

The Influence of Promotional Activities towards Impulsive Buying Behaviour through the BNPL Services: A Conceptual Paper

Muhammad Rizal Roslee

Faculty of Business & Management, City University Malaysia
Corresponding Author Email: muhammad.rizal@city.edu.my

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v14-i7/21342>

DOI:10.6007/IJARBSS/v14-i7/21342

Published Date: 12 July 2024

Abstract

The evolution of e-commerce has significantly transformed consumer transactions for goods and services. Starting from the early stages of the internet, e-commerce has developed into a complex ecosystem. This progression has been marked by transformative shifts, particularly in payment methodologies. Initially based on conventional cash systems, the focus has shifted towards sophisticated digital and mobile payment frameworks. These changes have greatly influenced consumer behavior, especially regarding purchasing decisions. While the growing variety of payment options has enhanced convenience and accessibility, it has also led to challenges, such as the tendency for uncontrollable spending patterns among consumers. Thus, this study examines the impact of promotional activities on impulsive buying behavior, with a particular focus on the moderating role of Buy Now Pay Later (BNPL) schemes.

Keywords: Consumer Behaviour, Impulsive Buying, Promotional Strategies, Buy Now Pay Later (BNPL).

Introduction

Retailers use various promotional techniques like sales, price promotions, sampling, coupons, demonstrations, and sweepstakes to encourage impulsive buying among shoppers. These strategies help stimulate sales and build brand engagement within retail settings (Iyer et al., 2019). Promotions are vital for organizations, helping to build brand confidence among customers, which is crucial for sustainability and competitive edge in the market. Impulse buying is a key aspect of retail, significantly influencing sales and revenue. This phenomenon involves spontaneous purchasing decisions driven by emotional or situational factors rather than planned choices (Lavuri et al., 2023; Mohan et al., 2013). Companies use different marketing strategies to generate profit and influence customers to make purchases, tailoring their approaches based on market positioning, target audience, and product offerings.

Effective promotional initiatives typically increase sales and consumer demand. For instance, intensive marketing led to an average of 129 million monthly visits to Shopee's website from Indonesian consumers, with 6 to 12 million orders placed across Southeast Asia, representing nearly three times the usual daily transaction volume (Bahrah & Fachira, 2021). In marketing communications, there is a clear distinction between advertisement and publicity based on their characteristics, objectives, and modes of broadcasting (Kathiravan, 2019). Maintaining and enhancing brand visibility and consumer engagement requires consistent advertisement and promotional strategies, which are essential for stimulating customer interest and encouraging repeat purchases.

A recent addition to payment mechanisms is "buy-now-pay-later" (BNPL), which allows customers to defer payments for goods and services for a predetermined period (Gerrans et al., 2021; Schomburgk & Hoffmann, 2023). This innovation marks a significant shift in consumer payment preferences and retail strategies, moving from immediate payments to deferred options. A study by LeadingTree shows a surge in BNPL service adoption among Americans, with usage increasing from 31% in 2021 to 43% in 2022 (Schulz, 2024). This trend indicates a growing preference for integrating BNPL services into spending patterns.

While extensive research has explored the relationship between promotional activities and impulsive buying behavior, there is a gap in understanding the moderating influence of BNPL services on this dynamic. Therefore, this study aims to examine how promotional activities impact impulsive buying, focusing on the moderating role of BNPL services.

Research Objectives

1. To examine the impact of promotional activities on impulsive buying behavior.
2. To investigate the moderating effect of BNPL services on the relationship between promotional activities and impulsive buying.

This study seeks to understand how promotional strategies and BNPL services interact to shape consumer behavior, providing valuable insights into contemporary purchasing dynamics.

Literature Review

Impulsive Buying

Impulse buying refers to the spontaneous purchasing actions undertaken by online consumers, wherein their actual buying patterns deviate from their preconceived shopping plans and this behaviour is characterized by the impromptu selection and acquisition of goods or services, often without prior deliberation or intention (Kumar & Nayak, 2024; Xiang et al., 2016). Impulse buying displayed when consumers encounter an anticipated, potent, and persistent urge compelling them to make an immediate purchase. This phenomenon typically involves an unexpected and spontaneous decision to acquire a product or service without thorough premeditation or deliberate consideration of its necessity or utility (Ahmed et al., 2020).

