the case of multichannel banking, IQ (integrity quality) perceived through the use of various banking service channels was found to be a determining factor in forming overall customer satisfaction (Krishnan et al., 1999). If not, and as suggested customer satisfaction in an omnichannel context will be greater because the perceived quality of channel integration is high (Juaneda-Ayensa et al., 2016; Lazaris and Vrechopoulos, 2014)

### **H3: There is a significant relationship between perceived value and customer satisfaction at BNI bank**

The research results support that the Perceived Value variable is also recognized as another customer satisfaction variable (Cronin et al., 2000; Fornell et al., 1996). More precisely, as the customer value framework suggests, overall satisfaction is the result of customers' perception of the value they receive (Parasuraman and Grewal, 2000; Woodruff, 1997). In the multichannel retail context, a positive relationship exists between perceived value and customer satisfaction (Carlson et al., 2015).

### **H4: There is no significant influence between omnichannel integration quality and customer loyalty at BNI Bank**

This research does not support the hypothesis, namely that there is no significant influence between omnichannel quality integrity mediated by customer satisfaction on customer loyalty at BNI Bank through smoothness and transparency between various channels (Lazaris and Vrechopoulos, 2014), having a greater impact on customer loyalty (Schramm-Klein et al., 2011; Seck and Philippe, 2013). Therefore, in an omnichannel context where quality integrity should be at the highest level (Saghiri et al., 2017).

### **H5: There is a significant influence between omnichannel perceived value on customer loyalty at Bank BNI**

The hypothesis support the research, there is a significant influence of omnichannel perceived value on customer loyalty at Bank BNI. Other studies have supported that perceived value makes a significant contribution to increasing customer loyalty (Kotler & Keller, 2016; Parasuraman & Grewal, 2000).

### **H6: There is a significant relationship between satisfaction and customer loyalty at BNI Bank**

This hypothesis supports studies conducted in the banking sector (Kaura et al., 2015; Kumar et al., 2013), as well as in multichannel environments (Wallace et al., 2004), highlighting empirically that increasing satisfaction has been shown to impact increasing loyalty customer.

Of the 6 hypotheses that have been proposed by the author there are 5 hypotheses that support and 1 hypotheses that do not support, among others; there is no significant influence between omnichannel quality integrity on customer loyalty at Bank BNI.

This research variable omnichannel integration quality through mediation customer satisfaction, can impact for customer loyalty. This supports studies conducted in the banking sector (Kaura et al., 2015; Kumar et al., 2013), as well as in multichannel environments (Wallace et al., 2004), highlighting empirically that increasing satisfaction has been shown to have an impact on increasing loyalty customer.

## CONCLUSION

There is a significant relationship between the quality of omnichannel integration and the perceived value at Bank BNI. There is a significant relationship between the quality of omnichannel integrity and BNI bank customer satisfaction. There is a significant relationship between perceived value and customer satisfaction at BNI Bank. There is no significant influence between omnichannel quality integrity and customer loyalty at BNI Bank. There is a significant influence between omnichannel perceived value on customer loyalty at Bank BNI. There is a significant relationship between satisfaction and customer loyalty at BNI Bank. Based on the data in the table above, it is known that the R-Square value for customer loyalty is 0.642, indicating the model is strong, and the customer satisfaction variable is 0.684, indicating a strong model and the omnichannel perceived value model is 0.539.

This research has a weakness in that the sample size is only 148 BNI customer respondents. It is hoped that future research will have a larger sample. The research results of the omnichannel integration quality variable do not have a direct effect on customer loyalty. There is a customer satisfaction factor. To increase consumer loyalty, there must be satisfaction with omnichannel integration quality in BNI bank customers. The research results of the omnichannel perceived value variable do not have a direct effect on customer loyalty, there is a customer satisfaction factor that can increase consumer loyalty among BNI bank customers. Further research can add factors to consumer loyalty in banking.

