

# ANALYSIS OF LOCATION BASED ADVERTISING TOWARDS PURCHASE INTENTION. CASE STUDY : PT. DUNKIN' DONUTS INDONESIA IN BANDUNG CITY

Ardy Pramodhana<sup>1</sup>, Puspita Kencana Sari<sup>2</sup>

<sup>1</sup>International ICT Business, Faculty of Economics and Business, Telkom University

<sup>2</sup>Faculty of Economics and Business, Telkom University

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**ABSTRACT.** In this Digital era, the increase of wireless and mobile communication is very massive and the number of mobile devices will be increasing rapidly. This can be the advantage for mobile operator because the people gives a lot of attention to their gadget every day. It requires mobile operators to look for other marketing method beyond SMS and voice in improving their revenue. The other marketing method that still fresh is mobile advertising.

Mobile advertising is the communication of products or services to mobile device and smartphone consumers which is spectrum ranges from short message service (SMS) text to interactive advertisements. Mobile advertising is a subset of mobile marketing and targets users according to specified location or demographics. Mobile networks identify related mobile profiles and preferences and displays corresponding advertisements when consumers download and uses data services like games and applications. Location Based Advertising (LBA) is one of the mobile advertising type that presented where the advertisement messages sent by location and certain criteria desirable by company itself.

This study aims to examine the Location Based Advertising of the Dunkin' Donuts based on the Message Type, Customization, Permission, Intrusiveness, Involvement, and Timing. The elements is adopted from the previous study by gazley. The elements also can be use to examine how it is going and the impact of attitude to Purchase Intention of Dunkin' Donuts' customers in Bandung, Indonesia. The questionnaire were distributed through 386 respondents as part of population using digital format questionnaire. The researcher used Partial least square (PLS) analysis to explain the results of questionnaire that using SmartPLS software. All the items measured in this study are valid and reliable from the statistical data analysis result. From the partial least square analysis, the model used in this study had passed the outer model and inner model analysis. The result show that there are 3 of 6 elements which are Message Type, Permission, and Involvement are proven to have positive and significance influence towards Attitudes that mediated Purchase Intention.

**Keywords: Marketing Management, Advertising, Location Based Advertising, Purchase Intention**

## INTRODUCTION:

Location Based Advertising (LBA) is one of the mobile advertising type that presented where the advertisement messages sent by location and certain criteria desirable by company itself. Generally, LBA refers to information controlled by marketer that made for the spot where users access an advertising <sup>[1]</sup>. Advertiser can choose the target or potential consumer according specific criteria like gender, age, or same time location. For example, when potential consumer is near or the same area of location market, he will get the message about product advertisement via SMS. It can be right on target marketing campaign because they get real time SMS advertisement directly. 66% of marketers believe location-based advertising is the 'most exciting' mobile opportunity for 2016, according to a recent IAB UK study in our digital marketing stats round up. <sup>[4]</sup>

There are 2 approach types in delivering LBA, pull and push . Pull approach is the type where the advertisement will be delivered by the request of the consumer upon request shortly thereafter on a one time basis <sup>[14]</sup>. Pull LBA is the advertising which specifically send the message to the mobile device of the consumer that request for where initiates it for preferred product categories near to his/her location <sup>[14]</sup>. For example, there is a

consumer who is going to shopping mall. As she almost arrive to the mall, she could check products promotion that sells in the mall she heading to or around that location. Basically, the consumer tend to seeking the information rather than the advertiser seeking<sup>[1]</sup>. Push LBA is the advertising which is send any contents of promotion by behalf of advertisers to consumer's mobile<sup>[14]</sup>. With push LBA, marketers or advertisers have more control to hold the flow of advertising than the consumers itself<sup>[14]</sup>. One of the big company that use push mechanism of LBA is Telkomsel. They using push approach for its marketing program via their campaign, Push Coupon Campaign (telkomsel.com 2016), which is a digital advertising in the form of discount promo and digital coupons that delivered from Telkomsel merchant partners.

