

CHAPTER 1

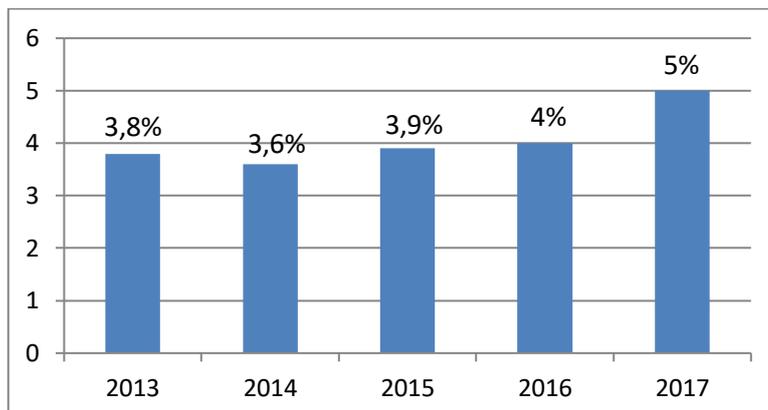
INTRODUCTION

1.1. Background

Cosmetics are one of the most important needs for women. However, as the development of the cosmetic age is not only important for women, but also for men. Many people feel less confident to appear without using make-up. As the use of cosmetics grows, the use of skin care has also increased. Many beauty clinics today, consumers can choose with different price ranges depending on the needs themselves. Not only are physical stores easy to find, even today we find many skin care sales online. With various photos and influencers' effect to promote the product, buyers can easily be affected to buy it, even though consumers do not know the ingredients contained in the skin care. Therefore, it is important for consumers to be careful in choosing really good skin care products.

Premium cosmetic market in Indonesia is like a fast food shop that is never empty of buyers. Functional products have also shifted to primerbasic needs that have to fulfilled for women. Although sometimes the price pegged is not cheap, it can reach millions of rupiah, and they are still want to buy it. This is the reason, premium cosmetic brands hunt the Indonesian market. On the other hand, the number of middle classes that continues to rise reaches 12% of the population and participates in the community.

Innovation is critical for the products. Businessmen who do not respect the efforts of innovation, can be sure its existence is not for long time. This fact can be observed around us, especially those engaged in the business of make up. In nowadays, many people smarter to choose make up products for them. Because right now make up is primer need, specially for women.



Graph 1.1
Annual growth of the global cosmetics market from 2004 to 2017
in Indonesia

Source : www.statista.com

In this research is concern to the lack of marketing that SK-II, premium products of skin care and make up from Procter & Gamble did, specially the way they promote their products or the way of advertise it. The phenomenon of this marketing strategy becomes the rationale for researching the effectiveness of advertising using guerrilla marketing and make it viral, then it can create the word – of – mouth in the consumers. This study is expected to provide an idea about effective or not of advertising using guerrilla marketing measured by using the indicators of creativity, clarity, and surprise.

According to Statista site, many multinational companies have a large share in this cosmetics market. Cosmetics themselves are divided into several categories, one of which is skin care, which provided 36.4% of the global market in 2016. Based on Statista, there were several influences that made the skin care market decline, first because of the financial crisis, second because of the many cheap products and the number of skin care videos or articles about DIY (Do It Yourself). But according to the results of the study it also indicates that if generation Y and generation Z have entered work period, the demand for skin care will increase.

In the coming year, international cosmetics companies will create various innovations to reach as many markets as possible, and later to keep their consumers loyal. Cosmetics trading in Indonesia turned out to be amazingly. The

beauty that has become a primary need for women has an impact on the sale of cosmetics in the Indonesian market. According to the Minister of Industry MS Hidayat projected, sales of imported cosmetic products in 2012 reached Rp 2.44 trillion, up 30% compared to 2011. Even the Association of Indonesian Cosmetics Companies (Perkosmi) predicts, national cosmetic turnover in 2013 rose 10-15% to Rp 11.2 trillion compared to 2012 which reached Rp. 9.76 trillion. (Ministry of Industry, 2013).