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## **The Influence of Trust and Ease of Using Paylater on Impluse Buying in Users E-Commerce**

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### **Abstract**

The purpose of this study is to explore the influence of trust and ease of using Paylater on impulse buying tendencies of e-commerce users. This study uses quantitative methods based on a questionnaire obtained from 100 respondents using a Likert scale. This research data was calculated using SPSS through validity & reliability test, normality test, multicollinearity test, heteroscedasticity test, simple linear regression analysis, partial t test, simultaneous f test, & coefficient of determination test. The results of this study show that the ease of use of Paylater has a significant positive effect on impluse buying, while trust in Paylater is not proven to have a significant effect on impluse buying. However, the finding of no significant effect of trust in the use of Paylater on impluse buying contradicts previous research (Verhagen et al, 2011). This difference may be due to different research contexts or other factors that influence consumer trust in Paylater. The conclusion of this study is that the findings of this study add new insights in studying what factors influence impulse buying in the context of e-commerce, especially related to the use of Paylater.

**Keywords:** Trust, Paylater Convenience, Impluse Buying, E-Commerce

**INTRODUCTION**

In today's fast-paced digital era, the development of e-commerce has significantly changed the way we shop. The ease of access and convenience offered by e-commerce platforms have attracted massive consumer interest. E-commerce offers various advantages, such as the ability to browse products from various sellers without geographical restrictions, access to detailed product information, and a convenient purchasing process without leaving home (Laudon et al, 2017).

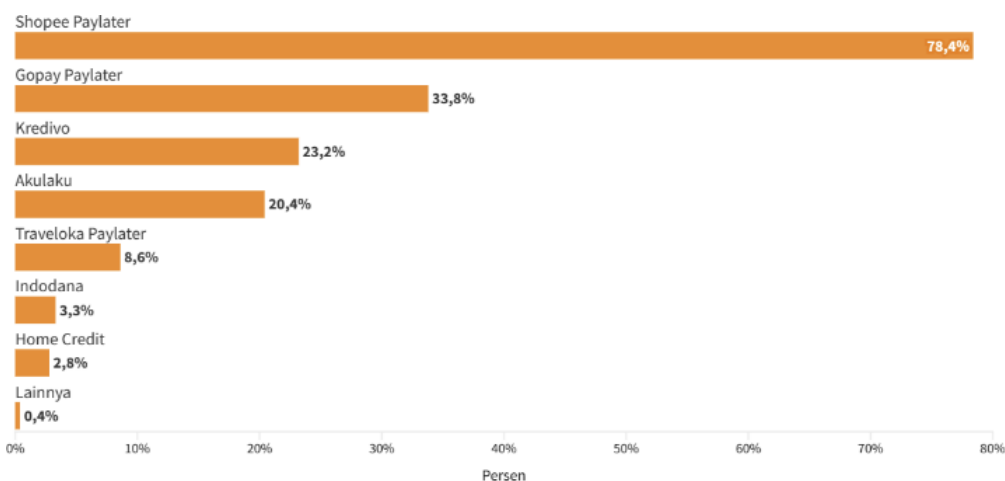
In Indonesia, after the emergence of e-commerce and the development of innovative service delivery methods, lending activities, one of which is shown by the existence of an online money lending service. One of the changes is marked by the behavior of gadget users by getting used to using e-commerce to fulfill transaction activities such as online shopping. Fintech is a bond of technology collaborating with the financial system to create new technology-based financial services (Putri & Iriani, 2020).

Various applications and websites are now increasingly widespread that provide various facilities that make it easier for its users, not

only for workers but also for students can now easily access and use online loans with Paylater facilities. This feature allows consumers to buy products in advance and pay for them at a later date, providing financial flexibility that appeals to many consumers. Paylater comes as a more convenient payment alternative to traditional methods, such as credit cards or bank transfers (Khare et al, 2012).

This facility also makes it easy for students to buy the goods they need such as primary needs of fashion, furniture, electronics, entertainment and others such as airline tickets, hotels, recreation tickets and other needs. The facility provides an easy and flexible service where users only need to upload personal data such as photos of ID cards, and photos of themselves as collateral, which only takes only 1 to 3 days for users to get a credit limit, which can be accessed via smartphones, computers, and laptops anywhere as long as they are connected to the network.

In research conducted (Andista et al, 2021) that Paylater was developed by a FinTech company in collaboration with e-commerce that provides the Paylater facility. Many e-commerce companies that use a very simple payment system are known by the wider community.



