

# Environment of Internet Marketing and Experiential Marketing in Indonesia Context: Small and Medium Enterprises (SMEs) Purchase Intentions

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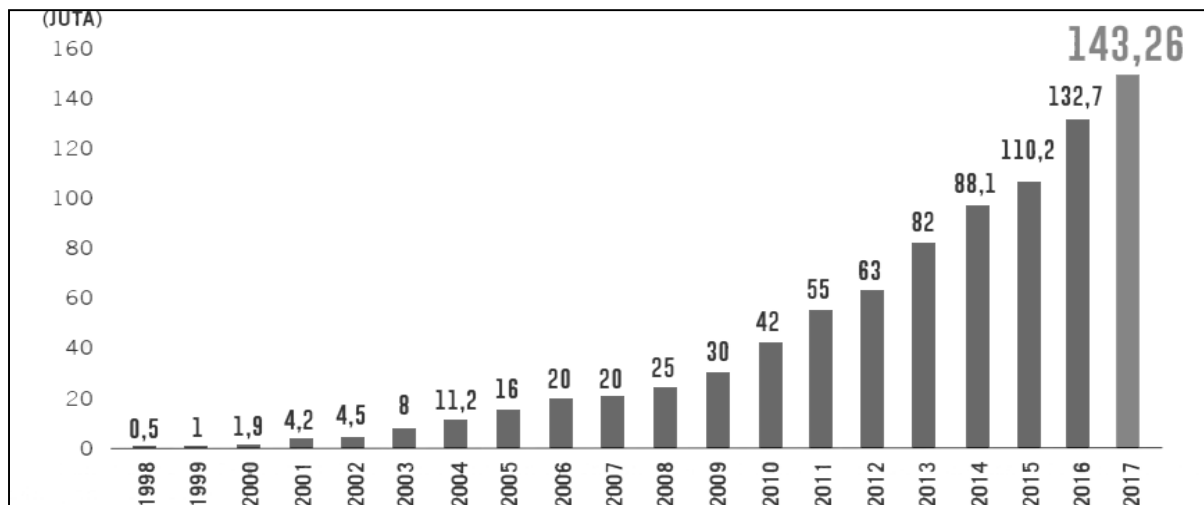
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**Abstract.** The strategies to employ Internet Marketing and Experiential Marketing by Small Medium Enterprises (SMEs) used to increase purchase intention. Therefore, this research aimed to analyse the partial and simultaneous influences between Internet Marketing and Experiential Marketing to purchase intentions. This research used a quantitative approach and took the samples by using a quota sample technique with 100 respondents from Small and Medium Enterprises on Fashion and Food sector in Medan City. The technique of analyzing the data used in this research was multiple linear regression. The result of this research was Internet Marketing, and Experiential Marketing had a positive and significant influence on purchase intention. Simultaneously, Internet marketing and Experiential Marketing had a positive and significant impact on purchase intention. The implication of this research was SMEs must transform from the conventional strategy into an online strategy.

**Keywords:** internet marketing, experiential marketing, purchase intention.

## 1. Introduction

The use of e-commerce or better known as internet marketing in the current disruptive era is unavoidable. Every company has used the internet for promotional activities. The use of internet marketing is a necessity for a company. On the other hand, the internet usage for Small Medium Enterprises in running business activities is not yet optimal. Every business depends on the level of marketing to build a relationship with customers and conduct attractive promotions to increase sales. The drastically emergence of internet marketing must change the mindset of Small and Medium Enterprises (Henceforth: SME). The use of internet marketing becomes a trend in implementing marketing strategies [1], [2] In Indonesia, there is an increase of Internet users from year to year as presented in Chart 1 below.



**Chart 1.** The number of internet users in Indonesia

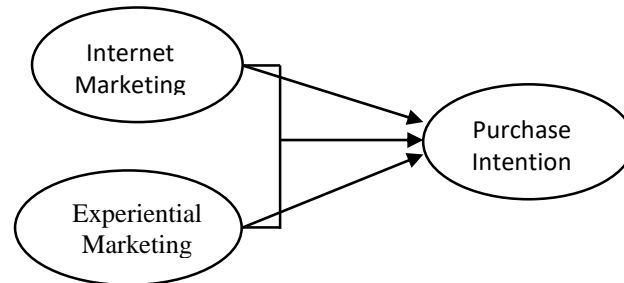
Source: APJII, (2017)

