

# Factors Affecting Purchase Intention and Actualization: Case Study of Souvenirs in Medan

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**Keywords:** Halal Appeal, Social Media Appeal, Recommendation, Purchase Intention, Purchase Actualization.

**Abstract:** Sales has become the goal of various business activities. Purchasing behaviours are often formed by through purchase intention. This study aimed to evaluate the factors that influence people's purchase intention and actualization on souvenirs in Medan. The concept of Halal was suggested as one of the factors that influence both of these behaviour. The development of halal awareness in souvenirs business has not been optimally implemented in the Medan as many of the businesses has not had halal certification yet. In addition to this, marketing activities through social media and references were also evaluated as factors that shape consumer behavior in purchase intention and actualization. A number of 100 Islamic students from outside Medan participated in this study. Data obtained through a self administered questionnaire. Data were analyzed and evaluated using the partial least square structural equation model (SEM-PLS). The results of this study indicate that although halal has an important role to stimulate purchase intention from Muslim consumers, in the case of souvenirs this effect is not significant to influence their purchasing decisions. These decisions are more influenced by purchase intention, recommendations and marketing exposure through social media.

## 1 INTRODUCTION

The attractiveness of the souvenir market, especially culinary in the city of Medan is increasingly popular and growing rapidly. This attraction has made many new firms to open their businesses within this sector. Business competition is getting tougher as more and more firms enter the market. In this case the competition to get customers is also rapidly increasing. Companies need to consider the factors that influence consumer behavior, especially on purchase intention and purchasing decisions that are very important in actualizing the purchases of the products it offered. Issues that are developing in the world of marketing in this case include halal issues, social media marketing, and marketing by reference.

Halal appeal has developed rapidly and has produced a concept called halal appeal where the concept of halal is an attraction as well as a distinguishing identity of similar products or competitors (Salehudin and Mukhlis 2012). In the context of marketing, the halal appeal is discussed and studied in more depth. The concept of halal is developing very rapidly, especially in the fields of tourism and hospitality, financial services, health, education, beauty, and even housing (Sitalakshmi et

al. 2011). Referring to the World Halal Forum, the development of demand for halal products is increasing rapidly to 25% per year. Although synonymous with Moslems, the development of the issue of halal products also continues to develop rapidly in non-Moslem regions (Ireland 2011).

Indonesia has a majority Moslem population which makes exposure to the issue of halal very important in economic and social life. Halal in a religiously meaningful concept is permitted or allowed which indicates the necessity for a Moslem to consume halal products. Previous research (Aziz and Chok 2013) indicated a large growth in demand for halal products worldwide. In general, the Moslem community will look for halal products that indicate the positive attitudes and influences of halal on the behavior of Moslem societies (Lada, Tanakinjal, and Amin 2009).

The souvenir industry is one of the leading forms of industry in the Medan City area. Souvenirs, especially in the form of food, have become an iconic product attached to the Medan City area. The visitors who want to return to their home region will generally buy these souvenir products to give or share with friends or family. Halal issues in this matter are covered in the hospitality industry that provides

comfort for visitors to the City of Medan. Unfortunately, not all terrain souvenirs have halal certification. Unique conditions show that products that are not halal certified by the Indonesian Ulama Council remain a very popular souvenir among visitors, both Moslem and non-Moslem visitors. This condition raises fundamental questions related to the importance of halal in the souvenir industry.

The decision to buy souvenirs is a complex one, not only based on halal issues (Khaniwale 2015). Consumer behavior in making purchasing decisions is greatly influenced by the marketing element carried out by the producer (Victor et al. 2018). In addition, the presence of third parties such as recommendations from others will also influence the purchase decision. This study aims to evaluate the three variables in shaping buying interest and their impact on purchasing decisions for the product.

Purchasing decisions as a concept of consumer behavior are closely related to the success of marketing activities. The presence of the internet of things in the 4.0 industrial revolution brought changes to marketing activities (Almada-Lobo 2016). Social media also develops into the daily lives of the people who gave birth to the era of netizens where the role of social media is the daily lives of individuals. In this development, marketing activities develop and utilize social media as a marketing medium that is relatively more effective and efficient for marketers.

This souvenir-related study is also very interesting to study in a sample room for students outside the area who are studying in Medan. Periodically students will return to their respective regions and bring a number of souvenirs. In this situation, students become very interesting objects related to the context of souvenir marketing under study.

