

# **An S-Commerce Study: Exploring Utilitarian For The Purchase Of Affordable Luxury Products On Instagram**

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## **ABSTRACT**

*Companies have been utilising social media as a place to promote and sell its products, including Instagram. Furthermore, the sales of affordable luxury products have been growing significantly. Hence, this study aims to explore Instagram shopping motivation and subsequent word of mouth intention towards affordable luxury products. This study adopted Internet Shopping Motivation framework to investigate Instagram shopping motivations and word of mouth intentions. This study employed 15 Indonesian female participants in their 20s, as this age group represents the largest social media users. This study was conducted using in-depth interview, followed by coding process to generate themes for further analysis. The results of this study shows shopping motivation is supported by utilitarian motivations. The major values found in this study are cost-saving, convenience, and selection. This study advises retailers to focus on providing complete product selection and competitive prices to succeed in Instagram, as well as enhancing consumer's trust by developing credibility and maintaining their integrity to customers.*

**Keyword:** S-commerce, shopping motivation, affordable luxury, purchase intention

## **Introduction**

Social media has enabled users and companies to create and share contents which are personal or related to products or brands (Erkan and Evans, 2016). A survey by Statista (2017) showed that most people checked social media daily and spent up to 118 minute`s per day on it in 2016. Recently, social media has evolved into a new shopping platform. Social commerce (s-commerce) is a form of social media that enables consumers to take an interest in the advertising and offering of products or services in online groups and marketplaces (Stephen and Toubia, 2010). Social media such as Facebook and Instagram have become some of the most popular social media commerce platforms in recent years (Che, Cheung, and Thadani, 2017). Instagram, for example, has been utilised as a shopping platform in several countries, such as Korea (Kim and Park, 2013), UAE (Alkhowaiter, 2016), Hong Kong (Che, Cheung, and Thadani, 2017), and Indonesia. A number of global retailers are starting to incorporate social media as their new selling platforms as well, such as ASOS, Net-a-Porter, Levi's, etc. (Anderson, Knight, Pookulangara, and Josiam, 2014; Drapers, 2017).

Global companies are still struggling with the adoption of s-commerce, while in Asia Pacific, s-commerce is currently thriving (Drapers, 2017; Wall Street Journal, 2016). Research

showed that roughly 30% of digital sales in the Southeast Asian region took place on social networks last year (Wall Street Journal, 2016). For instance, Instagram have been used to facilitate Customer-to-Customer (C2C) transactions in Thailand and Indonesia (eMarketer, 2016). With increasing numbers of consumers buying in s-commerce, it is important to understand s-commerce shoppers' motivations as it may help explain why people shop through Instagram and the intention of Instagram shoppers to spread their experiences by word of mouth (Shankar *et al.*, 2010; Liang and Turban, 2011).

Besides s-commerce, there is another new phenomenon in the luxury: affordable luxury goods. According to Business of Fashion and McKinsey (2016), the global sales of affordable luxury goods surpassed other luxury ranges in 2016. Although there is existing research into the luxury goods sector, the *affordable* luxury goods sector has received less attention, especially with regard to consumer's shopping motivation (Wu *et al.*, 2015; Giovannini, Xu, and Thomas, 2015; Liu, Burns, and Hou, 2013). Therefore, this study will examine the utilitarian shopping motivation of Instagram shoppers towards affordable luxury goods. This research seeks to contribute to filling this gap by investigating Instagram shopping motivations regarding affordable luxury products. Furthermore, this research aims to provide valuable insights into the sector as affordable luxury retailers can create a more effective selling channel, which may stimulate higher purchases.