**Chart 1.** Social Daily Fintech Report 2021.

**Source:** DailySocial.id.

According to the Social Daily Fintech Report 2021, Shopee Paylater is the most widely used Paylater or payment service in Indonesia. For the record, 78.4% of respondents have used the application Shopee Paylater payment, GoPay Paylater is in second place with 33.8% of respondents using it. Then Kredivo and Akulaku users accounted for 23.2% and 10.4% respectively. Traveloka Paylater is in second place with 8.6% of respondents using it out of 3.3% of respondents using the service pay later. 2.8% of respondents use Home Credit payment service. Meanwhile, up to 0.4% of respondents use other payment applications.

However, the presence of the Paylater feature also raises questions about its potential influence on consumer behavior, particularly in the context of impulse buying. Impulse buying is a phenomenon in which consumers make spontaneous and unplanned purchasing decisions, often based on emotional impulses or momentary desires (Rook et al, 1995). With the Paylater option, there is a concern that consumers are more easily influenced to make impulse purchases because they do not have to pay directly.

Trust and ease of use are important factors that influence consumer decisions to use Paylater services (Davis et al, 1995). Trust refers to the consumer's belief that the Paylater provider will fulfill its obligations and promises, while ease of use refers to the consumer's perception that using Paylater does not require great effort.

This study was conducted to explore the influence of trust and ease of using Paylater on impulse purchase tendencies in e-commerce users. By understanding these factors, e-commerce providers and Paylater may find ways to improve the consumer shopping experience and prevent the possible negative effects of excessive impulse buying.

Impulse buying has become an interesting research topic in the disciplines of marketing and consumer behavior. Although impulse buying is often perceived as an irrational behavior and can have negative consequences for consumers, such as overspending and post-purchase regret, impulse buying has become a topic of research in

the marketing and consumer behavior disciplines (Rook et al, 1995). However, impulse buying also has positive impacts, such as increased satisfaction and enjoyment in shopping.

In the context of e-commerce, the online shopping environment offers different challenges and opportunities compared to the traditional shopping environment. While the lack of direct physical interaction with products and sellers may reduce impulse buying, the ease of access, convenience, and features such as Paylater may increase the risk of impulse buying (Verhagen et al, 2011). Trust is a key factor influencing consumer behavior in the context of e-commerce (Gefen et al, 2003). In an online environment that is prone to risk and uncertainty, trust is the foundation for consumers to feel comfortable in transactions.

In the discussion of Paylater, trust is a very important factor because consumers must be confident that the Paylater provider will fulfill its promises and will not misuse their financial information. A high level of trust in the Paylater provider can increase consumers' comfort in using the service, which in turn can affect their propensity to make impulse purchases.

On the other hand, ease of use is also an important factor influencing the adoption and use of technology by consumers (Davis et al, 1995). In the context of e-commerce, ease of use refers to consumers' perceptions that shopping online and using features such as Paylater does not require great effort. If the process of purchasing and using Paylater is well designed and easy to use, consumers will be more likely to adopt the feature.

This study was conducted to explore the influence of trust and ease of using Paylater on impulse purchase tendencies in e-commerce users. By understanding these factors, e-commerce and Paylater providers can find ways for consumers to discover the shopping experience and prevent the possible negative effects of excessive impulse purchases. The findings of this study should be useful for those with an interest in the e-commerce and Paylater industries, and contribute to the development of more effective marketing theory

and practice. An explanation of the variables in this study is explained as follows.

**Trust**

Trust is one of the requirements in a transaction, especially in buying and selling transactions so that each party trusts each other in the first step in doing business. Trust is the belief and knowledge gained by consumers about objects or products related to their various functional advantages according to (Sinaga et al, 2022). Consumer trust in the services provided to users is simply spread, not only on social media, but also in the real world. This will cause people to be more interested and seek more information which ultimately leads to a purchase decision. There are several considerations for consumers to do online transactions, entrusting purchases to online services and trust in online sellers as well as building long-term relationships created by e-commerce. However, many of the buyers were disappointed with their purchases at shopee where they bought items that did not fit and the items purchased online came later than consumers expected.