Based on the data above, manufacturers of make-up and skin care try to make good content in their marketing strategies, the most important is the use of advertising. The large number of digital advertisements has changed the way consumers deal with this digital media. To cut spending, they use digital marketing, but consumers are presented with today's innovative products, many well-known companies find out how to market their products by using this digital method. One of their best marketing strategies and some of the most innovative tactics to attract attention to one area in particular - beauty content marketing, is with this guerrilla marketing.

Basically, characteristics of guerrilla marketing has to be creative and using minimum cost. This concept reached wide popularity after Levinson (1984) had published the first comprehensive book on guerrilla marketing which provide guidelines for small business. As we know, he is the initiator of the guerrilla marketing theory, with one of the basic concepts of promotion costs being made as low as possible. Sure enough if we call him the father of guerrilla marketing, besides being a creator, he has also created many editions of guerrilla marketing books (Hutter, Katharina; Hoffmann, 2011).

Based on Levinson (1984), guerrilla marketing is an unconventional marketing method based on time, energy and imagination instead of big marketing budgets (Dinh & Mai, 2016). This is most suitable for small companies, which are aware of the high competition in the market, both from large and small companies. An unexpected and creative approach is needed by the company to market its products. Guerrilla marketing is suitable for limited and minimized budget use (Hatch, 2005). It's important to have a relationship with society, good

advertising, an offensive marketing strategy, to attract more consumers in unexpected ways, such as busy road use to attract attention, viral marketing, buzz marketing, strange and memorable events, etc (Chionne & Scozzese, 2014). In addition, it is very important for word-of-mouth marketing in this guerrilla marketing.

Based on Kaikati, Hughes, Egan, and Mughari, we can mention stealth marketing, bait-and-tease marketing, brand pusher, celebrity marketing, marketing in pop and rap music, marketing in video games, viral marketing, events, buzz marketing, ambush marketing, ambient marketing (Klepek, 2007). viral videos, or advertisements that can create buzz, email messages, celebrity marketing, video game advertisements are including guerrilla marketing, besides that there are still many others included in guerrilla marketing. However, there are also studies that say that viral advertising is included in peer-to-peer communication because the content comes from sponsors who are disseminated through the internet and influence consumers or audiences to spread it again. (Eckler & Bolls, 2011).

In this research is concern to the lack of marketing that SK-II, premium products of skin care and make up based on Japan from Procter & Gamble did, specially the way they promote their products or the way of advertise it. The phenomenon of this marketing strategy becomes the rationale for researching the effectiveness of advertising using guerrilla marketing and make it viral, then it can create the word – of – mouth in the consumers. This study is expected to provide an idea about effective or not of advertising using guerrilla marketing measured by using the indicators of creativity, clarity, and surprise. But based on the data, in the year 2016 and 2017 their rank was decrease. This may because of SK-II prefer to use soft marketing rather than hard marketing. They directly said that their segment are the middle – high customer. Besides at that time they have not use the social media as their main advertising tools. Based on MindComet opinion, the success of a viral campaign can be attributed to its emotional or entertainment value rather than information about the brand or product (Eckler & Rodgers, 2011). According to MindComet (2006), viral advertising is one such option and a

potentially effective way to bypass growing consumer apathy (Eckler & Bolls, 2011).

Theoretically, the successful of a company depend on the the products that will distribute, marketing of the products, strategy of pricing, innovation of the products, and strategy communication to the consumers. SK-II must distinguish its brand from other skin care competitors based on 3 factors, namely; products with the quality and ability to meet Asian skin types, the use of natural and safe ingredients for all skin types so without fear of side effects for consumers, such as Pitera that can eliminate wrinkles that are feared by most women, and behind unique stories have inheritance the rich so they can add values to the development of the product itself.