The researcher also conducted *preliminary research* by interviewing the supervisor of Dunkin' Donuts Buah Batu branch in April 4th, 2017. The interviewees said that the messaging offered six free donuts with the purchase of six donuts. But, it only apply to the branch outlet of Dunkin Donuts that the location or address mentioned on the SMS promo that day. The days after will not be applied. First, consumers go to the dunkin donut outlet that the location fixed by SMS promo and show the SMS to the Dunkin' Donuts' staff. Second, the staff will dial secret number on the consumer's phone. After that, the SMS will be verified and cannot be use again for the second time. The interviewees said that owing to this campaign, every outlet got the sales increase up to 200%. The researcher think this is a good campaign because it is simple to applicate it. The consumer doesn't need to download any app or registrate the digital form to get promo previously. Because it just a SMS, all mobile phone has the ability to receive it, not have to smartphone, IOS, nor windows phone.

However, the application of LBA is still new in Indonesia compare with the other mobile or digital advertising and still need more revamp. LBA also have a tendency to be perceived as spam and disturb the privacy for its receiver. Some receivers will decide to ignore it as they see from pop up notification from their phone and realize it is just an advertisement. The adoption and use of these applications by the consumers' raised concerns on permission-based information to divulge. A critical concern, among consumers, that its usage violates individual's consumer privacy which should not be shown public. More so, they also observed that it usage does not add economic benefits to the end users because its threats superseded the anticipated benefits. Arguably the effectiveness of LBA caused of their consumers' attitude related to their interest or intention to buy the product is still in doubt for the marketing itself.

## Literature Study

### *Marketing Management*

If it described separately, American Marketing Assosiation (AMA) describes Marketing, is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large<sup>[8]</sup>.

If combined into one word, Kotler and Keller mentioned that Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value<sup>[8]</sup>.

### *Advertising*

According to Cambridge Dictionary, Advertising means the business of trying to persuade people to buy products or services. For the specific explanation, advertising is a form of purchased, mediated communication (delivered to an audience by print, digital, or other method except person to person communication) from a trusted source, created to affect the audience to do an action, for the moment or for the<sup>[12]</sup>. For the alternative definition, Karimova explained advertising as a form of text and design of the message by the supervisor who think the message have the promotion meaning on the specific framework that created by the supervisor itself<sup>[7]</sup>.

### *Location Based Advertising (LBA)*

According to Gordon C. Brunner and Anand Kumar, generally, LBA refers to marketer-controlled information specially adjusted for the place where users access an advertising medium (fixed but its content can be adjusted for the people who are mobile and in contact with it for only several times)<sup>[1]</sup>. The medium can be mobile by being putted on public transportation (bus, taxi, train) with the ad content adjusted for the areas they travel.

Based on the conceptual model of Aaron Gazley, Adam Hunt, and Lachlan Mclarent, LBA have the elements that affected attitudes into purchase intention<sup>[5]</sup>. There are six elements of LBA as follows :

1. *Message Type*

POP advertising focussed on in-store attempts to attract consumers, mostly through static and digital display. Therefore, from relationship between message type and attitude.<sup>[2]</sup>

2. *Customisation*

Consumer considered the content of mobile advertising that already been customized is the most important overriding potential concerns about privacy<sup>[10]</sup>.

3. *Permission*

Research also found that consumers who do not opt-in to receive messages find them annoying and intrusive, and are mostly less receptive to them due to disadvantage provoked<sup>[5]</sup>.

4. *Intrusiveness*

Intrusiveness often related to privacy and spamming<sup>[5]</sup>. It also about the contain of the messages that makes consumer avoid it and perceived it as spam by the time they received it

5. *Involvement (control)*

Gazley, Hunt, and McLaren, related involvement with attitude and purchase intention<sup>[10]</sup>. Based on Petty et al., product involvement can have an effect on attitudes, and this variable is also included as a control variable againts attitudes and purchase intention<sup>[11]</sup>.

