Effects Of Digital Marketing On Purchase Decisions

Adinda Eka Pratiwi[1], Abdul Rahman Kadir[2] And Muhammad Toaha[3]

[1]*Student of Master Program of Management, Economic and Business Faculty, Hasanuddin University, Indonesia;*
[2,]*Department of Management, Economic and Business Faculty, Hasanuddin University, Indonesia;*
[3,]*Department of Management, Economic and Business Faculty, Hasanuddin University, Indonesia;*

Abstract
This study aims to analyze the effect of digital marketing on purchasing decisions for Kentucky Fried Chicken (KFC) fast food. We developed a path analysis model to analyze the direct and indirect effects of digital discounts, mobile applications, and digital services on 155 respondents in Makassar City. Our empirical results show. Digital discounts directly and indirectly through customer loyalty affect purchasing decisions. the mobile application directly and indirectly through customer loyalty does not affect purchasing decisions. Digital services do not affect purchasing decisions directly, but indirectly through customer loyalty affect purchasing decisions.
Keywords: *digital marketing, digital discounts, mobile applications, digital services, purchase decisions*

I. Introduction

Innovation and upgrades are one of the factors driving increased sales (Pressman, 1991). Innovation and upgrades for companies, especially companies engaged in the sale of goods, will increase sales.

The shift in consumption patterns from analog to digital has caused fast-paced consumption patterns, especially in consumer goods. In the United States, as many as 36.6% of adults eat fast food on any given day. The percentage of adults consuming fast food decreased with age: 44.9% aged 20–39 years, 37.7% aged 40–59 years, and 24.1% aged 60 years or more (Fryar et al., 2018).

In Indonesia, the high demand for fast food can be seen in the increase in Kentucky Fried Chicken (KFC) revenue. During the 2017-2020 period, Kentucky Fried Chicken (KFC)'s income was above the average income of Indonesian medium-sized enterprises (UMB) in the supply of food and beverages, which included all restaurants, catering, and other food and beverage providers.

KFC's annual revenue in 2017 reached IDR 5.3 billion, while the average UMB revenue was only IDR 4.5 billion. Likewise, during the economic recession caused by the Covid-19 pandemic, KFC's income was still above the average UMB which reached 4.8 billion Rupiah.

KFC's high income when compared to other UMB food and beverage companies, is due to KFC's superiority in innovating in terms of taste, packaging, and marketing techniques (Dulalay, Arrianie, and Supriyanto 2014). In addition to flavors and packaging, KFC also provides a comfortable space that causes consumers to prefer KFC or fast food. This shows the existence of high competitiveness from innovation and upgrades to company revenues (Porter & Kramer, 2002). Although several empirical studies have found various health problems arising from consuming fast food (Nasution, 2019).

With the existence of the internet, the mobility of goods transactions has increased many times. Based on empirical data, internet users in the period 2006 to 2007 increased dramatically all over the world (Khan, F., & Siddiqui, 2013), so it's no wonder that sales of products and goods can be accessed quickly by potential customers. Massive innovation is required by business actors and companies to compete with each other to get the attention of consumers with various content and attractive offers.

One of the innovations of business actors is presenting digital discounts through social media with various attractive offers (Porter, 1985). The presence of online price promos is one reason for the booming of consumers at several outlets at fast food companies (Daulay et al., 2014). Not only can it present a large number of consumers, but it can also influence consumer purchasing decisions for the products offered.

By presenting various digital discounts on social media, the existence of the company's mobile application is also a factor that influences increasing demand. A complete mobile application can become the face of a company that is in direct contact with consumers online. All forms of information related to products or goods are displayed, therefore with a mobile application, at least it can reduce promotional costs such as printing advertisements and posters. Apart from the advantages from the producer side, from the consumer side there are also benefits if you use the company's mobile application. Mobile applications can shorten consumer transaction

time in terms of menu selection and payment times and are a form of upgrading from selling goods offline to online goods (Porter 1985).