Previous research has clearly identified a multitude of factors that play a role in influencing customers' decisions to engage in impulsive purchasing behaviour. Lavuri et al (2023) stated that in the context of the retail industry, there exists a notable correlation between materialism, and promotional activities, and their impact on the tendency of customers to

engage in impulsive buying behaviour. This correlation underscores the significance of these factors in shaping consumers' propensity for impulsive purchases within the retail sector. Hedonism commonly emerges as the predominant factor influencing impulsive buying behaviour, showcasing its pronounced efficacy in shaping consumer decision-making processes characterized by spontaneous and often emotionally-driven purchasing tendencies (Lavuri et al., 2023; Wang et al., 2020).

A study from Lavuri et al (2023) that used impulsive buying tendency as a mediating factor of the study found that promotional activities, hedonistic tendencies, and the inclination towards panic buying significantly influence the tendency for impulsive purchasing among shoppers. Nevertheless, in the identical study, the investigator discovered that the external motivation derived from the store environment negatively affects both the tendency for panic buying and impulsive purchasing among shoppers.

Promotional Activities

This multifaceted process involves the strategic deployment of various communication channels and techniques to inform, persuade, and influence target audiences, ultimately motivating them to take specific actions that contribute to commercial transactions or interactions. Through promotion, businesses and organizations endeavour to raise awareness, generate interest, build desire, and spur action among consumers, clients, or stakeholders, thereby fostering engagement, brand affinity, and ultimately, profitable outcomes within the market landscape (Anugrah, 2020).

Promotions generally include the deliberate use of incentives, such as discounts or exclusive offers, to encourage customer participation and boost sales. Indicates that online campaigns, such as those conveyed through e-newsletters and retail apps, ought to incorporate incentives like "discounts," "savings," "bonuses," "limited edition," "limited stock," and "expiration dates" (Kursan Milaković & Ahmad, 2023; Mead et al., 2020). According to Lavuri et al (2023), it is acknowledged that advertising strategies like discounts, promotions, and point-of-purchase displays influence shoppers' behaviour, even in the middle of the pandemic.

Numerous preceding studies extensively explain the correlation between promotional activities and consumer behaviour, encompassing facets such as customer satisfaction, impulsive purchasing tendencies, and the decision-making process regarding purchases. Previous research clearly demonstrates that promotional activities have a notable and constructive impact on enhancing customer satisfaction (Anugrah, 2020). A finding derived from prior research indicates that Promotional Activities have a positive significant relationship to Impulsive Buying Tendency, while Impulsive Buying Tendencies themselves are observed to manifest a discernible and beneficial linkage with Impulsive Buying behaviour (Lavuri et al., 2023).

Buy-Now-Pay-Later (BNPL)

Technological advancements, shifts in consumer behaviour, and evolving business environment needs have collectively played a substantial role in shaping the development of payment systems over the course of time.

Numerous payment methods exist, such as cash, debit cards, credit cards, instalment payments, and others. In this research, Buy-Now-Pay-Later, abbreviated as BNPL, is utilized as a moderating variable due to its increasing popularity among consumers. It is a featured option on various online platforms like Atome, Grab Food, and the Shopee App. The Buy-Now-

Pay-Later approach has emerged as a digital payment alternative alongside traditional options such as credit and debit cards and mobile transfers (Cook et al., 2023; Lia & Natswa, 2021). Through buy-now-pay-later (BNPL) payment plans, individuals have the option to make immediate purchases of products and services and settle the payments gradually through regular instalments, typically spanning a year. Due to the absence of interest charges, BNPL is not officially classified as credit, relieving suppliers from the obligation to follow regulations related to responsible lending and financial hardship (Schomburgk & Hoffmann, 2023).

In a study by Schomburgk and Hoffmann (2023) that took BNPL Usage as mediating variable found that The utilization of BNPL is linked to reduced subjective assessments of overall well-being by diminishing consumers' evaluations of their financial welfare. In a separate study where BNPL was examined as an independent variable, it was discovered that the use of BNPL is associated with a notable decrease in spending sensitivity to income, particularly among lower-income users who are more prone to liquidity constraints (Maggio et al., 2022; Raj et al., 2023).

