Increasing Millennial Consumers' Patronage Intention on Omnichannel Groceries

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Abstract. Interaction between online and offline is more important than before, where omnichannel has now become the 'rule' and not the exception, since most of nowadays consumers which are dominated by millennials are the omnishoppers type. The purpose of this study is to find out the factors that influence patronage intention of millennial consumers in omnichannel groceries and formulate the market segmentation based on these factors. Research data is collected using online questionnaire distributed to 288 respondents, while the data analysis methods used in this study are SEM-PLS and K-means cluster analysis. The results of this study show that channel integration, retailscape, promotional tools, and customer service have significant effects on the patronage intention of millennial consumers on groceries in the omnichannel context, so that these consumers are segmented into convenience-seeking omnishoppers, benefit-oriented omnishoppers, and attribute-observing omnishoppers.

1 Introduction

The groceries industry in Indonesia is one of the largest in the Asia Pacific region [1]. Sales of grocery products in modern retail still could continue to grow, because this type of product is a daily necessities product that people need [2]. Since the Covid-19 pandemic hit, many retail industries have relied heavily on online channels to maintain sales and nearly 60% reported at least an increase in sales [3]. From market point of view, consumers' positive intentions to purchase more groceries through online channel have also increased. Thus, the growth of online groceries is also predicted to increase significantly [4].

For this reason, interaction between online and offline is more important than before. Even though e-commerce is well established in Asia Pacific, physical stores remain an important point of contact [3]. This statement is supported by the fact that sales of grocery products in Indonesia are still dominated by offline channels [5]. According to [6], online growth will have significant implications for industry players, so offline defenders with existing store networks will also need to rethink their omnichannel strategies.

Omnichannel has now become the 'rule' and not the exception. In fact, 91% of fast-moving consumer goods (FMCG) sales are represented by omnishoppers. Consumers who

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purchase goods via online and offline channels simultaneously (omnishoppers) comprise 86% of buyers, with only 14% of buyers shopping exclusively in offline stores. In 2019, omnishoppers accounted for 22% of shoppers in Asia Pacific. In 2020, that number increased to 82%. Therefore, omnichannel is a permanent and substantial fixture in dealing with digital consumer behavior. [7]

In determining an omnichannel strategy in Indonesia, the important thing that business players must do is explore the characteristics of millennial, who is the most potential consumer group currently. The millennial generation is much more likely than other generation groups to research online purchases before buying at offline stores, from electronics to groceries [8]. Apart from that, currently the second largest group of people in Indonesia are millennials, and they are accustomed to using digital applications to meet their needs. Plus, most of the millennial generation are married and starting new families, so of course their needs of grocery products are also arising [9].

However, it is important to remember that millennial is a heterogeneous consumer group. Quoted from [8], the main carelessness that companies often make is generalizing the millennial generation into one large group. In reality, millennials are very diverse in their life stages, habits, and values [10]. Reporting from [11], not all common knowledge about a generation is correct, and holding firmly to beliefs in stereotypes about each age group can limit profitability and growth. Therefore, it is important to take an approach that digs deeper into consumer attitudes and shopping behavior. This can help capture revenue from consumer segments that may go unrecognized and untargeted based solely on generational marketing. Therefore, companies must be able to identify the millennial consumer segmentation and determine the segment with the most potential as the main target. Unfortunately, research on omnichannel customer segmentation related to groceries is still very limited [12].

In fact, grocery retailers in Indonesia are still in the early stages of implementing an omnichannel strategy and some retailers do not even fully understand the omnichannel concept [12]. According to previous research, omnichannel experience is the result or consequence of patronage intention [13]. Patronage intention is also known as revisit intention or continuance intention which is the most important variable in retailing operations considering that the key to success in the retail business is the acquisition of new customers and retaining existing customers [14]. Therefore, it is important to know what the patronage intentions of potential consumers in Indonesia are in this omnichannel context, so that it can be a decision-making consideration for industry players in implementing an omnichannel strategy.

According to previous research, the variables channel integration, store attachment, retailscape, perceived compatibility, customer experience, product, price, promotional tools, customer service were found to have a significant effect on patronage intention for groceries [15]; [16]; [17]; [18]; [19]; [20]. Thus, based on the results of the problem identification above, this research aims to: (1) to determine the influence of the above variables on patronage intention among millennial consumers in groceries in an omnichannel context; and (2) to formulate the segmentation of millennial consumers based on patronage intention factors in omnichannel groceries.