**Ease**

The ease of doing something gives a person a sense of interest, including the ease of making transactions. The changing times provide the latest ideas, one of which is in e-commerce, where there is a Paylater facility, there is convenience for users starting from services, and requirements. In addition, the Ease of Use of online loans is very easy to learn and understand so that almost everyone can use it. The convenience and benefits offered by Paylater are in accordance with the perceived benefits, namely the extent to which users trust the system to improve its performance if used.

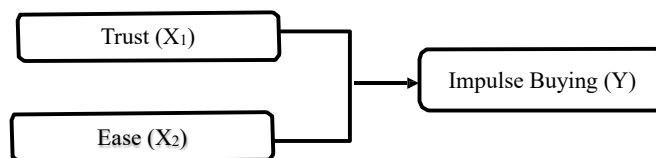
Deciding to use the Paylater service is very important, for which the company's marketing manager must fully understand.

**Impulse buying**

Shopping is an activity that people always do to fulfill their daily lives, such as shopping for food, clothing and others. However, it often happens that shopping activities are not at all the needs that are needed, just because they are tempted by

discounted goods, which is one of the marketing techniques, especially in e-commerce. Impulse buying behavior is a tendency for consumers to buy an item spontaneously or directly. Impulse buying is the willingness to buy a product, without a plan or intention at the beginning and not thinking about the impact for a long time of the purchase (Sari et al., 2021).

This behavior is where a person tends not to be able to control and hold back to buy an item even though the item is not his need and purpose. Sometimes purchases based on emotions are said to be emotional, hedonic buyers, who always prioritize momentary desires. Based on several opinions, impulsive purchases or unplanned purchases can be interpreted as unconsidered and irrational purchases that arise due to strong feelings of wanting to own an object, and tend to ignore the consequences. From the literature review above, the research model is shown in Figure 1 below.



**Figure 1.** Research Model

Based on the results of research and theoretical studies, the following hypotheses are obtained.

- H1: Trust affects impulse buying to e-commerce users
- H2: Ease affects impulse buying to e-commerce users
- H3: Trust & Convenience affect impulse buying in e-commerce users

**METHODS**

This research uses primary data from e-commerce users who have used the Paylater feature with quantitative methods. The survey method was chosen because it allows data collection on a large scale and facilitates the statistical analysis needed to determine the relationship between the variables in this study (Creswell, 2014).

The population in this study are Indonesians

who have used Paylater in the past year. The sampling technique used is non-probability sampling with purposive sampling method (Etikan et al., 2016). The inclusion criteria for participants are at least 18 years old, have an active e-commerce account, and have used Paylater at least once in the past year.

This research began in February-May 2024 with questionnaire data collection using Google Forms. The respondents collected were 100 respondents. The questionnaire was prepared based on a review of the literature and instruments that have been validated in previous studies. The dependent variable in this study is impulse buying tendencies which are measured through the adaptation of the Impulse Buying Scale (Rook et al, 1995). Independent variables include trust in Paylater and ease of use of Paylater. Trust in Paylater is measured by adapting the online trust scale (Gefen et al, 2003), while the ease of use of Paylater is measured by adapting the ease of use scale studied by (Davis et al., 1989) in the Technology Acceptance Model (TAM). In addition, the questionnaire also included

questions about the respondents' demographic characteristics and onlineshopping experience.

In data analysis, it is calculated using SPSS. Multiple linear regression analysis can be used in testing the effect of trust and ease of use of Paylater on impulse buying tendencies. Before regression analysis, assumptions such as normality, linearity, multicollinearity, and heteroscedasticity will be checked to ensure the validity of the analysis results (Hair et al, 2010). If these assumptions are not met, data transformation or alternative analysis methods will be considered.