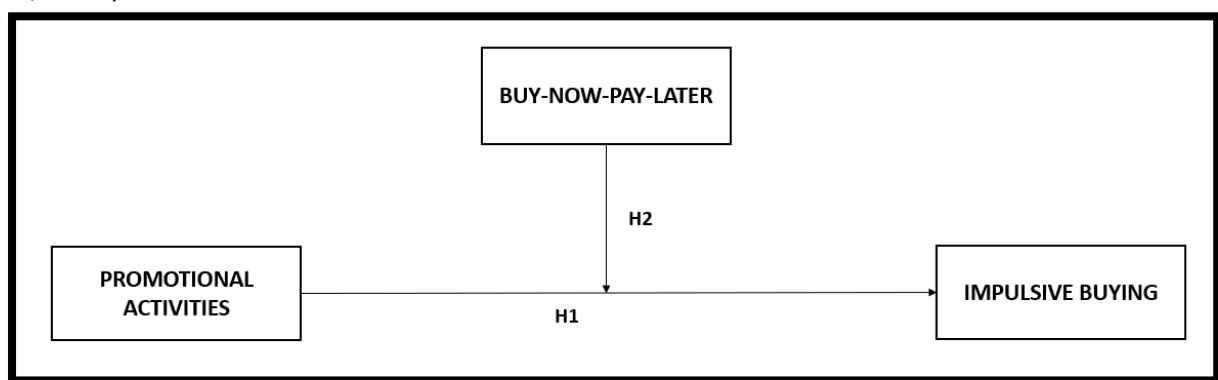


Figure 1.0: Conceptual Framework

Figure 1 shows the proposed impulsive buying framework. One independent variable that contribute to impulsive buying moderated buy the use of Buy-Now-Pay-Later Services.

H1: There is a significant relationship between promotional activities and Impulsive Buying.

H2: Buy-Now-Pay-Later moderates the relationship between promotional activities and Impulsive Buying.

Discussion and Conclusion

Online shopping platforms provide unique opportunities for customers to engage with various communication channels, such as social media and mobile devices, while making purchases. This integration is closely linked to online impulse buying, which involves a more detailed and complex shopping process.

Numerous studies have thoroughly analyzed impulsive buying behavior, providing significant insights into its dynamics and contributing factors. Marketers widely employ promotional activities to leverage this behavior, further enhancing their effectiveness (Abas et al., 2022). Additionally, the widespread adoption of Buy-Now-Pay-Later (BNPL) services has introduced a new dimension to consumer purchasing habits. The convenience offered by BNPL services has evidently impacted impulsive buying, making it easier for consumers to make spontaneous purchases without immediate financial constraints. This confluence of factors underscores the complexity of modern consumer behavior and the need for continued research to understand and navigate the evolving landscape of online shopping.

This research adds significantly to the body of knowledge on consumer behavior and the dynamics of online shopping, in addition to its practical consequences. By examining the complex mechanisms behind online impulse buying and the role of integrated communication channels, this study enhances our understanding of how digital environments influence consumer decision-making. The findings complement and expand current theories of impulsive purchasing behavior, including the Stimulus-Organism-Response (S-O-R) model, by highlighting the crucial role of new financial instruments like BNPL services (Mehravian & Russell, 1974; Abas et al., 2022).

Contextually, this study underscores the importance of adapting marketing strategies to the rapidly evolving digital environment, where consumers are increasingly influenced by integrated, seamless buying experiences. Researchers and practitioners can greatly benefit from this study's nuanced perspective on the relationship between consumer behavior and technological advancements, enabling them to effectively navigate and capitalize on the complexities of contemporary online retail environments.

In conclusion, this research adds valuable insights to the understanding of consumer behavior in the context of online shopping. It emphasizes the need for ongoing investigation into the multifaceted nature of impulsive buying and the impact of emerging financial technologies. As the digital landscape continues to evolve, future studies should explore the long-term implications of these trends and develop strategies to optimize marketing efforts in this dynamic environment.

Reference

- Abas, N. M., Yusuf, A. H. S. M., Azis, R. A., & Norhisham, N. (2022). Online Impulse Buying Behaviour towards Organic Cosmetics among Malaysian Consumers: A Conceptual Paper. *International Journal of Academic Research in Business and Social Sciences*, 12(11), 2660 – 2669. <https://doi.org/http://dx.doi.org/10.6007/IJARBS/v12-i11/15364>
- Ahmed, R., Streimikiene, D., Rolle, J.-A., & Pham, D. (2020). The COVID-19 Pandemic and the Antecedents for the Impulse Buying Behavior of US Citizens. *Journal of competitiveness*, 12, 5–27. <https://doi.org/10.7441/joc.2020.03.01>
- Anugrah, F. (2020). Effect of Promotion and Ease of Use on Customer Satisfaction and Loyalty on OVO Application Users. *Quantitative Economics and Management Studies*, 1, 44-50. <https://doi.org/10.35877/454RI.qems77>
- Bahrah, E., & Fachira, I. (2021). The Influence of E-Commerce' Marketing on Impulsive Buying Behaviour. *Advanced International Journal of Business, Entrepreneurship and SMEs*, 3, 349-361. <https://doi.org/10.35631/AIJBES.39023>
- Cook, J., Davies, K., Farrugia, D., Threadgold, S., Coffey, J., Senior, K., Haro, A., & Shannon, B. (2023). Buy now pay later services as a way to pay: credit consumption and the depoliticization of debt. *Consumption Markets & Culture*, 26(4), 245-257. <https://doi.org/10.1080/10253866.2023.2219606>
- Gerrans, P., Baur, D. G., & Lavagna-Slater, S. (2021). Fintech and responsibility: Buy-now-pay-later arrangements. *Australian Journal of Management*, 47(3), 474-502. <https://doi.org/10.1177/03128962211032448>
- Iyer, G., Blut, M., Xiao, S., & Grewal, D. (2019). Impulse buying: a meta-analytic review. *Journal of the Academy of Marketing Science*, 48. <https://doi.org/10.1007/s11747-019-00670-w>