## 2 LITERATURE REVIEW

Halal certification is a guarantee of security for a Moslem consumer to be able to choose foods that are good for him and in accordance with religious rules. Food products that have a halal certificate are products that in the processing process meet standards in safety and hygiene (Lada, Tanakinjal, and Amin 2009). Halal certification is a guarantee of security for a Moslem consumer to be able to choose foods that are good for him and in accordance with religious rules. The halal element can be used as a marketing tool in promoting halal products (Baharuddin and Kassim 2015). In this case halal certification is one of the factors that can influence consumer buying

interest. Halal exposure is evaluated based on whether or not a Moslem understands what is halal, knows the correct slaughtering process, and prioritizes halal food for their consumption. Based on the above understanding, it can be concluded that halal awareness is a Moslem's knowledge of halal concepts, halal processes, and considers that consuming halal food is important for him. Therefore, referring to the prior art,

**Hypothesis 1:** Halal Appeal has a positive and significant effect on Purchasing Interests and Purchases Decisions of Medan City Souvenir Products

Social media marketing is a form of direct or indirect marketing that is used to build awareness, recognition, memory, and actions for brands, businesses, products, people, or other entities and is carried out using tools from social web such as blogging, microblogging, social networking, social bookmarking, and content sharing. Social media marketing is a process that encourages individuals to promote through their website, product, or service through online social channels and to communicate by utilizing a much larger community that is more likely to do marketing than through traditional advertising channels (Weinberg 2009). Social media marketing is a form of online advertising that uses the cultural context of social communities including social networks, virtual worlds, social news sites and social sharing sites to meet communication objectives (Tuten 2008). According to the literature study, Social Media Marketing has a significant effect on Purchasing Decisions. Therefore,

**Hypothesis 2:** Social Media Appeal has a positive and significant effect on Purchase Interest and Purchasing Decisions of a Special Souvenir Product in Medan City

Recommendations from other parties, or also known as word of mouth, communication about products and services between people who are considered independent of the company that provides products and services, in a media that is considered independent of the company. Word of mouth is an effort to provide a reason for people to talk about brands, products and services and make the conversation easier. O'Leary and Sheehan (2008) add that word of mouth is the process of exchanging information, especially recommendations about products and services, between two people in an informal way. According to (Ulumi, Rusli, and

Suharmini 2014), word of mouth is known as a powerful tool to market or promote products or companies at no cost or with very little cost. In addition, word of mouth is also the most powerful, inexpensive, effective promotional strategy that can be used in business. From this description it can be concluded that, word of mouth is basically information in the form of oral messages about products or services, even the company itself, which has been experienced by buyers who are then delivered to others in an informal way. Therefore,

**Hypothesis 3:** Recommendations have a positive and significant effect on Purchasing Interests and Purchasing Decisions of Medan City Souvenir Products

Consumer buying interest is basically a driving factor in making a purchase decision on a product (Kotler and Keller 2012). buying interest is something that is related to consumers' plans to buy certain products, as well as how many units of product are needed in a certain period (Trinh, Dawes, and Lockshin 2009). buying interest is something that is related to the consumer's plan to buy a particular product, as well as how many units of the product are needed in a certain period in response to an object that shows the customer's desire to make a purchase.

### 3 RESEARCH METHOD

#### 3.1 Data

This study uses a semi-quantitative approach where the measurement of variables is based on the quality of respondents' perceptions of the proposed variables. The quality of perception is then translated in quantitative form in order to carry out a quantitative analysis approach in an effort to answer the research hypothesis. Each research variable was measured using a Five-Point Likert Scale.

Data collection was carried out using a research questionnaire that was arranged in a structured manner based on the study and adjusted to the conditions on the research object. This questionnaire has passed validity and reliability test which were conducted on 30 college students in Medan City. The results of the validity and reliability test indicate the questionnaire has met the validity and reliability criteria.

#### 3.2 Population and Sample

The population in this study were college Muslim students in Medan from outside Medan. This population is specified in order to obtain answers to the research problems studied. The population of this study is an infinite population.