2 Methods

In this research, associative research is used to determine the influence of independent variables consisting of channel integration, store attachment, retailscape, perceived compatibility, customer experience, product, price, promotional tools, and customer service on patronage intention as the dependent variable. Meanwhile, descriptive research was used

to determine the segmentation of millennial consumers in groceries in an omnichannel context based on these independent variables.

Consumers in the millennial age range and who have purchased groceries online and offline are the criteria for respondents in this research. A sample of 288 respondents was taken using a voluntary sampling technique. While the research data was collected using an online questionnaire. Partial Least Square (PLS) model with Structural Equation Modeling (SEM) analysis is used to test the influence of independent variables to the dependent variable. This analysis was carried out using the SmartPLS version 4.0 program. After that, the data analysis is continued with cluster analysis for grouping or segmentation using the Statistical Product and Service Solution (SPSS) version 23.0 program. As seen in Table 1 below, the questionnaire items used to measure the variables in this research were developed from [20]; [16]; [17]; [18]; [19].

Table 1. Indicators of Each Variable

Variables	Indicators
Channel Integration	Promotional consistency Price consistency Product availability consistency Integration of coupon or gift voucher exchange After-sales service integration
Store Attachment	Personal relationship with the store Emotional attachment to the store Store as part of self Store as a self-representation A natural feeling towards the store
Retailscape	Comfortable temperature Good air quality Pleasant aroma Adequate lighting Interaction with other customers Interaction with store employees Enough signs
Perceived Compatibility	Compatibility with shopping habits Suitability to shopping style Suitability to shopping preferences
Customer Experience	Positive shopping experience Satisfaction to the store Expectations of the in-store shopping experience
Product	Product quality Availability of required products Product diversity Product visual appearance Product placement
Price	Acceptable price Good product value Variety of products at best prices
Promotional Tool	Interesting promotions Reliable ads Various price incentive programs More promotions than anywhere else
Customer Service	Excellent customer service Good-mannered staffs Staff assistance when needed Knowledgeable staffs

Patronage Intention	Becoming a loyal customer Shopping sustainability Recommendation to others Choosing the store as a preferred place to shop

3 Results and Discussion

After the validity and reliability tests, it was known that all the indicators are valid and reliable, so the data processing proceeded by using SEM-PLS. Based on the research results, it was found that retailscape, promotional tool, and customer service significantly influence patronage intention among millennial consumers in the omnichannel groceries, as can be seen in Table 2 below, therefore, groceries players should focus on the three variables in applying omnichannel concept in the business.

Table 2. Hypothesis Testing Result

Variables	P-values	Significance Level	Result
Channel Integration → Patronage Intention	0,390	0,06	Rejected
Store Attachment → Patronage Intention	0,248		Rejected
Retailscape → Patronage Intention	0,000		Accepted
Perceived Compatibility → Patronage Intention	0,355		Rejected
Customer Experience → Patronage Intention	0,419		Rejected
Product → Patronage Intention	0,443		Rejected
Promotional Tools → Patronage Intention	0,001		Accepted
Customer Service → Patronage Intention	0,012		Accepted

The results which state that retailscape influences patronage intention in an omnichannel context are in line with research conducted by [17]. This shows that elements of the physical environment of retail businesses, therefore, grocery retailers need to pay attention to the quality of these elements in formulating an omnichannel strategy so that consumers intend to return to the store in the future.

The results which state that promotional tools influence patronage intention in an omnichannel context are in line with research conducted by [19]. The results of this research show that promotions that are more attractive than competitors as well as the quality and reliability of advertising content have an influence on consumers' intention to visit again. Therefore, industry players need to ensure that the promotional tools offered to the consumers meet those criteria.

The results which state that customer service influences patronage intention in an omnichannel context are in line with research conducted by [19]. Therefore, management needs to carry out regular training for employees or maintain the quality of the customer service system.

From the results of processing data with SEM-PLS, prove that retailscape (R), promotional tool (PT), and customer service (CS) significantly influence patronage intention, so that subsequent data processing using Cluster Analysis can be done using the indicators of these three variables to formulate millennial consumer segmentation in the omnichannel groceries context. The results of Cluster Analysis are shown in Table 3 below.