- Kathiravan, C. (2019). Role of Advertisements on Impulsive Buying in Electronic Retailing. 21.
- Kumar, S., & Nayak, J. K. (2024). Understanding the intricacies of risky indebtedness, impulse buying and perceived risk in buy-now-pay-later adoption. *Asia Pacific Journal of Marketing and Logistics, ahead-of-print*(ahead-of-print).
<https://doi.org/10.1108/APJML-08-2023-0759>
- Milaković, K. I., & Ahmad, A. (2023). Online impulse buying and cognitive appraisal theory: two countries comparison. *International Journal of Retail & Distribution Management, 51*(12), 1637-1655. <https://doi.org/10.1108/IJRDM-03-2023-0150>
- Lavuri, R., Jaiswal, D., & Thaichon, P. (2023). Extrinsic and intrinsic motives: panic buying and impulsive buying during a pandemic. *International Journal of Retail & Distribution Management, 51*(2), 190-204. <https://doi.org/10.1108/IJRDM-01-2022-0010>
- Lia, D. A. Z., & Natswa, S. L. a. (2021). Buy-Now-Pay-Later (BNPL): Generation Z's Dilemma on Impulsive Buying and Overconsumption Intention. *Advances in Economics, Business and Management Research, 193*, 130-135.
<https://doi.org/10.2991/aebmr.k.211115.018>
- Maggio, M. D., Williams, E., & Katz, J. (2022). Buy Now, Pay Later Credit: User Characteristics and Effects on Spending Patterns. *National Bureau of Economic Research Working Paper Series, 30508*. <https://doi.org/https://doi.org/10.3386/w30508>
- Mead, J. A., Richerson, R., & Li, W. (2020). Dynamic Right-Slanted Fonts Increase the Effectiveness of Promotional Retail Advertising. *Journal of Retailing, 96*(2), 282-296.
<https://doi.org/https://doi.org/10.1016/j.jretai.2019.10.002>
- Mohan, G., Sivakumaran, B., & Sharma, P. (2013). Impact of store environment on impulse buying behavior. *European Journal of Marketing, 47*(10), 1711-1732.
<https://doi.org/10.1108/EJM-03-2011-0110>
- Raj, V. A., Jasrotia, S. S., & Rai, S. S. (2023). Intensifying materialism through buy-now pay-later (BNPL): examining the dark sides. *International Journal of Bank Marketing, ahead-of-print*(ahead-of-print). <https://doi.org/10.1108/IJBM-08-2022-0343>
- Schomburgk, L., & Hoffmann, A. (2023). How mindfulness reduces BNPL usage and how that relates to overall well-being. *European Journal of Marketing, 57*(2), 325-359.
<https://doi.org/10.1108/EJM-11-2021-0923>
- Schulz, M. (2024). *BNPL Tracker: 31% of Americans Considering Buy Now, Pay Later Loans This Month*. Lendingtree. <https://www.lendingtree.com/personal/buy-now-pay-later-loan-statistics/>
- Wang, Y., Lu, H., & Wang, D. (2020). Buy or not: how the presence of others affects the occurrence of consumers' impulsive buying behavior. *Journal of Contemporary Marketing Science, 3*(2), 207-224. <https://doi.org/10.1108/JCMARS-01-2020-0002>
- Xiang, L., Zheng, X., Lee, M., & Zhao, D. (2016). Exploring consumers' impulse buying behavior on social commerce platform: The role of parasocial interaction. *International Journal of Information Management, 36*, 333-347.
<https://doi.org/10.1016/j.ijinfomgt.2015.11.002>