

CHAPTER 1

INTRODUCTION

1.1 Background

Human needs are a condition where everything that is needed by every human being to maintain their life. The needs of every human being must be different, especially the need to beautify themselves by using various types of cosmetics. Cosmetics are a unique product because it can make many girls look so beautiful, and they can use it as a clarification of their identity in the social community. There are many cosmetics nowadays that can be easily ordered on the market and social media, but consumers must be selective when they will choose and use the cosmetics because the producer often use cosmetic ingredients that are harmful to the body. A flood of cosmetic products on the market influences someones' interest in buying and influencing purchasing decisions. Purchasing cosmetic products is no longer just to fulfill desires, but rather is a need. To meet beauty care needs, women will choose cosmetic products that can provide the best satisfaction in their use, so that producers will continue to innovate in order to win competition in the cosmetics industry. Since a few years ago, South Korea began making new innovations in the cosmetics field. Korean cosmetics face care products have attractive packaging, affordable prices, beautiful advertising models and healthy white faces that can attract consumers and use unusual ingredients. The use of materials that are not unusual, makes Korean cosmetic products famous in various countries. So, Korea began to develop its business not only domestically but also in other countries, one of them in Indonesia.

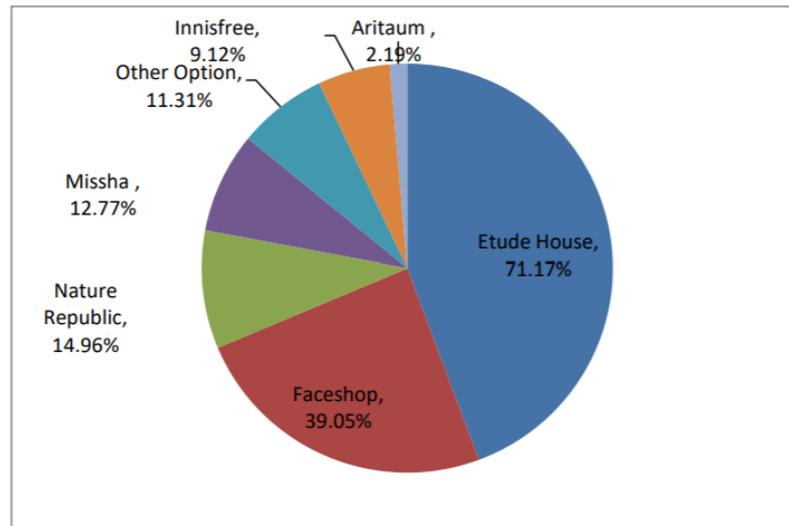


Figure 1.1

Survey of Korean beauty product brands in Indonesia in 2016

Source: Mix.co.id (2016)

The Surveys shows that the home countries or country of origin influence the selection of beauty products. There are many beauty products from South Korea that are in high demand in Indonesia. Figure 2.1 shows the results of a survey of the use and purchase of beauty products from South Korea. From the survey results, the rating of The Face Shop is number 2 with 39.05%. Based on surveys, beauty products from South Korea are quite enjoyed in Indonesia. The sales value of the cosmetics industry in Indonesia includes the value of selling local cosmetics and imported products with several products such as skin moisturizing products, powder, lipstick and others, it shows that in the past 7 years the industry has continued to improve growth. Therefore, each company strives to become the cosmetic market leader. According to indonesiafinancetoday.com, the growth of the cosmetic market in Indonesia in 2012 increased by an average of 15% in the last three years, from 2010-2013. That is why cosmetic companies are expected to have a strategy to attract consumers, so they want to buy the product. One of the strategies needed by the company is to improve the brand image.

Because many strategies are carried out by companies to attract the attention of consumers, the company should make their products secure and comfortable. Brand image needs to be considered by the company to satisfy consumers through products or services made by the company. When consumers buy a product at the first purchase, they are satisfied, the consumer will buy the product again. Companies that have a brand image will produce a positive response to consumer behavior to buy products that have been given by the company and intend to return visits and can create brand loyalty for customers.

Social media has strong content strength as a consumer reference in getting information about a product. E-marketers explain that 61% of consumers agree with YouTube, blogs, vlogs, and similar platform reviews. Based on Siddiq et al., (2014) the CNNIC report explains that more than 53% of consumers will look for opinions or comments about products to be purchased, 78.9% will see comments about products and 90% of consumers will comment on products and find 80% of consumers who plan to buy products will looking for product reviews before making a purchase decision. The power of content and conversations that occur on social media encourages many companies to use it as their marketing and communication tool. Furthermore, various ways are needed to make consumers interested in the products produced by the company by creating a positive response through internet reviews. Creating a consumer response will shape some consumer perceptions. What consumers feel is a brand image. At a low level of competition, the brand is only a name. While, the high level of competition makes the brand contribute to creating and maintaining the competitiveness of a brand product will be associated with a special image that is able to provide certain associations in the customers' mind. Companies will increasingly realize that brands are the most valuable company assets. Through a brand image that is formed in the minds of consumers, consumers will consider whether they will buy the product or not.