The chart 1. above shows that there has been an increase in internet users in Indonesia from year to year. It means that the internet has become a necessity of the community to interact by using the internet. But, it does not happen in SMEs due to the most of it have not used the internet for promotional and sales activities. Based on survey data, the internet users on economic activity to buy online was 32.19%, and sale online was 16.83% [3]. When the data compared with observations towards SME in Medan City for several business fields including fashion and food, the most of SME have not optimally used the internet to attract buyer's interest. Whereas, the use of Internet marketing continually evolves. Internet marketing can promote products throughout the world and can facilitate the access between buyer and seller [4], [5]. Some authors argue that the use of internet marketing is a tool for marketing and innovation. It also becomes the main media for interaction in running a business [6], [7]. Nowadays, the internet has an important influence to increase innovation and transactions in the global market [8]. Online marketing is the key to SME to reach many customers and increase market share [5], [9], [10], [2].

SME is still reluctant using Internet Marketing as a form of their business activities. Whereas internet marketing has become a transitional power from traditional business to modern business and simplified the promotion, sales, and payment. Internet Marketing can be used to attract consumers' interest to do transactions [11]. Referring to the findings of numerous of previous research on the use of internet marketing such as social media and websites might increase consumers' interest to buy products [12], other researches also found that the quality of websites used greatly influenced purchase intentions. It meant that the higher the quality of the website, the more consumers' interest [13], [14], [15].

Moreover, SME sellers also need to understand the concept of Experiential Marketing, where Experiential Marketing has several approaches that can be used as indicators including Sense which is useful for individual experiences through vision, taste, and to motivate customers. The company is expected to be able to add the aesthetic value of the product, feel, every business also must be able to provide an exciting and clear understanding to create consumers' interest to buy. Thinks, involving customers creatively to act to generate interest in the products offered. Thinks experience refers to future, focused, value, quality, and growth, high technology, surprise. ACT, this strategy is carried out to create a consumer experience that is related to the physical, where the seller must be able to provide experience to consumers related to the physical, such as behavior, lifestyles, trends and creating new innovations. Relate / Social Identity Experience, this strategy contains thinks that can reach individual feeling to show good relationships or establish a wider social community.

The aim of relating experience is to connect consumers with the culture and social environment by the brand of a product [16]. Several previous research findings have revealed that Experiential Marketing has a strong influence on purchase intentions [17], [18], [19].



**Figure 1.** Conceptual Framework

The hypothesis of this research: H1: Internet Marketing influences Purchase Intention of SMEs Sector in Medan City. H2: Experiential Marketing influences the Purchase Intention of Small and Medium Enterprises Sector in Medan City. H3: Internet Marketing and Experiential Marketing simultaneously influence Purchase Intention of SME Sector in Medan City.

## 2. Research Methods

This research used a quantitative approach and took the sample by using a quota sample technique with 100 respondents from SMEs of fashion and food sector in Medan City. Validity testing is done by using product moment correlation technique; all instrument items were valid. Reliability testing used Cronbach alpha. It obtained the value of each variable such as Internet Marketing was 0.824, the experiential Marketing was 0.684, while the purchase intention was 0.810. It meant that the variable was reliable because of  $> 0.60$ . The technique of analyzing the data used in this research was multiple linear regression. Before conducting multiple linear regression testing, classical assumptions were used firstly (Normality Test, Heterosecurity, and Multicollinearity). Thus the classical asumsic test in this regression model could be fulfilled.

## 3. Result and discussion

The results of multiple linear regression tested by using Statistical Package for the Social Sciences (SPSS), were obtained as shown in Table 1.

**Table 1.** The Result of t-Test (Partial)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-4,269	1,687		-2,530	,013
1 Internet Marketing	,488	,041	,704	11,915	,000
Experiential Marketing	,194	,044	,261	4,413	,000

a. Dependent Variable: Purchase Intention

The regression analysis equation shown on the table 1 above was  $Y = a + bx_1 + bx_2 + e$  so that the beta value was added in the regression equation  $Y = -4.269 + 0.488 + 0.194 + e$ , this equation could be interpreted; if the internet marketing variable increased and the assumption of experiential marketing variable did not change, then the purchase intention would decrease. If the variable of Experiential Marketing increased, the assumption of Internet Marketing variable did not change, then purchase intention would decrease. In other words, the marketing internet must be increased by Small and Medium Enterprises to increase costumers' interest.