## RESULTS

### Validity and reliability test

In this study, the validity and reliability of the research instruments were tested so that the data obtained were true and consistent. As stated by (Hamid et al, 2019) in his journal entitled "Validity and Reliability of Quantitative Research Instruments", validity and reliability testing are important steps to ensure the quality of data and research results. The results of the validity and reliability tests in this study are presented as follows:

**Table 1.** Results of the validity test of the impulse buying variable (Y)

No. Item	r calculate	r table (5%)	Information
Y.1	0,605	0,195	Valid
Y.2	0,669	0,195	Valid
Y.3	0,696	0,195	Valid
Y.4	0,527	0,195	Valid
Y.5	0,486	0,195	Valid
Y.6	0,272	0,195	Valid
Y.7	0,645	0,195	Valid
Y.8	0,727	0,195	Valid
Y.9	0,618	0,195	Valid

**Source:** Data processed by researchers 2024

Validity and reliability testing was carried out in the first level on data that had been collected using SPSS using 100 respondents. And obtained rtable, namely significance at 5%. From Table 1 illustrates that the variable impluse buying there are 9 statements of consumptive behavior variables described as valid impluse buying is declared valid because the rcount value > 0.195.

In addition to the validity test for the dependent variable, the validity test was also carried out on the independent variable in this study, referring to the results of the study (Azwar et al, 2018) in his journal entitled "Validity and Reliability of Social Research Instruments", validity testing is a way to find out if research instruments can be measured on what should be measured. The results of the validity test on the trust variable

(X1) in this study can be seen below:

Based on table 2, the trust variable uses 8 statements & the rcount value > 0.195, as the output shows that each statement of the trust variable is declared valid. X1.5 highest score, considered most important, X1.2 lowest score, considered least important.

After conducting the validity test, the next step is to test the reliability test in order to determine the consistency and reliability of the research instrument. As explained by (Heale et al, 2015) in his journal entitled "Validity and Reliability in Quantitative Studies", the reliability test needs to be carried out in order to determine the reliability and consistency of measurements if repeated. The results of the reliability test in this study are presented below:

**Table 2.** Results of the trust variable validity test (X1)

No. Item	r count	r table 5(%)	informational
X1.1	0,574	0,195	Valid
X1.2	0,524	0,195	Valid
X1.3	0,634	0,195	Valid
X1.4	0,605	0,195	Valid
X1.5	0,786	0,195	Valid
X1.6	0,660	0,195	Valid
X1.7	0,680	0,195	Valid
X1.8	0,680	0,195	Valid
X1.9	0,690	0,195	Valid

Source: Data processed by researchers 2024.

**Table 3.** Reliability test results

Variable	Cronbach's Alpha	Information
Trust	0,871	Reliable
Convenience	0,909	Reliable
Impluse buying	0,848	Reliable

Source: Data processed by researchers 2024.

Table 3 above explains the value of Chronbach's alpha in the trust, convenience and impluse buying variables. It can be observed based on the Chronbach's alpha value in impluse buying of  $0.848 > 0.6$ , the trust variable of  $0.871 > 0.6$ , and the convenience variable of  $0.909 > 0.6$ .

The normality test needs to be done in order to find out whether the data in this study is normally distributed or not. Quoting from the journal (Ghasemi et al, 2012) which contains that the normality test is important to ensure the accuracy of statistical analysis and the interpretation of valid results. The results of the normality test in this study are:

Table 4 indicates that the Kolmogrof-Smirnov significance value is  $,200 > 0.05$ , so it can be stated that the data is normal.

According to research described by (Midi et al, 2010) his journal entitled "A Knowledge-Based Approach for Detecting Multicollinearity Among Regression Variables", multicollinearity can cause problems in the interpretation of regression models and reduce the predictive power of the model. Therefore, multicollinearity test is important to ensure the absence of multicollinearity in the model. The results of the multicollinearity test in this study are:

**Table 4.** Normality test results

<b>One Sample Kolmogrov Smirnov Test</b>		<b>Unstandardized Residu</b>
N		100
Normal Parameters	Mean	,0000000
	Std.Devitation	4,58081614
Most Extreme Differences	Absolute	,071
	Positive	,046
	Negative	-,071
Test Statistic		0,07
Asymp.Sig.(2-tailed)		,200
X1.9	0,690	Valid

**Source:** Data processed by researchers 2024.

**Table 5.** Multicollinearity test results

<b>Model</b>	<b>Collinearity Tolerance</b>	<b>Statistic VIF</b>
Constant		
Trust	,344	2,908
Convenience	,344	2,908

**Source:** Data processed by researchers 2024.

Observing Table 5 above illustrates that the variables actually have VIF variable values < 10,000 and tolerance values > 0.1, as a result they can be said to be free of multicollinearity.