## **REVIEW OF LITERATURE**

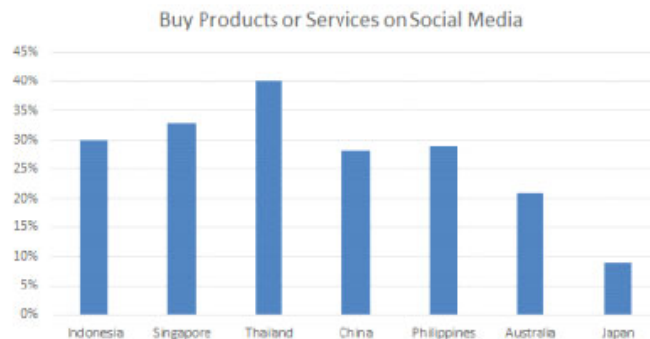
### **Social Commerce**

According to Marsden (2010), s-commerce is a part of e-commerce that employs social media to facilitate the activities of purchasing and selling of products and services online. S-commerce has unique characteristics, including customer reviews and ratings, recommendations, referrals, and forums (Stratmann, 2010). Kang *et al.* (2014) pointed out that consumers can search for products and seek advice from others and see it as a form of sociality. Furthermore, they added that consumers can shop and give recommendations to others by posting reviews and photos and by forming an online community (both pro or contra a firm or product). Its application can be seen on advertisements and transactions on Facebook, LinkedIn, and other social media which allow consumers to engage with ease in selling and buying activities (Liang and Turban, 2011).

Several companies have taken advantage of s-commerce. For example, ASOS began to employ popular chat service WhatsApp last year since its target market is more active on mobile forums than on any other channels (Drapers, 2017). However, the retailer is still struggling with the 'Buy' button in s-commerce as it has not had a significant impact. Meanwhile, in the luxury sector, Yoox Net-A-Porter is currently developing a technology which allows consumers to buy Prada and Versace products from WhatsApp (Independent, 2017).

S-commerce appears to be having a significant effect on shopping habits across Southeast Asia. It was found that 30% of digital sales in the region came from s-commerce in 2016, especially

through Facebook and Instagram (WSJ, 2016). A study conducted by Ogunlade *et al.* (2016) on Asian Pacific and Australia showed that Southeast Asian countries hold the largest portion of social media shoppers (see Figure 3.6).



According to Bain and Co (2016), 30% of Indonesia’s online purchases now come from s-commerce sites. Southeast Asian consumers believe that social media is more convenient, offers cheaper price, and provides products that are not available in offline stores (Ogunlade *et al.*, 2016; Tech in Asia, 2016).

### **Instagram**

Instagram is an example of a social media site which allows users to take and edit pictures and share them with other users (Lee *et al.*, 2015). Aside from this photo-editing feature, Instagram offers other features such as ‘Photo Map’, which enables users to add locations to their photos, the ‘Explore’ page, which shows photos from other users, and ‘Direct Message,’ which allows users to exchange messages privately (Lee *et al.*, 2015). Users of Instagram have been increasing continuously since it started in 2014, and the site’s 700 million users have seen it become more popular than Twitter to make it the 2nd largest social network (Statista, 2017).

While Instagram is used mostly as a marketing tool for marketers to promote and connect with their consumers, some small-medium enterprises have used it as a place to sell their products in some countries. Che *et al.* (2017) noticed the emergence of Instagram shops in Hong Kong as well. Also in South East Asia, Instagram has been one of the most popular social media to sell various type of products in Indonesia. In terms of luxury goods, each seller usually provides various brands in their store. Luxury goods sellers provide products from many brands such as Coach, Tory Burch, Kate Spade, and others. Some stores also have an offline version where consumers can see the product directly.

In order to buy the product, a consumer has to inform the seller by contacting their social networking sites (e.g. Whatsapp, Line, WeChat, etc.) which they provide in the profile or through direct the message feature in Instagram (Che *et al.*, 2017). The consumer will then mention or screenshot the product they want from the seller’s pictures and send it to the seller to ask the price and the shopping procedure. The seller will ask the consumer’s details, such as name, address, and phone number for delivery purposes, and the consumer has to follow the

instructions in order to receive the product. Then, the seller will state the price of the product and provide their bank account details for the consumer to make a bank transfer. After the consumer has made a payment, he or she will send proof of payment to the seller.

### **Affordable Luxury**

According to Truong *et al.* (2009), affordable luxury or accessible luxury is defined as a 'masstige' luxury in which a range can be obtained by the wider market who are able to satisfy their desire to possess luxury brands due to the lower price point than is the case with regular luxury products. Silverstein and Friske (2003) claim that affordable luxury is associated with the rationalisation of prices in the luxury market in which this range is marketed to high class and middle-high class consumers to increase social status. The positioning of massification is seen as innovative and impactful as it provides exclusivity with minimum risk of damaging the brand image (Truong *et al.*, 2009). BoF and McKinsey (2016) found during the year of 2015 and 2016, the affordable luxury segment achieved the highest levels of growth overall in the fashion market last year. The survey by BoF and McKinsey (2016) considered the growth of several affordable luxury brands, such as Tory Burch and Michael Kors. Furthermore, McKinsey (2016) pointed out that affordable luxury labels hold the largest share of e-commerce, up to 8.5 percent, compared to other luxury ranges. This might be on account of the lower prices of affordable luxury compared to luxury products in general.