The sample of this study was 100 Muslim students from various universities in the city of Medan. Analysis using SmartPLS does not require a very large number of samples to estimate (Hair et al. 2014). Therefore, the number of samples included in this study is sufficient for the estimation of cause and effect. This study has requested the willingness of the respondents to be involved in the research.

#### 3.3 Research Variable

##### 3.3.1 Independent Variable

This study uses three independent variables as predictors to evaluate buying interest and purchasing decisions. The variables used in this study are halal appeal, social media marketing, and recommendations. These three variables are measured based on the level of exposure received by students on each of these variables, namely how perceptions of halal attributes, the role of social media, as well as recommendations received before buying souvenirs.

##### 3.3.2 Dependent Variable

The dependent variable in this study was the purchase decision for the Medan City souvenir product. This variable is the quality of the purchase decision for the product, related to the regret of shopping.

##### 3.3.3 Mediation Variables

The intermediate variable in this study is the creation of buying interest in the products offered. Interest in buying does not always mean going to buy, or vice versa. Interest is related to the desire to buy or consume the product.

#### 3.4 Data Analysis Method

This research uses structural equation modeling regression method - partial least squares. Data analysis was assisted by using the SmartPLS application (Ringle, C. M., Wende, S., and Becker 2015).

#### 4 RESULT AND DISCUSSION

This study uses a single-item construct so that the values of AVE evaluation, Composite Reliability, and

Fornell-Lacker Criterion will be fulfilled. Nevertheless, this model will be evaluated based on R-Square, f-Square, HTMT Ratio values for discriminant validity, and statistical collinearity variables.

Table 1. Quality Criteria

	Purchase Intention	Actualization
Purchase Intention		0,137
Halal Appeal	0,061	0,023
Social Media Appeal	0,022	0,101
Recommendation	0,046	0,088
<b>R-Square</b>	0,242	0,496

The table above indicates that the model in this study is able to explain 24.2% of the situation at the level of buying interest that arises in students, as well as being able to explain as much as 49.6% the situation of student purchasing decisions. More

specifically, the ability of each variable is relatively weak ( $0.02 \leq f\text{-square} < 0.15$ ) in measuring purchasing interest and purchasing decisions (Cohen 1988; Hair et al. 2014).

Table 2. Heterotrait-Monotrait Ratio (HTMT)

	Halal Appeal	Actualization	Purchase Intention	Recommendation	Social Media Appeal
Halal Appeal					
Actualization	0,505				
Purchase Intention	0,426	0,545			
Recommendation	0,326	0,464	0,337		
Social Media Appeal	0,578	0,547	0,377	0,305	

HTMT ratio values less than 1 indicate that the discriminant validity of the model in this study has

been fulfilled. The lower the HTMT ratio, the stronger the validity of the model.

Table 3. Inner VIF Value Model

	Purchase Intention	Recommendation
Purchase Intention		1,319
Halal Appeal	1,560	1,654
Social Media Appeal	1,537	1,571
Recommendation	1,145	1,198

The level of colinearity permitted in the analysis was with a VIF value  $< 5$  (Hair et al. 2014). The table above indicates that there is no multicollinearity problem between the predictor variables in the proposed model. Thus, this research model can be forwarded to the analysis of the influence between variables. Evaluations of the research model are summarized in Figure 1 and Table 4 below.

Table 4. Direct, Indirect, and Total Effect

	Direct Effect			Indirect Effect			Total Effect		
	Coefficient	t Statistics	P Values	Coefficient	t Statistics	P Values	Coefficient	t Statistics	P Values
Halal Appeal -> Purchase Intention	0,268	2,045	0,020				0,268	2,045	0,020
Halal Appeal -> Purchase Actualization	0,138	1,478	0,070	0,081	1,726	0,042	0,219	2,266	0,012
Social Media Appeal -> Purchase Intention	0,161	1,320	0,094				0,161	1,320	0,094
Social Media Appeal -> Purchase Actualization	0,283	2,878	0,002	0,049	1,487	0,069	0,332	0,969	0,000
Recommendation -> Purchase Intention	0,200	1,860	0,031				0,200	1,860	0,031
Recommendation -> Purchase Actualization	0,231	2,060	0,020	0,061	1,108	0,134	0,291	2,729	0,003
Purchase Intention -> Purchase Actualization	0,302	2,728	0,003				0,302	2,728	0,003