6. *Timing*

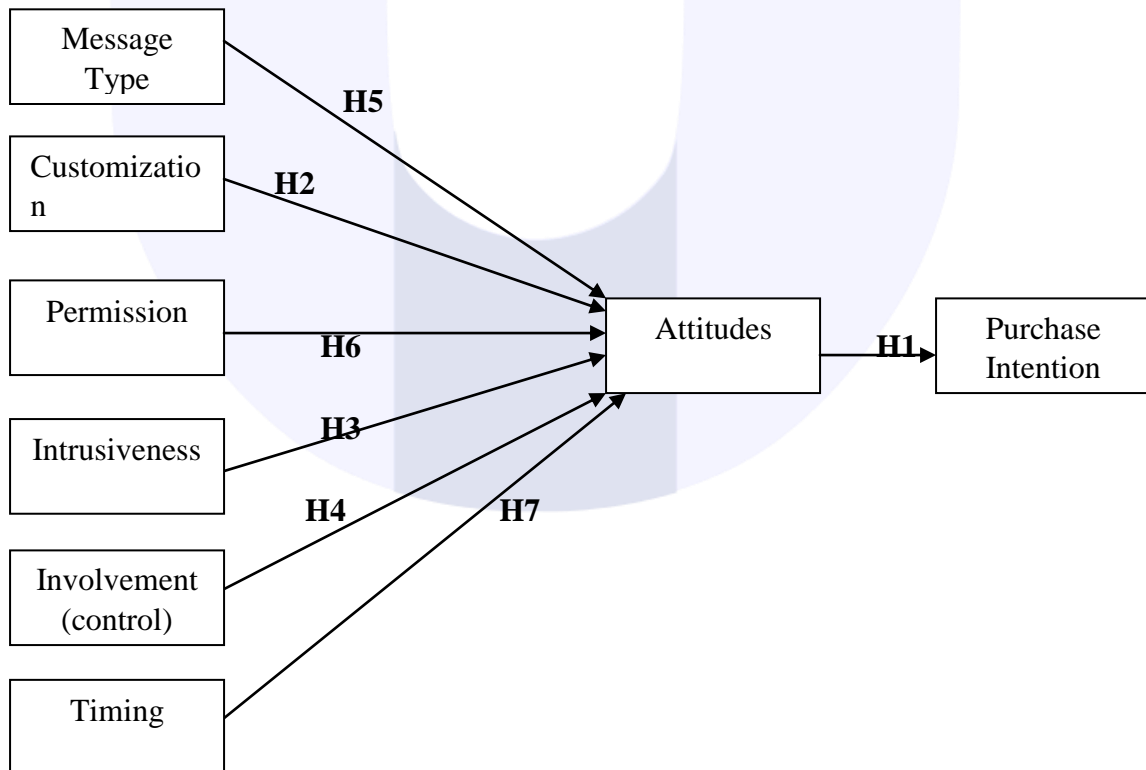
Consumer's desire to buy product provoked by hedonism, and message timing can encourage switching behaviour and contagious consumption at POP<sup>[3]</sup>.

*Purchase Intention*

It means the consumer's decision to buy the product. It can be related with consumer's behaviour and their attitude in response to the offer of the product. Keller defined it as an important key point for consumers during considering and evaluating of certain product<sup>[8]</sup>. Consumer's purchase intention can be largely influenced by their perceptions and also by the attitude to not avoid the advertising at POP, which can initiate increased brand recall and advertising in certain time.<sup>[9]</sup>

**Framework**

Adopted on the conceptual model by Gazley, There are Message Type, Customization, Permission, Intrusiveness, Involvement (control), and Timing as Independent Variable, Attitudes as Intervenig Variable, and Purchase Intention as Dependent Variable. The Research Framework has formed as follow:



Consumer's buying intention can be largely influenced by their perceptions and also by the attitude to not avoid the advertising at POP, which can initiate increased brand recall and advertising in certain time<sup>[9]</sup>. This means the relationship between purchase intention and attitudes can be hypothesize as:

