

**THE EFFECT OF ITEM BASED LOYALTY PROGRAM, SOCIAL MEDIA  
MARKETING AND SALES PROMOTION ON PURCHASE DECISION  
ON E-COMMERCE USERS**

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**Abstract:** *The purpose of this research is to test item-based loyalty programs, social marketing, and sales promotion that have an influence on purchase decisions among e-commerce users. Sampling was carried out using the non-probability sampling method and the data collection technique used purposive sampling, the sample size was 250 respondents, namely e-commerce users in West Jakarta. Data was collected by distributing questionnaires online via the Google Form. The analysis technique used is SEM analysis and the data is processed using SmartPLS software. The results of this study indicate that item-based loyalty programs have a significant positive effect on purchase decisions, social marketing has a significant negative effect on purchase decisions, sales promotion has a significant positive effect on purchase decisions. Sales promotion, Item-Based Loyalty Program, Social Media Marketing are tools used by companies to increase the level of sales of a product and determine consumer purchasing decisions. The novelties of this study will provide guidelines for future research, design the most effective programs for e-commerce entrepreneurs, and provide empirical results for future research.*

**Keywords:** *item based, loyalty program, social marketing, sales promotion, purchase decision*

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## **1. Introduction**

Currently, the whole community is faced with various digital services or what is commonly known as e-commerce. One of the e-commerce that is in demand by the public is Shopee. Based on Top Brand, Shopee ranks first with a percentage of 59.9% for the online shopping category in 2022. Shopee has various strategies to increase purchase decisions from its consumers. The strategy that shopee has is to use the Shopee coin program. Shopee coin itself is a term to refer to the official currency owned by Shopee and can only be used in e-commerce itself. The Shopee coin program is a program that implements an item-based loyalty program. (Wu, Sun, and Yada, 2020) stated that an item-based loyalty program is a program owned by a company that allows its customers to collect rewards that are obtained either for free or through certain methods when making transactions with the company. Social media is believed to be one of the factors that can increase consumer purchase decisions (Yogesh and Yesha, 2014). Previous research has seen that before making a purchase on an e-commerce, consumers will see reviews that can be seen through social media. For Shopee companies, it can increase consumer purchase decisions, while

consumers are also helped to see the real conditions of the goods to be purchased and help provide alternative choices and decisions in buying these goods. According to (Irfandi & Anggraeni, 2022) choosing the right sales promotion strategy can lead to a buying stimulus which is believed to increase impulse buying. What's more, the right sales promotion is not only able to encourage consumers to buy a product from Shopee, but can also increase unplanned purchases (Anggy, 2018). The existence of sales promotion makes consumers have the notion that consumers will get the lowest price and more profit with the same product quality.

Purchase decisions in this study examine e-commerce users with several variables related to purchase decisions, namely item-based loyalty programs, which include loyalty to e-commerce, social marketing which includes promoting Shopee users' features - features offered, as well as sales promotion which includes price, attractiveness, seasonal promo compared to other applications. The related variables are adopted from previous research, although many studies have been conducted on purchase decisions. However, there are still many differences. The difference between this research and previous research is in the object, place and research subject. This research was conducted by e-commerce users, with consumers in West Jakarta. For this reason, it is still necessary to carry out further research an effort to integrate a conceptual framework from the purchase intention variable. item based loyalty program, social marketing, sales promotion which are the contributions of this research.

## **2. Theoretical Review**

### ***Item-Based Loyalty Program***

Jeevanda (2011) defines an item-based loyalty program as a marketing strategy that provides benefits for both the company and consumers. He added that the item-based loyalty program is a method used by companies such as providing discounts, prizes, or points that can be collected which can then be exchanged for other items. Research conducted by Dah, Chen, Prempeh (2015) explains that an item-based loyalty program is a program created by a company to attract buyers to collect rewards when consumers make purchases.

### ***Social Media Marketing***

Social media marketing can be defined as a program that has been designed by companies to attract the attention of consumers directly or indirectly with the aim of increasing sales (Angelyn & Kodrat, 2021). In contrast to previous research conducted by Yong & Hassan (2019) which stated that social media marketing is a process that provides an opportunity for individuals or companies to promote products and services produced through social media platforms. Based on this explanation, it can be seen that Social media marketing is a series of programs arranged by e-commerce owners that aim not only to increase sales but also to assist consumers in providing aspirations and feedback based on their online shopping experience.