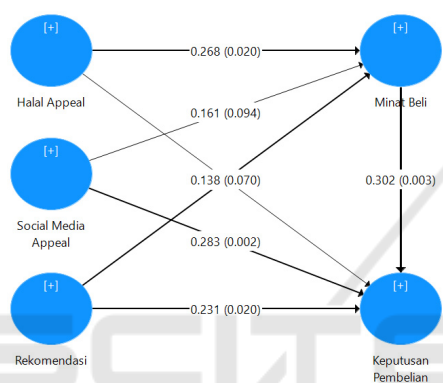


Figure 1. Research Models Quality Evaluation

Table 4 provides information that on the evaluation of direct influence, there are two effects that are not statistically significant, namely the influence between halal appeal on purchasing decisions and also social media appeal on buying interest. However, the indirect effect created by halal appeal on purchasing decisions through buying interest has a significant effect. In total, the effect of halal appeal on purchasing decisions from students becomes statistically significant.

The effect of halal appeal from Medan City souvenir products directly influences the buying interest of Muslim students at Medan City colleges. This result indicates that the halal status of the product still influences the buying interest of Muslim students. The higher the halal exposure received, the greater the buying interest in the product, especially the food souvenir category (Borzooei and Asgari 2013; Nurhasanah and Hariyani 2017). Unfortunately, halal appeal cannot directly control purchasing decisions (sig> 0.05). Halal appeal does not directly affect a person's buying decision. Ansari and Mohammed (2015) in their research showed that this effect occurred due to halal perception which was

quite low in the community. Halal perception for the community is not just an approach that the product is halal certified, but what they think about the halal status of the product. Many people consider a halal product based on personal perception so that without any real indication of the halal product itself, consumers still make a purchase decision. Although not significant, the existence of halal appeal itself still has a positive influence. A good purchasing decision will be reached if halal appeal is able to stimulate buying interest from Muslim students. These results confirm that the phenomenon of souvenir purchases that do not have a halal label occurs in Medan City.

The influence of social media appeal from souvenir products in Medan greatly influences the purchasing decisions of Muslim students in Medan. The influence of social media on product buying interest in this study was not statistically significant (sig> 0.05). However, the purchase decision for the product is strongly influenced by social media (Akhtar, Tahir, and Asghar 2016; Sharma 2018; Admiral 2018). Students who buy souvenirs will generally feel satisfied and happy with the purchase of souvenirs if the product has a strong image on social media, regardless of the student's buying interest.

The recommendation variable in this study has a large influence on both buying interest and purchasing decisions. Recommendations have an important role in shaping buying interest from souvenirs and making these decisions better (Chen 2012; Sharifpour et al. 2016). These results indicate that students as objects in this study are very concerned about recommendations and public considerations for the purchase of souvenirs that will be done. Recommendations are one source of reference for souvenirs. In conditions where students have not yet determined what souvenirs they will

bring, recommendations from others are important factors that shape the shopping behavior of these students (Roudposhti 2018; Khan et al. 2015).

This study also indicates that buying interest has a positive and significant effect on purchasing decisions. In theory, buying interest in a product does not mean that there will be a purchase of the product. This research provides empirical evidence that although it does not always mean a purchase, a good purchase decision will occur on high buying interest. Therefore, the role of marketing in economic activities has an important role in encouraging buying interest and demand for the product so that good purchasing decisions occur and will be able to produce post-purchase behavior in accordance with expectations.

## 5 CONCLUSIONS AND SUGGESTIONS

Halal appeal in the product marketing approach has its own appeal, especially in the formation of buying interest and purchasing decisions from consumers. This research shows that although halal appeal has a big role on Muslim consumers in controlling their behavior, halal is not a determining factor in souvenir buying behavior. In addition to the halal approach, marketing activities through social media also become a consideration that builds consumer purchasing decisions. Social media has an important influence on consumer purchasing decisions. The influence of social media can even lead to impulsive behavior over souvenir purchases. Social media does not significantly influence buying interest, but can encourage consumers to make purchases. Recommendations are very important good factors that can influence buying interest and purchasing decisions. Recommendations in this case become an important role holder for consumer buying behavior. Businesses require to achieve these condition because it can bring changes in consumer behavior that leads to the purchase of the product. Unfortunately, it worth a challenge to achieve these recommendation.

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