This strategy is also used by the company The Face Shop. The Face Shop is a cosmetics manufacturer, retailer, franchise business from South Korea. They started in 2003 in Myeongdong area. But, in mid-2009, the company was purchased

by LG Household & Health Care. This Korean-origin brand entered Indonesia in 2004, along with the entry of products from other countries in Asia. In 12 years, this brand has entered 34 countries around the world with a number of stores reaching more than 2500 thousand stores. Every year, the company launched 3 new products. They focus on green products such as flowers, seeds, plants, fruits, and glacial deep-sea water and spices to nourish and revitalize the skin. In Indonesia, they sale 800 products consist of has 40% cosmetics, 40% skin care, and 20% (body lotion, body wash, nail polish). Until now there are around 70 stores in Indonesia.

According to Goldsmith, (2008) states that electronic word of mouth (eWOM) is social communication on the internet where web browsers send and receive information related to online products. Electronic word of mouth has become an important factor in shaping consumer behavior because electronic word of mouth is one of the factors that create the image of a brand. The existence of recommendations or reviews given by other consumers, for example the review of the products will be able to influence consumer purchase intention. Consumers will choose the brands with the help of internet or social media to get information through positive and negative reviews of consumers or by comparing other products with advice from other consumers, so that with this problem consumers can decide the decision to make a purchase. Other consumer reviews and the availability of complete information from official websites are external stimuli that can motivate consumers to buy.

According to Keller, (1993) Brand image can be defined as the perception that consumers associate with a brand. According to Kottler (2001) defines brand image as a set of beliefs, ideas, and impressions that a person has towards a brand. Therefore, consumer attitudes and actions towards a brand are largely determined by the brand image which is a requirement of a strong brand. Brand image is related to brand association because when the brand's impression that appears in consumer memory increases because more and more consumer experience in consuming or buying a brand. Consumers in buying and consuming something not only expect something, but also something special in accordance with the image formed in the

perspective of consumers. A company has an interest in providing information to the public in order to form a good image. Some marketing tools that can be used to create a brand image are the product itself, packaging / labels, brand names, logos, colors used, purchase point promotions, retailers, advertising and all other types of promotions, prices, brand owners, country of origin, even target market and product users.

According to Dodds et al., (1991 quoted in Schiffman & Kanuk, 2000) The intention of consumer purchases refers to the possibility that consumers are willing to buy certain products. High purchase intention reflects the level of customer satisfaction when deciding to adopt a product. The decision to adopt a product arises after the consumer tries the product and a feeling or dislike of the product appears. Love for products can be taken if consumers have a perception that the product, they believe that the product has good quality and can meet or even exceed the wishes and expectations of consumers, in other words the product has a high value in the eyes of consumers. Schiffman and Kanuk (2004: 25) explain that external influences, awareness of needs, product introduction and evaluation of alternatives are things that can lead to purchase intentions on consumers. This external influence consists of social and cultural factors.

According to Xiao et al., (2016) in their journal entitled the effect of eWOM on country image and purchase intention: an empirical study of Korean cosmetic products in China. They used 3 variables, using 255 respondents from Beijing and Shanghai, China. Their hypothesis is, Country Image of Korea has a positive influence on word of mouth and the intention to buy Korean cosmetics, and the electronic word of mouth is an intermediary between the image of Korea and the intention to buy Korean cosmetics. The results confirm that while the image of Korea in general, through electronic word of mouth, influences the intention to purchase cosmetic products. They found that consumers became interested in Korean cosmetics because they used the internet like official websites, dramas on YouTube, reviews from many people to gather information about Korean cosmetic

products. Because cosmetics are an empirical product, customers must have a lot of information about foreign products, before making a decision they will buy it or not.

According to Su et al., (2017) in their research they used 4 variables namely experience marketing, brand image, brand loyalty, and purchase intention: Innisfree study, using 224 respondents using online surveys, data collection was conducted during March 9 to April 18, 2017 and analyzed by SPSS. They use the Innisfree company as their destination as the Korean cosmetics industry in Taiwan. Because Innisfree is accepted by Taiwanese consumers. All 5 hypotheses (eWOM, marketing experience, brand image, brand loyalty, purchase intention) have a significant relationship between variables. Marketing experience has increased brand loyalty because experience-based marketing is very convincing. So that many people are also interested in buying the same product. It not only increases brand loyalty but also has a strong relationship with the brand image. Customers who have tried the product and talked about their experiments using the product can influence the product brand image. If the customer is not satisfied, the brand image of this product can be questioned.