**H1** : *The more positive a consumer's attitude towards the message, the higher their Level of purchase intention at consumer's current location.*

Greater customisation can positively affect the consumer's attitudes towards product offering by decreasing cognitive dissonance and meeting consumer's need better<sup>[5]</sup>. According to Peters et al. in Gazley, Hunt, and McLaren<sup>[5]</sup>, consumer considered the content of mobile advertising that already been customized is the most important overriding potential concerns about privacy. Beside the relationship between customisation and attitude, Therefore:

**H2** : *A consumer's attitudes towards a message will be more positive for ads that are customised, than for ads that are not customised.*

Mobile advertising in POP ( consumer's current location), could interrupt the person's searching behaviour and result in irritation and avoidance behaviours. Intrusiveness often related to privacy and spamming concerns<sup>[5]</sup>. Beside the relationship between intrusiveness and attitude, Therefore:

**H3** : *The more intrusive a message is perceived to be, the less positive a consumer's attitudes towards the message will be.*

**H4** : *There's a significant influence of Influence towards Attitudes.*

According to Chandon et al. (2009), POP advertising focussed on in-store attempts to attract consumers, mostly through static and digital display. Therefore, from relationship between message type and attitudes, Then Gazlye hypothesize that :

**H5** : *Attitudes will be more positive towards MLBA messages than for static displays.*

Resarch also found that consumers who do not opt-in to eceive messages find them annoying and intrusive, and are mostly less receptive to them due to disadvantage provoked attitudes<sup>[5]</sup>. Beside the relationship between permission and attitude, Therefore:

**H6** : *When the consumer opts-in, attitudes towards the message will be more Positive.*

Andrews et al. found that some consumer segment perceived as the valuable from location based advertising better than the other forms. Consumer's desire to buy product provoked by hedonism, and message timing can encourage switching behaviour and contagious consumption at POP<sup>[3]</sup>. From the relationship between timing and attitudes, Therefore:

**H7** : *Attitudes will be more positive for messages that are received at consumer's current location than for messages that are not.*

## **Research Method and Result**

Male respondents have dominance contribution with 258 respondents with the 69% percentage of total population. Female respondents are contributed 128 individuals of 386 individuals. , the respondents are categorized into 4 age groups. There are 0 individuals under 17 age. Individuals between the age 17 until 24 contributed 65% of percentage with 251 individuals. In 25 until 31, there are 128 total individuals that means it contributed 33.2% of percentage. And respondents with the age older than 30 years are just contributed 1.8% of total ppulation with 7 individuals. education are categorized into 4 groups (High school, Bachelor, Master, Ph.d). The lowest is Ph.d with only 3 individuals and 0.9 percentage. High school is the second from the lowest with 10 individuals and 2.9% of percentage. Master contributed 23 respondents with 6.8% percentage. And the highest is Bachelor with 350 respondents and 89.4 of percentage. occupation are categorized into 5 groups ( Student, Scholar, Public Employee,

Entrepreneur, Other). The lowest is Entrepreneur with only contributed 3 respondents. Second of the lowest is student with 10 respondents and 2.9 percentage of population. Other occupation contributed 14 respondents. Public employee contributed 23 respondents with 6.8% of percentage. And the highest is scholar with 350 respondents or 89.4% of population percentage.

Hypothesis are tested using one-tailed with the significance level of 5%, the hypothesis is rejected when  $t$ -statistic  $\leq 1.65$  and accepted if  $t$ -statistic  $> 1.65$ . In addition, path coefficient indicates the positive or negative influence of latent exogenous construct towards latent endogenous construct. If path coefficient exhibits positive value then the relation between constructs is positive and the other way around. The following table displays the results:

Table 1 Hypothesis Testing Results

Path	Path Coefficient	t-statistic	Description
Attitudes→Purchase Intention	0.771	23.711	Accepted
Customization→Attitudes	-0,004	0.095	Rejected
Intrusiveness→Attitudes	0.063	1.287	Rejected
Involvement(control)→Attitudes	0.254	3.180	Accepted
Message Type/Perceived Customization→Attitudes	0.448	6.356	Accepted
Permission→ Attitudes	0.155	3.504	Accepted
Timing→ Attitudes	0.004	0.108	Rejected

Source: Data processed using SmartPLS 3 Profesional

From Table 4.1 we can see that all hypotheses in this research are accepted except for three hypothesis. The hypothesis that is not accepted in this research is that the customization, intrusiveness, and timing.