### ***Sales Promotion***

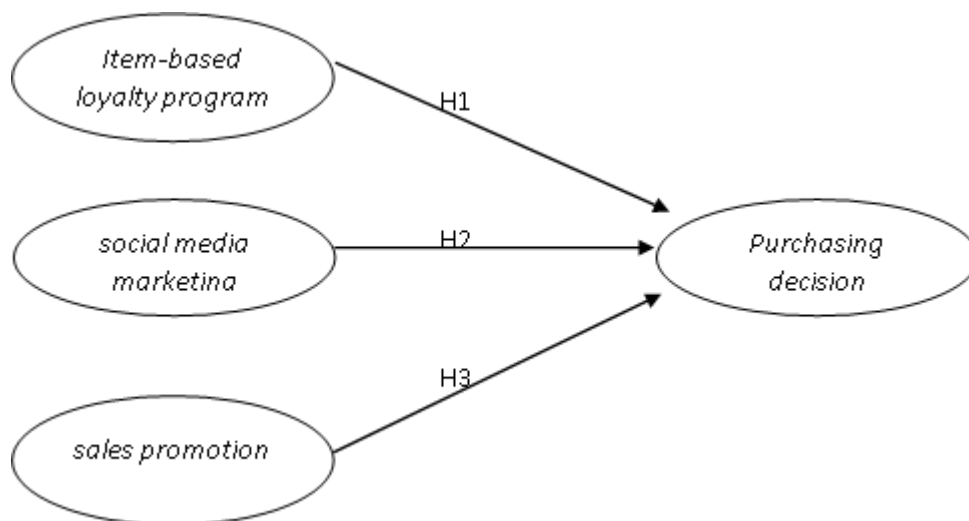
Kotler and Keller (2016) stated that sales promotion is the core of a marketing campaign, which is generally carried out in the short term to stimulate faster or larger purchases. Sohn & Kim (2020) explain that sales promotion is a tool used to stimulate

consumer buying behavior in a short period of time. This is supported by a statement from Nelviluvita & Roswita (2019) which explains that sales promotion is a marketing communication if it is increased, the level of loyalty of e-commerce users will also increase

### ***Purchasing Decision***

Harahap & Amanah (2020) explained that purchasing decision is a decision-making process from consumers in buying a product that is associated with the needs and expectations that are expected to increase satisfaction with the product. (Monoarfa, Juliana, and Setiawan, 2021) explain that purchasing decision is the stage in which 12 consumers will make a decision to buy a product or service. (Hanaysha , 2017) states that purchase decision is a process that is formed before consumers make a purchase, which usually begins fulfilling the needs.

Based on the explanation of each variable above, Item-based loyalty programs, social media marketing, and sales promotion have an influence on purchasing decision.



Picture 1. Research Model

### **Research Hypothesis:**

H1: Item-based loyalty programs have a positive effect on purchasing decisions among e-commerce users.

H2: Social media marketing has a positive influence on purchasing decisions among e-commerce users.

H3: Sales promotion has a positive influence on purchasing decisions among e-commerce users.

## **3. Research Method**

The research population is e-commerce users located in West Jakarta. This study used a purposive sampling technique, with the reason that there were certain participants and according to the criteria set by the researcher. The number of samples studied was 250 respondents. Data collection techniques using a questionnaire. Questionnaires were

distributed online using Google Form to respondents who are E-commerce users in West Jakarta. Research data processing uses PLS-SEM software which consists of two analyzes, namely the outer model and the inner model.

#### **4. Results and Discussion**

##### **Respondent Profile**

The research subjects consisted of 121 men and 167 women, with the majority of respondents aged 15-25 years at 59.37%. The intensity of Shopee usage in the 'rare' category was 127 people, and 'often' was 155 people.

##### **Validity and Reliability Test Results**

Based on the analysis of the results of the measurement model (Outer Model Analysis) it was found that all indicators used to measure research variables are valid and reliable so that they can represent research variables and can be trusted and relied upon.

##### **Outer Model**

##### **a. Convergent Validity**

Table 1.AVE

Variable	Average Variance Extracted
Item-Based Loyalty Program	0.901
Social Media Marketing	0.887
Sales Promotion	0.914
Purchase Decision	0.910

The Composite Reliability of all the variables above, which is above 0.70, can be said to be a reliable value. In addition, the table above also shows that the Cronbach's alpha value for all variables, which is above 0.70, can be said to be reliable.

Table 2. Loading factors Results

	Item-Based Loyalty Program	Social Media Marketing	Sales Promotion	Purchase Decision
X1.1	0.962			
X1.2	0.962			
X1.3	0.937			
X1.4	0.946			
X1.5	0.941			
X1.6	0.947			
X2.1		0.947		
X2.2		0.933		
X2.3		0.932		
X2.4		0.940		
X2.5		0.957		
X3.1			0.962	
X3.2			0.968	
X3.3			0.937	

Y1.1				0.949
Y1.2				0.951
Y1.3				0.963
Y1.4				0.954
Y1.5				0.955

Table 2 shows the results of the analysis of loading factors for each indicator showing a value of more than 0.7 ( $> 0.7$ ). It can be concluded that all variables in this study have met the requirements of convergent validity.