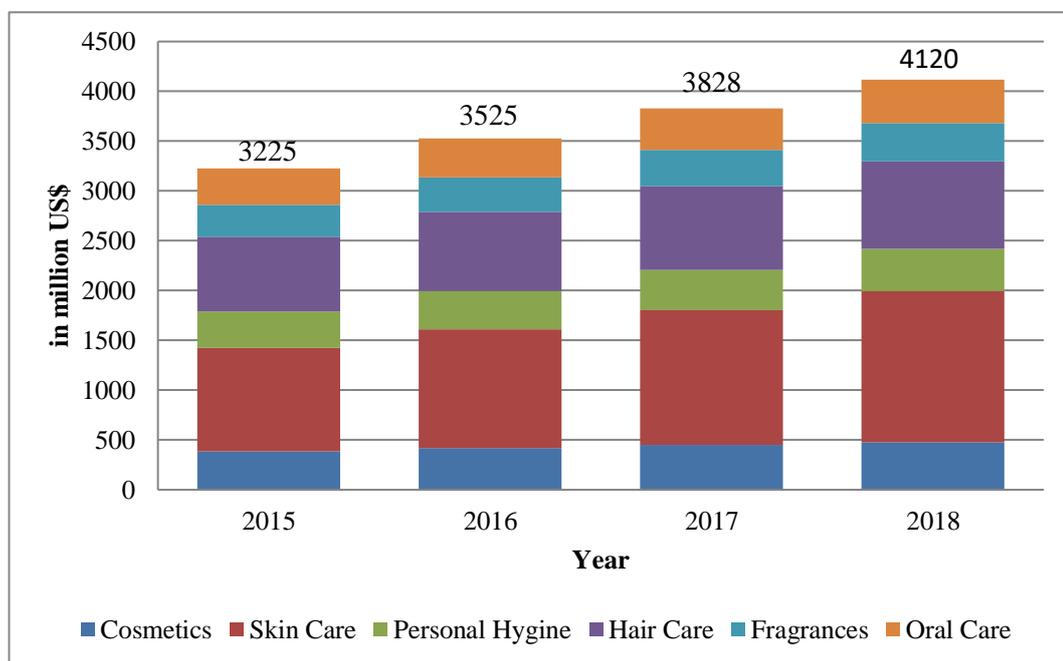
In videos spread on social media, have a good idea of story, interesting concept, and inspirational will not be meaningful if there is no community. So, SK-II has a way-to campaign that is spread in the middle of the community, that is with creating a shareable video. Sharing experience from the video, then the women that watch the video will share it to the other people.

Japanese premium skin care brand SK-II is committed to encouraging the potential of women in various parts of the world, including in Indonesia. This commitment is manifested in the #changedestiny campaign. Through this campaign, it is hoped that Indonesian women can change their lives for the better. Women must be aware of the potential within them so they can move with confidence. What is clear, SK-II wants to motivate women with the stories of other women. For example, the inspirational story of Asian ballerina Misa Kuranaga, SK-II brand ambassador Cate Blanchett, and Indonesia artist Anggun C. Sasmi.

The newest campaign that they have is Bare Skin Project. For many women, appearing in front of a camera without makeup or brilliant filters is the most frightening thing in the world. In fact, almost half of women believe they have to wear makeup to feel beautiful and confident. In this case SK-II present their skin care products and invite many women to be confidence to themselves. One of the the young artist that join this project is Chloe Grace Moretz.

Based on the website of Export.gov, Indonesia imported \$1.12 billion of personal care and cosmetic products in 2015, a 13% decrease from 2014. The decrease of the products can be because of increasing of local products that targeting halal market in Indonesia. This is the table of

In this research also showing the Category of Beauty Products in Indonesia. The table above is the result of cosmetic product research conducted by the Dunia Industri from 2009 – 2017. This is the grafik of beauty products in Indonesia:



Graph 1.2
Indonesia Revenue in Cosmetics and Personal Care Segment
 Source : www.statista.com