To ensure that the assumption of homoscedasticity is met in the regression model, a scatterplot of the residuals is analyzed. As explained by (Albright et al, 2020) in his journal entitled "Interpreting Regression Output: A Guide for Health Services Researchers", a good residual scatter plot should show a random distribution pattern and not form a specific pattern. The results

of the residual scatter plot are:

In Figure 2 heteroscedasticity describes the points spreading above, below or at approximately 0 (zero). It can be seen that the results of the scatterplot graph produce randomly scattered data that does not create a certain pattern, this indicates that there is no heteroscedasticity.

After ensuring that the assumptions in regression analysis are met, the next step is the T test.

The results of the T test in this study are presented as follows:

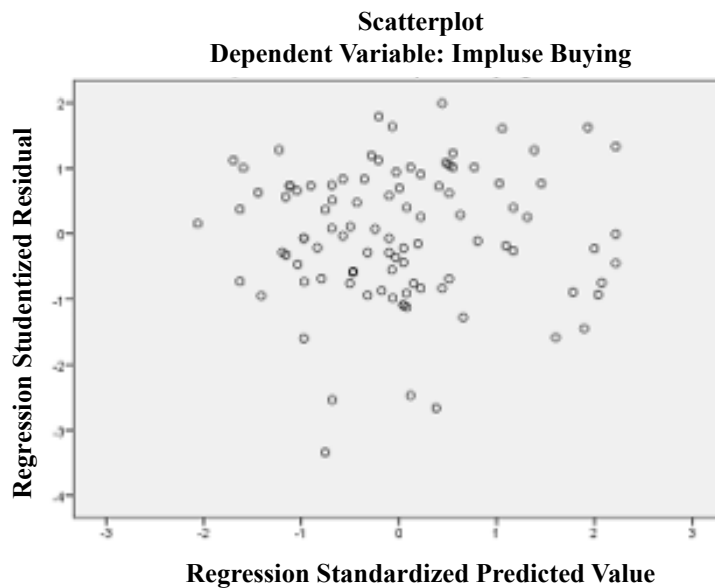


Table 6. Test results

Model	Coefficients <sup>a</sup>					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig	
	B	Std. Error	Beta			
1	Constant	,610	2,995	2,995	,204	,893
	Trust	,330	,167	,167	1,970	,052
	Convenience	,550	,123	,123	4,095	,000

Dependent Variable consumptive behavior

Source: Data processed by researchers 2024.

The simple linear regression equation through the table above is as follows:  $Y = 0.610 \beta + 0.330 X_1 + 0.505 X_2$ . The regression equation means:

1. Constant = 0.610

Based on the results, the trust and convenience variables are calculated to be zero, the impulse buying variable will be higher by 0.610.

2. Coefficient  $X_1 = 0.330$

Based on the results, the value shows that trust and convenience are positive, and if the trust and convenience variables increase by 1% which will cause an increase in the impulse buying variable by 0.330.

3. Coefficient  $X_2 = 0.505$

Shows that the effect of trust and convenience is positive, and if the impulse buying variable gets an increase of 1% which results in an increase in the consumptive behavior variable by 0.505.

In Table. 6 states that the statistical test output processed using SPSS 25 on the convenience variable ( $X_1$ ) obtained the following hypothesis output:

1. Hypothesis 1

Based on the test results, the Sig value on the effect of  $X_1$  on  $Y$  is  $0.52 > 0.05$  and the  $t$  value is  $1.970 < 1.98472$ , it shows that  $H_1$  is rejected, which means that there is no effect of  $X_1$  on  $Y$ . Where in this study trust has no effect on impulse buying to e-commerce users.

2. Hypothesis 2

Based on the test results, the Sig value for the effect of  $X_2$  on  $Y$  is  $0.000 < 0.05$  and the  $t$  value is  $4.095 > t$  table 1.984, it shows that  $H_2$  is accepted, meaning that there is an effect of  $X_2$  on  $Y$ . Where convenience affects impulse buying to e-commerce users.