#### b. Discriminant Validity

Table 3. *Fornell-larcker Criterion*

	<i>Item Based Loyalty Program</i>	<i>Purchase Decision</i>	<i>Sales Promotion</i>	<i>Social Media Marketing</i>
<i>Item Based Loyalty Program</i>	0.949			
<i>Purchase Decision</i>	0.944	0.954		
<i>Sales Promotion</i>	0.919	0.936	0.956	
<i>Social Media Marketing</i>	0.944	0.942	0.960	0.942

The results from Table 3 show that a construct has a higher AVE square root value than the correlation between other constructs, so this study meets the research validation requirements

#### c. Composite Reliability

Table 4. **Reliability Analysis Results**

	Composite Reliability
Item-Based Loyalty Program	0.982
Social Media Marketing	0.975
Sales Promotion	0.970
Purchase Decision	0.979

The Composite Reliability of all the variables above, which is above 0.70, can be said to be a reliable value. In addition, the table above also shows that the Cronbach's alpha value for all variables, which is above 0.70, can be said to be reliable.

### Inner Model

#### a. $R^2$

Table 5. **Determination Coefficient Results**

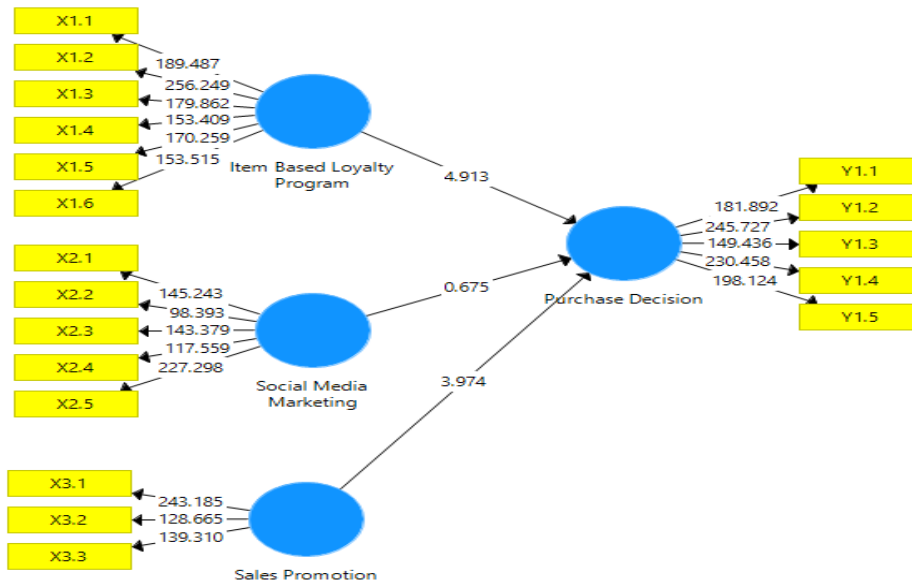
Variable	<i>R-square</i>
<i>Purchase Decision</i>	0.947

From the test results of the coefficient of determination, it can be seen that the R-Square value is 94.7%, the variation in the Variable purchase decision can be explained by

item-based loyalty programs, social marketing, sales promotion, purchase decisions. The remaining 5.3% can be explained by other variables outside this research model.

#### b. Path Coefficient

Hair et al. (2019) explained that to test the significant path coefficients one can use bootstrapping. The results of the path-coefficient analysis of the variables in this study are presented in the following figure:



Picture 2. SmartPLS Model

Table 6. Hypothesis Testing

Variable	<i>T-Statistics</i>	<i>p-value</i>	Description	Result
Item Based Loyalty Program → Purchase Decision	4,918	0,000	Significant	Approved
Sales Promotion → Purchase Decision	0,662	0,509	Not Significant	Not Approved
Social Media Marketing → Purchase Decision	3,665	0,000	Significant	Approved

Hypothesis 1 testing: Item-based loyalty programs have a positive and significant influence on purchasing decisions among e-commerce users.

Hypothesis 2 testing: Social Media Marketing has a positive but not significant effect on purchasing decisions among e-commerce users.

Hypothesis 3 testing: Sales Promotion has a positive and significant influence on purchasing decisions among e-commerce users.

### **Discussion**

The results of the first hypothesis test show that item-based loyalty programs influence purchasing decisions among e-commerce users. The results of this study are in line with research conducted (Soetanto and Saino, 2022) who also stated that item-based loyalty programs influence purchasing decisions.

The results of testing the second hypothesis indicate that social media marketing has a negative effect on purchasing decisions among e-commerce users. This statement is not in line with research conducted by (Hanaysha, 2017) which states that social media marketing has no positive and significant effect on purchasing decisions. The insignificant influence exerted by social media marketing is caused by the ineffectiveness of social media activities at selected retailers.

The results of testing the third hypothesis show that social media marketing has a positive effect on purchasing decisions for e-commerce users. The results of this study are in line with research conducted by (Chantya & Sunaryo, 2019) which states that the existence of sales promotions can provide a stimulus for consumers to make purchases quickly or on a large scale.

### **5. Conclusion**

Based on analysis result, it can be concluded that:

- 1) Item-based loyalty programs have a positive and significant effect on purchasing decisions among e-commerce users
- 2) Social media marketing has a positive but not significant effect on purchasing decisions for e-commerce users
- 3) Sales promotion has a positive and significant effect on purchasing decisions for e-commerce users

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