In addition to speeding up transactions, mobile applications can satisfy consumers more with connectivity between mobile applications and digital services. Various technologies such as robotic cashiers and fast-paced services make it easier for consumers to transact without having to queue or leave their vehicles. The existence of digital services today will spoil consumers to enjoy a variety of products, this certainly makes digital services one of the factors that will further increase the demand for the products offered.

In this article, we examine the effects of digital discounts, mobile applications, and digital services on purchasing decisions of Kentucky Fried Chicken (KFC) in Makassar City, directly or indirectly through loyalty. With 155 respondents. The next section in this article, Section II discusses the literature review as the basis for the formation of this article. Section III discusses the estimation model, Section IV discusses the estimation results and discussion. And Section V concludes with the effect of digital marketing on purchasing decisions for Kentucky Fried Chicken (KFC).

II. Literature Review

Porter (1985) revealed that the competitiveness of a company depends on the level of industrial strategy in minimizing production costs. The first strategy according to Porter is innovation, the second strategy is upgrading.

the company will excel through innovation including new technologies and new production methods. Innovation is a manifestation of new product designs, new production processes, new marketing approaches, or new employee training methods. Innovation creates competitiveness through new market opportunities or through market segmentation that competitors are not aware of.

Likewise, with upgrades, upgrades provide better product quality, better repair records, and more customer satisfaction than other competitors have. Upgrades can provide market penetration with lower labor costs. In upgrading companies must adopt the strategic approach taken by competitors, they must sell their products under their brand name through more modern marketing channels, such as digital marketing.

Digital marketing according to Urban (2004) is the use of the Internet and information technology to expand and enhance traditional marketing functions. All forms of traditional marketing will later be digitized as a form of corporate innovation. Digital marketing according to Burrow and Kleindl (2005) is the process of planning and implementing ideas or concepts, pricing, promotion, and distribution.

There are many promotions in digital marketing, just like discounts on social media. From a business perspective, social media according to Safko (2009) is about communication. Social media is also about how this communication can be generated, promoted, and used as income

Pangestika (2018) in Purwana et al, (2018) the existence of a mobile application will accelerate the spread of marketing, even in seconds. In addition, the use of mobile applications in digital marketing can be measured in real-time and precisely. This is in line with Markerter (2017) who stated the advantages of mobile applications in digital marketing. Marketers say mobile applications can connect producers with consumers via the Internet. Companies are also able to get higher sales revenue due to narrower distances and time. In addition, the costs incurred are much more efficient and allow sellers to provide real-time service. The company is also able to provide stability for the brand in the eyes of consumers from other brands as competitors.

But Marketer also revealed some of the disadvantages that can arise for companies using mobile applications in digital marketing. Among them, the concept of online marketing can be easily imitated, giving rise to many competitors because there are no more theoretical boundaries that can hinder companies from marketing their products, and certain products are not necessarily suitable when marketed through online media.

Apart from mobile applications, currently, there are digital services through digital cashiers at fast food companies. According to Susilo, Haryono, and Mukeri (2018), the role of digital customer service is to become the gateway for the company or become the face of the company so that new or old customers get a first impression that sticks in their memory. Darmanto and Wardaya (2016) explain the importance of digital customer relationship management. According to Darmanto and Wardaya customer relationship management can build and maintain profitable customer relationships by delivering superior customer value and satisfaction

III. Methodology

This section describes the data and models used in this study. This study uses primary data. The data obtained through a questionnaire with a positive Likert scale were 155 respondents in the Makassar community with an age range between 17-45 years. This research was conducted in the city of Makassar, South Sulawesi.

We use path analysis from the Structural Equation Model (SEM) which is estimated using the Ordinary Least Square (OLS) equation. Furthermore, the regression results will be analyzed through several t-tests and f-tests before being concluded. The Structural Equation Model (SEM) equation in this study can be seen in the following functional equations:

$$y_1 = \alpha_0 + \alpha_1 x_1 + \alpha_2 x_2 + \alpha_3 x_3 + \mu_1 \qquad\qquad (1)$$
$$y_2 = \beta_0 + \beta_1 y_1 + \beta_2 x_1 + \beta_3 x_2 + \beta_4 x_3 + \mu_2 \qquad\qquad (2)$$

Where y_1 is customer loyalty, measured by the perception of customer loyalty to Kentucky Fried Chicken (KFC) products, as measured by a Likert scale; y_2 is the purchase decision as measured by the Likert scale; x_1 is a digital discount, as measured by a Likert scale; x_2 is a mobile application, as measured by a Likert scale; x_3 is digital service, measured by Likert scale; α_0 and β_0 are constants; $\alpha_1 \dots \alpha_n$, $\beta_1 \dots \beta_n$ are estimated parameters; μ_1 and μ_2 are random errors.