### **Shopping Motivation**

Babin *et al.* (1994) and Hirschman and Holbrook (1982) identified two shopping motivations: utilitarian and hedonic. However, not all consumers have the same degrees of utilitarian and hedonic values, as they depend on the condition of shopping and also consumer interactions (Chung, 2015). According to Babin *et al.* (1994), hedonic shopping motivation results from consumers' needs to fulfill their hedonic values, which can be derived from fun experience, amusement, fantasy, and sensory stimulation.

Based on Kim (2006), utilitarian shopping motivation is mainly associated with a product or service's functional attributes and monetary matters. Consumers with a utilitarian shopping motivation have a specific goal, do not make impulse purchases, and are relatively decisive (Babin *et al.*, 1994; Hirschman and Holbrook, 1982). According to To *et al.* (2007), there are six dimensions of online utilitarian motivations: Cost Saving, Convenience, Selection, Availability of Information, Customised Product or Service, and Lack of Sociality.

#### *1. Cost Saving*

Purchase intention will likely increase when consumers acknowledge that they are able to save their money by obtaining a product which has similar quality with a lower cost (To *et al.*, 2007).

#### *2. Convenience*

Convenience motivations refer to the aspect of saving time and energy which can be achieved by shopping online (Martinez-Lopez *et al.*, 2014). A number of studies have

shown convenience to be the most important factor in online shopping (To *et al.*, 2007; Mikalef *et al.*, 2013; Parker and Wang, 2016).

3. *Selection*

Selection refers to the completeness of a product range displayed in the store (Martinez-Lopez *et al.*, 2014). To *et al.* (2007) and Mikalef *et al.* (2013) considered selection to be a significant factor in online shopping motivation.

4. *Availability of Information*

The availability of information is related to the capacity of consumers to receive information from retail establishments (Martinez-Lopez *et al.*, 2012). To *et al.* (2007) found information availability can lead to search intention and purchase intention.

5. *Customised Product or Service*

Customised products or services refers to the demands of consumers to have a personalised product or service to suit their preferences and needs (Martinez-Lopez *et al.*, 2012). To *et al.* (2007) argued that customised products or services are difficult to achieve in online shopping.

6. *Lack of Sociality*

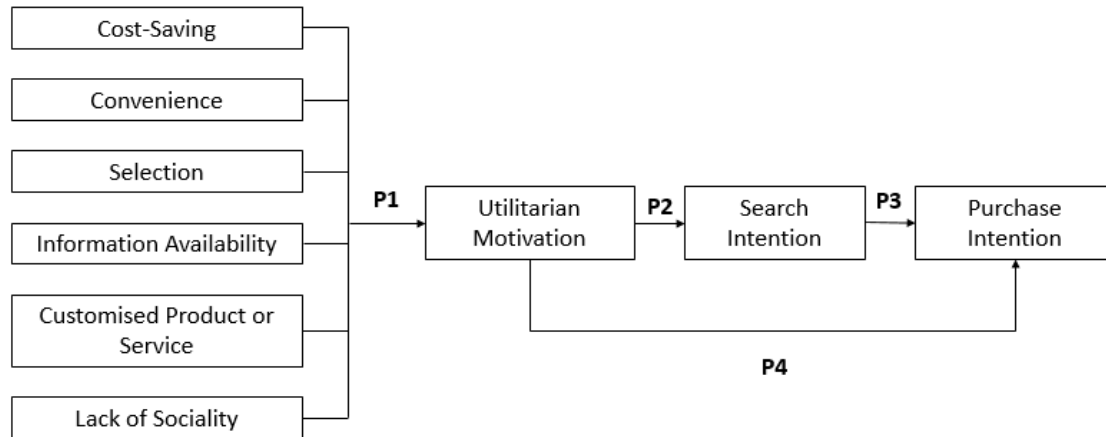
This factor is related with the positive sides of eliminating social interaction with sales people or other consumers and shopping without feeling shy or embarrassed (Martina-Lopez *et al.*, 2014). This motivation has been positively associated in previous studies with online shopping (To *et al.*, 2007).