## CONCLUSION AND DISCUSSION

This research attempts to investigate the relationship between Attitudes towards Purchase Intention, Customization, Intrusiveness, Involvement (control), Message Type/Perceived Customization, Permission, and Timing.

After a series of statistical tests, both the outer and inner model, this research has met both the validity and reliability requirements. Thus, the model of this study is viable to be tested.

The result of the hypotheses testing has shown that there are 3 of 7 hypotheses relations that rejected. The first one is Customization towards Attitudes with minus Path coefficient (means that Customization has negative impact towards Attitudes and the  $t$ -statistic is less than 1.65. The second one is Intrusiveness with  $t$ -statistic is 1.287 that means it is under 1.65 if this using one-tailed testing. The last one is Timing with  $t$ -statistic 0.108.

The hypothesis relations that accepted is Attitudes towards Purchase intention, and Involvement(control) towards Attitudes, Message Type/Perceived Customization towards Attitudes, Permission towards Attitudes. This finding is consistent but bit different with previous studies and especially the main reference for this research which is Gazley, Hunt, and McLaren<sup>[5]</sup>. In Gazley, Hunt, and McLaren, Intrusiveness has an important negative effect on Consumer Attitudes towards the Message<sup>[5]</sup>. In this research the hypothesis relation that has an negative effect of path coefficient and rejected on Consumer Attitude is Customization. The relation between Intrusiveness towards Attitudes is also Rejected.

Further more, this research also investigate the positive effect like Involvement(control, Message Type/Perceived Customization, and Permission towards attitudes that can impact the Purchase Intention. Gazley, Hunt, and McLaren, also mentioned that despite an impact of its impact on Attitudes, the result do show that intrusiveness can be countered by permission and using control through Customization<sup>[5]</sup>. Comparing with this research, the intrusiveness can be more countered by permission because based on the result its relation towards attitude is accepted. Its different with Customization that has negative path coefficient and rejected from the result that not possible to counter the Intrusiveness. Permission is offer a sense of pivity and empowerment that allows consumers to control the types of promotional message they receive, and also limits a company ability to provide them with messages that do not meet their needs<sup>[5]</sup>. From these statement, we also can conclude that permission has related with message type/perceived customization and involvement because it allows consumers to control

(involvement) the types of promotional message they receive ( message type/perceived customization). This mean that there are consistency with the result of hypothesis testing where the relations that accepted are permission, message type/perceived customization, and involvement towards attitudes that can affect the purchase intention.

#### *Theoretical Aspect*

This research has some limitations. The sample that the researcher used for this research focusing in one city (Bandung) from west java, Indonesia that can affect the generalizability of the further research. Thus, further research should use another sampling area or expand the sampling area to minimize the generalizability of the conclusion. The researcher also using Telkomsel because it has the most users in Bandung and the only provider that provide the LBA system to Dunkin' Donuts Indonesia, that inted to gain their marketing program by ICT way. It is so possible that another provider in Indonesia will follow its footsteps to provide LBA system to companies in Indonesia that can be used for the another subject for further research in different case or problem.

#### *Practical Aspect*

Based on the result of the conclusion, the following are the suggestions that the researcher would like to make this research has shown the positive effects that the Attitudes relations have that can be impact the Purchase Intention. 3 relations have shown to have postive effect to Attitudes. The elements are Involvement, Message Type/ Perceived Cusomization, and Permission. Therefore, the company can use this information to further examine and evaluate their LBA method with improvement from these elements to reach the better Attitudes of their consumers that can affect the intent to buy.



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