Figure 1 *Structural Equation Model of the Research*
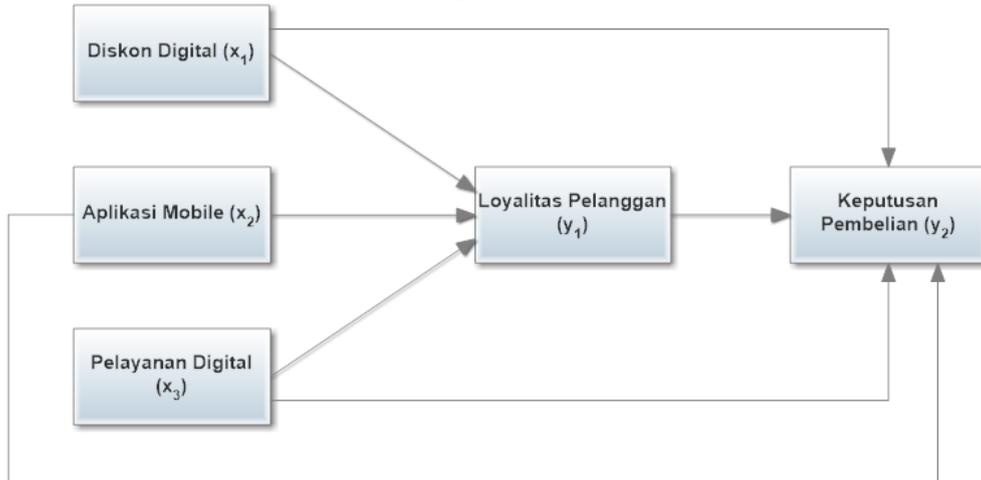
the reduced form of equations 1, 2, and 3 is presented in the following equation:
$$y_1 = \alpha_0 + \alpha_1 x_1 + \alpha_2 x_2 + \alpha_3 x_3 + \mu_1 \qquad\qquad (3)$$
$$y_2 = A_0 + A_1 y_1 + A_2 x_2 + A_3 x_3 + A_4 x_3 + \mu_{12} \qquad\qquad (4)$$
Where A_0 $(\beta_0 + \beta_1 \alpha_0)$ is a constant; $A_1 \dots A_n$ is the total effect of $x_1 \dots x_n$ on y_1 and y_2; μ_{12} is the composite random error.

IV. Result and Discussion

The estimation results can be seen in Table 1. The reduced form of path analysis is used in measuring purchasing decisions (y_2), with three digital marketing variables: digital discounts (x_1), mobile applications (x_2), and digital services (x_3), directly or indirectly through customer loyalty (y_1), Shows, directly digital discount and customer loyalty variables are significant at a significant level of 5%.

Table 1. Estimated Results

The direction of effect	Regression Coefficient	*t-Statistics*	*probability*
x1 => y1	0.248*	3.176	0.002
x1 => y2	0.207*	3.704	0.000
x2 => y1	0.167	1.951	0.051
x2 => y2	0.045	0.749	0.454
x3 => y1	0.582*	7.566	0.000
x3 => y2	0.115	1.83 7	0.066
y1 => y2	0.279*	4.976	0.000
*) significant at $\alpha = 5\%$; $R^2 y_1 = 0.316$; $R^2 y_2 = 0.342$; N = 155			

As suspected digital discounts improve fast food purchasing decisions. Digital marketing in the form of digital discounts will increase consumer buying interest, which is driven by price discounts that can be accessed by consumers widely without distance. Digital discounts will also increase the relationship between consumers and producers to become even closer.