## **METHODOLOGY**

This study has adopted the qualitative in-depth interview method as it provides a deeper understanding of individual's motivations and experiences (Malhotra and Birks, 2007). Therefore, this method is suitable in the context of exploring s-commerce utilitarian shopping motivation for affordable luxury products. A coding system was devised to analyse the results of the interviews.

### **Theoretical Framework**

The theoretical framework for this research is based on To *et al.*'s (2007) model to investigate consumer's motivations for shopping online. Results have shown that online consumers exhibit utilitarian shopping values. This model has been used by previous studies and has generated fruitful results (Mikalef *et al.*, 2013; Anderson *et al.*, 2014).



**P1.** Utilitarian values significantly influence utilitarian motivations for shopping for affordable luxury goods in Instagram.

**P2.** Utilitarian motivations significantly influence the search intentions of shopping for affordable luxury goods in Instagram.

**P3.** Search intentions significantly influence purchase intentions of shopping for affordable luxury goods in Instagram.

**P4.** Utilitarian motivations significantly influence purchase intentions of shopping for affordable luxury goods in Instagram.

### Participants and Sampling

Referring to previous studies, a sample of 15 participants was used for this study (Babin *et al.*, 1994; Parker and Wang, 2016). The age group of the sample was from 20 to 30, as people of this age are the most common users of Instagram in Indonesia (Statista, 2017). The participants were firstly asked whether they had purchased affordable luxury goods in Instagram through social networking groups (e.g. Whatsapp and Line). If they had, they were asked to participate in a research project concerning intentions to shop for affordable luxury goods in Instagram. The participants were given an informed consent form and later completed an in-depth interview session.

## RESULTS

### Descriptive Statistics

The age of the participants who engaged in the interview process ranged from 22 to 24 years old and all participants were female. According to the result, 9 out of 15 participants stated the most prominent times of Instagram shopping were at night. Furthermore, 10 participants open Instagram daily and buy something every month on Instagram.

### Utilitarian Motivations

The findings of this research with regard to each value are addressed in the following sections.

## **1. Cost-Saving Shopping**

From the results of the interviews, a total of twelve participants claimed that the low price of affordable luxury products was one of their motivations for shopping in Instagram.

“I do shop on Instagram to save money that’s why I seek for discounts and cheaper price because I need to save my money.” – P11, 23

“Of course, because I don’t have much money to spend on luxury products so I need to find cheaper ones and it’s available on Instagram.” – P14, 23

## **2. Convenience Shopping**

A total of 13 from the 15 participants agreed that convenience was a major factor in terms of shopping through Instagram and has become the motivation behind shopping for affordable luxury products in Instagram.

“..I’m too lazy to go to the offline store. If it’s available on Instagram, I’d probably buy it there. I prefer to go to Instagram because I already know the seller and they’re trusted so it’s more convenient. I don’t really like going to the mall. I always prefer to buy online..” – P10, 23

It was also found that some participants were a little uncomfortable shopping for this type of product because they could not ensure the product quality.

“Actually, it’s not that convenient because you cannot ensure the condition and quality of the product. Sometimes the seller cannot be trusted as well because you’re afraid whether the product is original or fake” – P11, 23

## **3. Selection Shopping**

From the participants, 12 stated that the product assortment offered in Instagram was more diversified compared to offline stores in Indonesia and also to websites.

“I think it’s more varied in Instagram compared to the website but it depends on the web. If it’s an Indonesian website, yes, it’s more varied. If we compile the sellers into one, then it’s more varied because they have different sources of goods.” – P5, 23

In addition to variety, availability was considered the most important value for a number of participants. For example,

“Availability is my biggest influence because sometimes the product is not available in the offline store in Indonesia.” – P15, 22

## **4. Customised/Personal Shopping**

Eleven participants have used specialised service to buy affordable luxury goods on Instagram as the product they wanted was not available in official stores. Instagram shops, particularly luxury and affordable luxury shops, offer their consumers several

personal services whereby consumers can request a service exclusively for them. For example:

“In Instagram you can have a personal service. You can request that the sellers find the product that you want which is not available here in Indonesia because they [the sellers] often go abroad to buy the product.”- P10, 23

## **5. Availability of Information**

The results show that 11 from the 15 participants were not motivated by the availability of information in Instagram shopping. Participants stated that the availability of information depends on the seller, but the all participants felt that the information is not as comprehensive as the information listed on the website.