After conducting a significance test using the  $T$  test, the next step is to conduct an  $F$  test. As explained by (Duller, 2019) in his journal entitled "Significance Testing in Multiple Regression: An Overview". The results of the  $F$  test in this study are presented below:

**Table 7.** F test results (anova table)

Model	ANOVA					
		Sum of Squares	df	Mean Square	F	Sig
1	Regression	2099,986	2	1049,933	49,027	
	Residuals	2077,404	97	21,417		
	Total	4177,390	99			

a. Dependent Variable Impulse Buying

b. Predictors: (Constant) Trust, Convenience Paylater

Source: Data processed by researchers 2024.

From Table 7, the output shows that the sig result on the effect of X1 and X2 simultaneously on Y is  $0.000 < 0.05$  and the value of F count  $49.027 > F$  table 3.09, then the result is that H3 is accepted and has the result of the simultaneous influence of X1 and X2 on Y. Where trust & convenience affect impulse buying in e-commerce users.

The next step is to evaluate the strength of the relationship between the independent variable and the dependent variable through the coefficient of determination analysis. As explained by (Goyal et al, 2021). The results of the coefficient of determination analysis in this study are presented below:

**Table 8.** Results of analysis of the coefficient of determination X on Y

ANOVA					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	,709a	,503	,492	4.628	

a. Predictors: (Constant) Trust, Convenience Paylater

b. Dependent Variable: Impulse buying

Source: Data processed by researchers 2024.

Based on Table 8, the R Square value is 0.503, which means that the effect of variables X1 and X2 simultaneously on Variable Y is 50.3%.

The effect of Trust on Impulse buying shown by the results of data processing using SPSS shows that the significance value (Sig.) on the effect of trust on impulse buying is  $0.52 > 0.05$ , and the t value is  $1.970 < 1.98472$ . This indicates that H1 is rejected, which means that there is no significant effect of trust on impulse buying in e-commerce users. This finding contradicts previous research which found that trust in online stores has a positive influence on impulse buying (Verhagen et al, 2011).

The effect of the ease of use of Paylater on Impulse buying is shown by the significance value (Sig.) on the effect of the ease of use of Paylater on impulse buying, which is  $0.000 < 0.05$ , and the t value is  $4.095 > t$  table 1.984. This shows that H2 is accepted and there is a significant effect on the ease of use of Paylater on impulse buying. This finding is consistent with the Technology Acceptance Model (TAM) which emphasizes the

importance of perceived ease of use in technology adoption. (Davis et al, 1995), as well as previous research which found that the ease of use of online payment systems has a positive influence on impulse purchases (Xu, 2014).

The effect of trust and convenience of Paylater on Impulse buying in simultaneous data analysis and testing with two independent variables, namely trust and convenience of Paylater on the dependent variable impulse buying, obtained a calculated F value of  $49.027 > F$  table 3.09. This shows that H3 is accepted, which means that there is a significant effect of trust and convenience of Paylater simultaneously on impulse buying.

## DISCUSSION

### Paylater's trust in impulse buying

The results of data processing using SPSS, namely the Sig value on the effect of X1 on Y is worth  $0.52 > 0.05$  and the t value is  $1.970 < 1.98472$ , then it shows that H1 is rejected, which means that there is no effect of X1 on Y. Where in this study trust has no effect on impulse buying to e-commerce users. So it can be concluded that H1 is rejected, so there is no influence of X1 on Y.

### Ease of paylater on impulse buying

Ease of use can be interpreted as a person's level of confidence in using technology using minimal effort. The Sig value on the effect of X2 on Y is  $0.000 < 0.05$  and the t value is  $4.095 > t$  table 1.984, so it can be concluded that H2 is accepted, so there is an effect of X2 on Y.

### Trust and ease of paylater on impulse buying

In the output of data analysis and testing simultaneously on 2 independent variables, namely trust and convenience of Paylater on the dependent variable, namely impulse buying, the t-value is  $49.027 > F$  table 3.09, which is concluded

that H3 is accepted, there is an influence of X1 and X2 simultaneously on Y.