This result is following Strauss and Frost (2009), which state that digital discounts will grow the share of customers, not only old customers will be attracted, but also new customers who feel more profitable when they decide to buy the company's products compared to other products that do not provide digital discounts. (Darmanto and Wardaya 2016; Markerter 2017; Strauss and Frost 2009)

The indirect effect of digital discounts on purchasing decisions through customer loyalty shows a significant positive overall effect. Each additional digital discount will increase customer loyalty to Kentucky

Fried Chicken (KFC). Increased customer loyalty to Kentucky Fried Chicken (KFC) will then increase the purchasing decision of Kentucky Fried Chicken (KFC). Conversely, when digital discounts are reduced, customer loyalty will also decrease. The decrease in customer loyalty will then reduce the purchasing decision of Kentucky Fried Chicken (KFC).

These results are following Markerter (2017) which states that digital marketing caused by online marketing concepts increases the demand for goods. Increased demand makes some customers choose to make purchases at only one fast food brand (repurchase), the loyalty that the company builds to obtain purchasing decisions increases sales.

Unexpectedly, the mobile application has no significant effect on purchasing decisions. Mobile applications do not yet have a sufficient role in encouraging customers to make transactions. Mobile applications will burden consumers in accessing menus that make consumers confused. The mobile application requires a verified account and has transaction limits for certain discounts.

These results are inconsistent with Pangestika (2018) which states that mobile applications will make it easier for consumers to access the various products offered. With the requirement to create a verified account burdening consumers in accessing the products offered, the majority of consumers also answer sufficiently in terms of display and the difference in transaction prices between mobile applications and direct purchases. In terms of mobile application services, the majority of consumers answered enough. This suggests that the use of mobile applications does not make it easier for consumers to transact.

indirectly the mobile application also shows an insignificant effect on customer loyalty. Improving the quality of mobile applications does not affect customer loyalty to Kentucky Fried Chicken (KFC) and will not increase Kentucky Fried Chicken (KFC) purchasing decisions. For customers who are loyal to Kentucky Fried Chicken (KFC), the mobile application has not helped in facilitating transactions, the appearance, price, and service of the application have not been satisfactory, making customers who have high loyalty choose to make direct transactions compared to using a mobile application. This is not following the initial hypothesis which states that mobile applications will increase purchasing decisions through customer loyalty.

This result is not following Purwana, Rahmi, and Aditya (2017) who stated. The use of mobile applications makes it easier for customers to access all of the company's products, when all products are accessible to customers, it makes customers buy these products repeatedly and increases customer loyalty. Mobile applications are still considered complicated in terms of use and assistance in transactions.

Furthermore, digital services show no direct significant effect on purchasing decisions but are indirectly significant through customer loyalty. Digital services, in this case, digital cashiers, do not yet have an adequate role in encouraging new customers to make transactions. This can be seen from the majority of respondents who answered sufficiently for the appearance, convenience, transactions, and digital cashier services of Kentucky Fried Chicken (KFC). This result is not following Susilo, Haryono, and Mukeri (2018) which states that. Digital services are the company's gateway so that new and old customers get a first impression through this service innovation, this technology can break up customer queues and transaction times.

But every addition and improvement of digital services will increase customer loyalty to Kentucky Fried Chicken (KFC). Increased customer loyalty to Kentucky Fried Chicken (KFC) will then increase purchasing decisions for Kentucky Fried Chicken (KFC). These results are following Darmanto and Wardaya (2016) who stated that digital service is a service method that is considered successful in increasing customer repurchases. Therefore, the presence of digital services will create customer loyalty and increase purchasing decisions.

V. Conclusion

There may be room for further research. The absence of influence from mobile applications may require several other studies to be used in analyzing purchasing decisions. Digital discounts directly and indirectly through customer loyalty affect purchasing decisions. Mobile applications directly and indirectly through customer loyalty do not affect purchasing decisions. Digital services do not affect purchasing decisions directly, but indirectly through customer loyalty affect purchasing decisions

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