“If it’s the information from the Instagram shop, then it’s not that comprehensive, but you can always ask for a more complete information and often they will provide all the information you need” – P4, 23

This shows that availability of information is not overly important for Instagram shopping as the shops in Instagram act more as a reseller in which they collect information from the official brand’s website.

## **6. Lack of Sociality Shopping**

With reference to the in-depth interview results, 11 out of 15 participants did not perceive lack of sociality or privacy as a motivation to shop in this platform. They agreed that it does provide privacy but for affordable luxury goods they did not view it as an important factor motivating them to shop on Instagram. For instance:

“Now that I think of it, yes it allows you to buy products without feeling embarrassed, because you can buy products that only you and the seller know. But I never felt embarrassed buying something from Instagram because the products that I have bought are not something to be embarrassed about anyway.” – P2, 22

In summary, the 1<sup>st</sup> proposition is supported. Utilitarian values significantly influence utilitarian motivations for Instagram shopping, especially for affordable luxury products.

## **Search Intention**

According to the results, all participants were motivated by utilitarian values to search for affordable luxury goods in Instagram.

“I will likely continue to search affordable luxury goods on Insta because it’s easy and the products are cute whenever the season changes. Searching on the website is quite complicated, too many menus. In Instagram, it’s much more compiled and you can discover many brands in one go.” – P6, 22



This indicates that utilitarian values influence search intentions. This study concurs with previous studies which have claimed that utilitarian motivation influences browsing intention (To *et al.*, 2007; Mikalef *et al.*, 2013).

### **Purchase Intention**

The participants were asked whether their intention to search on Instagram would lead to a purchase. All of the participants claimed they would likely purchase after searching for the product on Instagram.

“Most likely, because I’m the type of person who does some planning before purchasing a product. If I want the product, I will search for it and if I find it on Insta, I will most likely buy it.” – P12, 22

This result accords with studies that have found online consumers that have a tendency to browse will have stronger intention to purchase (To *et al.*, 2007; Mikalef *et al.*, 2013). Perhaps in the context of affordable luxury goods, most s-commerce shoppers already had a plan to buy, and hence search intention will ultimately lead to shopping. Furthermore, a total of 14 from 15 participants indicated they were likely to buy affordable luxury goods due to utilitarian values from the same seller.

“Likely, because I don’t have to find other sellers, so I just contact the same seller to buy it as long as the seller has the product I want.” – P3, 23

This finding is in line with other studies which have observed that online shopping is predominantly supported by utilitarian motivations (To *et al.*, 2007; Mikalef *et al.*, 2013). Another notable finding was that participants agreed on the possibility to switch to official luxury brand stores when they offer the same price and wider product selection than Instagram sellers. For instance:

“...but in the future, if the prices in Instagram and the offline store are the same, then I would go to the official store instead...because I can ensure the quality and the product’s condition so I feel safer to buy it.” – P15, 22

This implies that Instagram sellers need to carefully adjust their prices to the prices in actual stores in Indonesia. Thus, if Instagram sellers cannot fulfill the needs and demands (e.g. cheaper products, wider product assortment) of Instagram shoppers, it is highly likely that they will turn to the official luxury brand stores.

### **CONCLUSION AND RECOMMENDATION**

The results show that utilitarian shopping motivations have an impact on search intention and purchase intention with regard to affordable luxury products on one s-commerce platform (Instagram) towards. The major attributes which have the biggest impact on search and purchase intentions on Instagram shopping are cost-saving, convenience, and selection. This demonstrates that affordable luxury sellers in Instagram need to invest in making consumers feel comfortable when shopping on Instagram by providing a complete product selection and maintaining prices competitiveness.

Search intention and purchase intention inarguably have a positive relation in s-commerce shopping. Furthermore, this study has filled a gap in s-commerce studies, which have suffered from a lack of research into shopping motivation on s-commerce, especially on Instagram, for affordable luxury products.

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