This study aims to explore the influence of trust and ease of using Paylater on impulse buying tendencies in e-commerce users. The main finding of this study is that the ease of using Paylater has a significant influence on impulse buying, while trust in Paylater is not proven to have a significant influence on impulse buying. The results of this study can be seen in Table 9 below:

**Table 9.** Results of analysis of the effect of trust and ease of use of paylater on impulse buying

Variable	Sig.	t calcute	T table	Conclusion
Trust in Paylater	0,52	1,970	1,98472	refused
Ease of use of Paylater	0,000	4,095	1,984	accept
Paylater trust and Ease (Simultaneous)	-	alcalute = 49.027	F table = 3.09	accept

**Source:** Data processed by researchers 2024.

The findings on the significant effect of Paylater's ease of use on impulse buying are consistent with the Technology Acceptance Model (TAM) proposed by (Davis et al., 1989). According to TAM, perceived ease of use is an important factor influencing user adoption of technology. In the context of this study, if consumers feel that using Paylater is easy and does not require great effort, they will be more likely to adopt the feature, which in turn can encourage impulse buying behavior. This finding is also in line with previous research by (Xu, 2014) who found that the ease of use of online payment systems has a positive influence on impulse purchases in the context of e-commerce in China.

On the other hand, the finding of no significant effect of trust in Paylater on impulse buying contradicts previous research (Verhagen et al, 2011) where trust in online stores has a positive influence on impulse purchases. This difference may be due to a different research context or other factors that influence consumer trust in Paylater. One possible cause of the absence of a significant effect of trust in Paylater on impulse buying is the characteristics of the respondents in this study. If the respondents' level of trust is relatively high in Paylater providers in general, then the trust factor

may no longer be a significant differentiating factor in influencing impulse buying tendencies.

The findings of this study provide new insights into what factors influence impulse buying in the context of e-commerce, especially related to the use of Paylater. Although trust in Paylater is not proven to have a significant influence, the ease of use of Paylater is proven to be an important factor that encourages impulse purchases in e-commerce users.

The results of this study have practical implications for e-commerce and Paylater providers in designing features that are easy to use and minimize the effort required by consumers. A simple payment process, and other features that enhance ease of use may encourage Paylater adoption and increase the potential for impulse purchases. However, it is important to remember that excessive impulse purchases can have negative consequences for consumers, such as overspending and post-purchase regret (Rook et al, 1995). Therefore, e-commerce and Paylater providers should also consider strategies to manage the risk of excessive impulse purchases, such as providing warnings or self-control mechanisms for consumers.

Future research should focus on examining other factors that may influence consumer trust in Paylater and impulse purchases in the context of e-commerce. In addition, longitudinal research can also be conducted to observe changes in consumer behavior in the long term along with the development of new features in e-commerce and paylater.

## CONCLUSIONS

This study aims to explore the effect of trust and ease of using Paylater on impulse buying

tendencies in e-commerce users. The results of the analysis show that the ease of use of Paylater has a significant positive effect on impulse buying, while trust in Paylater is not proven to have a significant effect on impulse buying. Overall, the results of this study emphasize the importance of considering ease-of-use aspects in designing Paylater features in e-commerce, as well as exploring other factors that might influence consumer trust in Paylater and impulse buying in the context of e-commerce.

Based on the results and conclusions of this study, in order to be taken into consideration for future research to explore other factors that might influence consumer trust in Paylater, such as aspects of transaction security, information transparency, or consumer protection, conduct longitudinal research to observe changes in consumer behavior in the long term along with the development of new features in e-commerce and Paylater and explore other factors that might influence impulse purchases in the context of e-commerce, such as marketing strategies, online shopping atmosphere, or individual consumer characteristics.

The practical implications for e-commerce and Paylater providers are to increase the ease of use of the Paylater feature, a simple payment process, and other features that minimize the effort required by consumers. Although trust in Paylater is not proven to have a significant influence, Paylater providers still need to build and maintain consumer trust by increasing information transparency, security mechanisms, and consumer protection. E-commerce and Paylater providers also need to consider strategies to manage the risk of excessive impulse purchases, such as providing warnings or self-control mechanisms for consumers, to prevent negative consequences such as overspending and post-purchase regret.

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