Table 3. Final Cluster Centers

Indicators	Cluster 1	Cluster 2	Cluster 3
CS1 (parking access)	**4,46**	3,82	3,73

CS2 (advertising guarantee)	3,59	3,58	**4,39**
PT1 (interesting promotion)	3,05	**4,54**	3,87
PT2 (advertising reliability)	3,27	3,76	**4,30**
PT3 (advertising quality)	3,27	3,76	**4,44**
PT4 (incentive variety)	3,27	**4,51**	3,48
PT5 (excessive promotion)	3,36	**4,46**	3,78
R1 (employee suggestion)	2,59	3,81	**4,43**
R2 (signage availability)	**4,39**	2,18	3,83
R3 (signage visibility)	**4,34**	1,82	3,71
R4 (easy-to-understand signage)	**4,35**	2,14	3,64
R5 (scent)	3,00	3,57	**4,43**
R6 (lighting)	2,86	3,65	**4,35**
R7 (consumer suggestion)	2,73	**4,42**	3,80

From the results from Cluster Analysis, three market segments are formed with different characteristics based on patronage intention factors. Cluster 1 (convenience-seeking omnishopper) has the fewest members compared to the other two segments (7,69%). This segment emphasizes convenience and visuals in shopping. They like practical things, such as easy-to-see signs and parking access near store area. Apart from that, this segment also focuses on visuals that make them interested in visiting stores. They expect store signs and logos that are understandable, visible, and in sufficient quantity. Regarding the omnichannel context, it can be interpreted that they like omnichannel features in groceries that are practical and easy to access and find. Therefore, for groceries players that want to target this segment, the strategy taken is to develop omnichannel features that guarantee easy access to applications, websites, or facilities offered when consumers visit physical stores directly, such as buy online, drive-through, in-store pickup thru, buy online return in shop, recipe recommendations with purchased ingredients, or instant delivery methods. All types of visuals in store channels also need to use fonts and colors that are not confusing. In the end, marketing strategies targeted to this segment should not only aim to create awareness, but also top of mind awareness when they see signs related to the groceries brands.

Cluster 2 (benefit-oriented omnishopper) has the largest number of members, as much as 62% of the total respondents. This segment is consumers who focus on the benefits they get when shopping at a groceries brand. They are primarily interested in the monetary benefits of shopping. They tend to shop at stores that offer the most profitable promotions for them. Promotion is not only about price, but also the value offered from existing offers. This segment is usually an active customer type. Active in looking for promotions and providing suggestions or expressing opinions about stores. Therefore, if industry players want to target this segment in omnichannel context, management and marketing need to work together with suppliers and distributors to get cheaper prices, bundle promotions, or product bonuses. Thus, stores can offer promotions and other incentive programs both in online and offline channels, such as free shipping, discounts with a minimum purchase, membership rewards that can be exchanged both in stores and in the application, flash sales, cheap redemptions in the application and in stores, etc. Apart from that, it is also recommended that marketers can do social listening to their social media accounts and reviews on their applications, and actively respond to them. Every review from a customer will get reward points in the application.

Cluster 3 (attribute-observing omnishopper) has the second largest number of members of the population (30,07%). This segment consists of consumers who are interested in returning to shopping because of the attractive attributes or elements in the store, such as aroma, lighting, service and advertising. They are classified as the type of consumer who pays attention to the condition of the store in detail. Different from the previous consumer segments, this segment prioritizes the quality of the shopping experience that groceries players can provide, rather than promotions. To improve the quality of the omnichannel shopping experience, groceries stores can create unique features that help consumers shop more comfortably, such as live chat customer service, virtual reality shopping experience, gamification, 3D product visualization, wayfinding app with augmented reality technology, or interactive ads in store.

4 Conclusion and Suggestion

Through this study, interesting insights were found regarding millennial consumers in Indonesia in the context of omnichannel grocery shopping. To encourage their patronage intention to channels owned by grocery stores, both online and offline channels, marketers need to focus on the services provided, promotional offers, and the retailscape, where other factors were found to not significantly influence their patronage intention. So, marketers need to utilize these three variables in preparing their marketing strategy mix. Moreover, there are three segments of millennial consumers that each require a specific approach in marketers' efforts to capture them in an omnichannel context, where convenience-seeking omnishoppers require a visual approach in contacting online and offline channels from groceries retailers, while benefit-oriented omnishoppers are the majority consumers in this market need to be enticed with various relevant promotions, and omnishopper observing attributes can be captured through omnichannel shopping experience attributes.

However, this study doesn't cover the profile of other age groups in the omnichannel groceries segmentation, especially generation Z as the rising potential consumer market for the next few years. So, it is suggested for further research to investigate the consumer segmentation in omnichannel groceries for generation Z using additional variables that are not discussed in this study to obtain a wider understanding of consumer behavior in this industry.

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