Of the many varieties of cosmetics on the market, most women prefer to buy beauty products for skincare. Graph 1.2 above in the year of 2018 shows that users of beauty products cosmetics (US\$ 475,2 million), skin care (US\$ 1517,7 million), personal hygiene (US\$ 423,1 million), hair care (US\$ 882,6 million), fragrances (US\$ 379,4 million), oral care (US\$ 441,6 million). Skin care products occupy the highest value of beauty products that consumed. This shows that women's needs for skincare products are high. This factor makes skin care products continue to emerge to meet consumer needs in terms of skin care. From

this very high skin care demand, SK-II is here to meet the needs of consumers with a variety of products and different formulas according to the needs of skin consumers in Indonesia. SK-II is one of the products that owns by Procter & Gamble (P&G). P&G is one of the conglomerate with the greatest number of beauty brands listed, namely Gillette, Pantene, Olay, Head & Shoulders, Clairol, SK-II, Cover Girl, Max Factor, Old Spice and Wella

Winner, Zikmund et al, Kinnear, Cooper and others said that, scientists agree that the essential innovation success factor is uniqueness and exclusiveness of innovation (Banyte & Salickaitė, 2008). SK-II's tradition and heritage are also well known amongst their users and many of the users from our user diaries and focus groups are able to link SK-II to the traditional Japanese rice washing in heritage settings. They perceived SK-II to be a brand rich with history due to their emphasis on their heritage and the discovery of Pitera. It means SK-II has something different from their competitors.

1.2. Problem Statement

Competition in the make up and skin care business is now increasingly tight, with the ease of using social media make it easier for the consumers to find new products that can fit and fulfill the desire of the customer. Many skin care are booming in the beginning, sometimes because of the cheap price but they can not maintain their existence because of this competition. It same with SK-II, they are prefer to using many digital advertising like social media, from Youtube, Instagram, and Facebook. They also expand their market to overseas. But even they've tried to do many things, their rank in the global market still can not increase sharply, in fact started 2014 their rank always decrease, it means their brand value also decrease at the same time.

From this research gap of SK-II, the questions from this research are :

1. Does guerrilla marketing has influence toward customer trust?
2. Does guerrilla marketing has influence toward word-of-mouth ?
3. Does customer trust has influence toward word-of-mouth ?

4. Does guerrilla marketing has influence toward word-of-mouth mediating by customer trust?

1.3. Objectives of the Study

Objectives of the study are :

1. Analyze the influence of guerrilla marketing toward customer trust.
2. Analyze the influence of guerrilla marketing toward word-of-mouth.
3. Analyze the influence of customer trust toward word-of-mouth.
4. Analyze the influence of guerrilla marketing effect toward word-of-mouth mediating by customer trust.

1.4. Scope of the Study

This research focus on the effect of guerrilla marketing (using indicators novelty, relevance, aesthetics, humor, clarity, surprise, emotional arousal) on customer trust of the consumer. Customer trust in this research as a mediation towards word – of – mouth intention. It means variables of guerrilla marketing can effect on word – of – mouth intention.

Market analysis in this research happened in Indonesia, specially in the scope of make up and skin care market. For the object that use in this research is SK-II, a premium cosmetics products from Japan.

1.5. Advantages of the Study

This research expected to have advantages in practical or theoretical as follows :

1. This research can give contribution in the development of science, specially in the marketing aspects. In the effort to find new approaches in the marketing strategy, that have involve in the guerrilla marketing, viral advertisement, and surely the effect on customer trust toward word – of – mouth.

2. In practical aspects, it can give suggestion or idea to the SK-II Indonesia to solve their problems related to the marketing strategy, specially in the guerrilla marketing.

1.6. Outline of the Study

CHAPTER 1 INTRODUCTION

Chapter 1 consist of background, problem statement, objectives of the study, scope of the study, advantages of the study, and the outline of the study.

CHAPTER 2 LITERATURE REVIEW

Chapter 2 consist of theoritical basis, previous research, relation between two variables, research framework, and hypothesis.

CHAPTER 3 RESEARCH METHOD

Chapter 3 consist of research design, identification of variable, variable operational definition, variable measurement, data and data sources, data collection tools and method, population, sample, and sampling technique, and data analysis.

CHAPTER 4 DATA ANALYSIS AND FINDINGS

Chapter 4 consist of general description of research object, data description, result of data analysis, and discussion.

CHAPTER 5 CONCLUSIONS, LIMITATIONS, AND RECOMMENDATIONS

Chapter 5 consist of conclusion, limitations, and recommendation for the research.