Further, to answer the Hypothesis partially based on Table 1, the results of Hypothesis 1: Variable X1 (Internet Marketing) t count 11,915, thus t count > t table (11, 915 > 1,984). Statistically, the variable X1 (internet marketing) influenced the Y variable (purchase intention), or the hypothesis was accepted. It meant that Internet marketing partially influenced the purchase intention significantly with a significance value was  $0.000 < 0.005$ . Hypothesis 2: Variable X2 (Experiential Marketing) t counts 4,413, thus t count > t table (3,237 > 1,984). Statistically, variable X2 (Experiential Marketing) influenced Y variables (purchase intention), or the hypothesis was accepted. Experiential Marketing partially influenced purchase intention significantly with a significant value was  $0.000 < 0.005$ .

**Table 2.** Simultaneous Test Result (F test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	921,390	2	460,695	145,089	,000 <sup>a</sup>
	Residual	308,000	97	3,175		
	Total	1229,390	99			

a. Predictors: (Constant), Experiential Marketing, Internet Marketing

b. Dependent Variable: Purchase Intention

The table above showed the results of Hypothesis 3, the simultaneous influence of X1 (Internet Marketing), X2, (Experiential Marketing) towards Y (Purchase Intention), it was obtained the F count value was 145.089 with a probability value (sig) = 0,000. F count (145,089) > F table (3,09), with significant value < 0,05 or  $0,000 < 0,05$ ; then the hypothesis was accepted, it meant that Internet Marketing and Experiential Marketing simultaneously had a significant influence towards Purchase Intention.

**Table 3.** Result of The Coefficient Determination

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,866 <sup>a</sup>	,749	,744	1,78192

a. Predictors: (Constant), Experiential Marketing, Internet Marketing

b. Dependent Variable: Purchase Intention

The Output Model Summary in Table 3, it is known that R Square (R<sup>2</sup>) value is 0.749, the magnitude of R Square 0,749 is equal to 74,9%. This figure means that internet marketing and experiential marketing affect purchase intention of 74.9%. While the rest ( $100 - 74.9 = 25.1\%$ ) is influenced by other variables beyond this regression model. The magnitude of the effect of other variables is referred to an error (e).

#### 4. Discussion

Partially, internet marketing had a positive and significant influence on purchase intention. Then, internet marketing gave the largest contribution among other variables in this regression model; it could be seen from the Beta value 0.704, it meant that internet marketing had a significant impact on purchase intention. The results of this research were supported by several studies that have been done with the result found was internet marketing had a significant influence on purchase intention [20], [21], [22], [23], [24]. In brief, the use of internet marketing such as a website or social media greatly influences purchase intention [25]. The implication of this research requires the SME using internet marketing both website or social media. These factors will make a real contribution to increasing purchase intention which has an impact on increasing sales.

Moreover, Experiential marketing partially had a positive and significant influence on purchase intention. This finding also supported by other researchers' finding which experiential marketing had a positive and significant effect on purchase intention [17], [18], [26]. Online competition of SMEs encouraged the seller to increase shopping experience to consumers and maintain competitive advantage [27]. The implication of this research emphasizes SME be able to maintain online customers loyalty so that they get a good experience when conducting online transactions. Experiential Marketing will be able to increase purchase intention.

Nevertheless, Internet Marketing and Experiential Marketing simultaneously had a significant influence on purchase intention. Internet marketing and experiential marketing will be able to influence purchase intention if Small and Medium businesses can apply attractive design concepts, so that consumers do not feel bored when browsing online stores [28], [29]. Some researchers also revealed that internet marketing and experiential marketing simultaneously had a significant influence on increasing purchase intention [30], [31]. The implication of this research is the Small and Medium Enterprises must use internet marketing strategies as a way to increase purchase intention, and the sellers must be able to provide expectations to consumers through experiential marketing.

#### 5. Conclusion

This research intended to provides a comprehensive answer to the problems faced by small and medium enterprises that require using online media to promote and improving business. The findings of this research prove that Internet marketing and Experiential Marketing partially affect purchase intention. The biggest contribution given by this regression model is Internet marketing in the technological era. Small and Medium Enterprises are advised to use internet marketing strategies to increase purchase intention. The limitations of this research only cover Small and Medium Enterprises, especially fashion and food sectors. So, other fields and larger samples can be carried out in the future research. The researcher recommends further researcher to study The Small and Medium Enterprises and develops other variables that are not yet included in this regression model.

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