According to Chin et al., (2017) in their research on Factors Affecting the Intention of Buying Cosmetic Products in Malaysia with 150 respondents including analysis of men and women by SPSS. The result is celebrity support, product packaging, price fairness has a significant influence on purchase intention but for brand image and perceived quality that do not significantly affect purchase intention. Brand image has a non-significant relationship with purchase intention because customers have a good perception of product value. Initially people believed that well-known brands were usually more expensive and would give them the opportunity to clarify their identities in the social community. But in this study, high brand purchases do not seem to make consumers feel more valued. Because there are many local brands that are cheaper and have better quality. Therefore, high-end cosmetics brands are perceived to be of low quality. Because customers feel that quality will be the same as the less expensive. That is why to survive in

this industry, companies need to work hard to attract customers again, it can be from the perspective of perceived quality.

The research that the authors do aims to determine whether the purchase intention of consumers who buy beauty products is influenced by eWOM and brand image. The author chose The Face Shop as the object of research because The Face Shop has a product similar to Innisfree products that I use as the main reference. The Face Shop is very active in talking about their products on YouTube, Instagram, Facebook and other social media platforms. eWOM enhances the brand image of The Face Shops, it can be seen from people's thinking and high purchase intentions in Surabaya. This makes the company must be able to innovate through social media marketing strategies to build a brand image that is good in the public eye. Based on the background discussed, the researcher wanted to analyze and take the title "The influence of electronic word of mouth toward purchase intention through brand image among female customers on The Face Shop cosmetic products in Surabaya" with eWOM, marketing experience, brand image, brand loyalty and purchase intention; a study of Innisfree as the main reference for this study. For this study, the researchers chose respondents in Surabaya, especially adult women as the object of research because researchers assumed that the Surabaya community could describe potential customers of The Face Shop.

1.2 Research Question

Based on the background of the problem described earlier, then statement of the problems can be formulated as follows:

1. Does electronic word of mouth influence toward purchase intention on The Face Shop cosmetics in Surabaya?
2. Does electronic word of mouth influence toward brand image on The Face Shop cosmetics in Surabaya?
3. Does brand image influence toward purchase intention on The Face Shop cosmetics in Surabaya?

4. Does electronic word of mouth influence toward purchase intention through brand image on The Face Shop cosmetic in Surabaya?

1.3 Objective of the Study

Based on the formulation of the problem, the objectives of this study are to analyze influence of:

1. Electronic word of mouth influence toward purchase intention on The Face Shop cosmetics in Surabaya.
2. Electronic word of mouth influence toward brand image on The Face Shop cosmetics in Surabaya.
3. Brand Image toward purchase intention on The Face Shop cosmetics in Surabaya.
4. Electronic word of mouth influence toward purchase intention through brand image on The Face Shop products in Surabaya

1.4 Significance of the Study

The results of this study are expected to be useful for:

1. Academic Significance

The results of this study are to look at the relationship between eWOM, the Influence of brand image on purchase intention. How eWOM cosmetic products affect purchase intention, through one variable, namely brand image. With this research, it is expected to be able to contribute ideas in enriching insights about eWOM, brand image, especially in relation to purchase intentions.

2. Practical Significance

The practical benefit of the results of this study is that it is expected that this research can contribute ideas to cosmetics-based companies in Indonesia, especially The Face Shop companies in the context of the relationship between eWOM and brand image in the influence of purchase intention.

1.5 Systematics of Writing

To understand this research more clearly, the materials listed in this thesis report are grouped into several sub-chapters with systematic delivery as follows:

Chapter 1 Introduction

Contains background, problem formulation, research objectives and benefits, scope of research, and writing systematics.

Chapter 2 Literature Review

This chapter describes the theoretical basis consisting of eWOM, brand image and purchase intention, previous research, development of hypotheses, research frameworks, and conceptual frameworks.

Chapter 3 Discussion

This chapter contains of research design, variable identification, definition of variable operational, data measurement, type and source of data, tool and data collection method, populations, sample, and sampling technique, and data analysis technique.

Chapter 4 Results and Discussions

This chapter explains the analysis of the system proposed by using the flowchart and data testing of the system being implemented, as well as the detailed discussion of the final elicitation in the previous chapter, described in one by one by applying the concept after the proposed system.

Chapter 5 Conclusions and Suggestions

In the final step of thesis writing, this chapter discusses conclusions which are conclusions from the results of testing the hypothesis and submitting suggestions that might be useful for the management on The Face Shop in Surabaya.