

CHAPTER 1

INTRODUCTION

1.1 Research Background

Indonesia is a potential market for products related to skin health, especially cosmetics for facial beauty care, ranging from moisturizing products, talc, bleach to skin rejuvenation. The condition is certainly related to the geographical location of Indonesia located in the equator, so that every day the skin of the population affected by ultra violet aging (UVA), which can cause side effects on the skin. Such condition is an attractive market opportunity for cosmetics companies to market their products in Indonesia, both cosmetics companies from within the country and from abroad.

The fact that the market potential and growth rate of the cosmetics industry in Indonesia continue to increase, it can be seen from the increase of cosmetics sales in 2016 14% to Rp 9.76 trillion from the previous Rp 8.5 trillion, based on data from the Ministry of Industry. The Association of Indonesian Cosmetics Companies (Perkosmi) estimates that in 2017 cosmetics sales could grow to Rp 11.22 trillion, up 15 percent compared to the projection in 2016 of Rp 9.76 trillion. In terms of exports, the cosmetics industry is estimated to grow 20% to US \$ 406 million. (www.kemenperin.go.id, 2018).

The attractiveness of the cosmetics industry in Indonesia has attracted the attention of the management of business enterprises in the field of beauty products

to keep trying to increase the number of loyal customers. Call it some famous cosmetics companies such as: Revlon, Pond's and L'Oréal, Sariayu, Mustika Ratu, Wardah, Marta Tilaar and many more. Judging from the point of view of consumers, cosmetics is a product for beauty treatments most often purchased and selected by women as the main consumers, by way of comparison between the choices of existing products.

The Indonesian cosmetics industry is experiencing rapid growth. This provides an opportunity for the cosmetics industry in Indonesia, so many emerging new brands in the market that can cause competition. On the other hand, consumers have their own judgment and expectation of the cosmetics they use. The large number of competitors in the market with all kinds of product advantages on offer makes it increasingly difficult for a competitor to market. Intense competition will indirectly affect a company in maintaining market share, the company must work hard in maintaining customer loyalty. Because of that, the effort to maintain customer loyalty is an important thing that should always be done by the company.

Today many are offered various types of products with a variety of brands also to consumers. The wide selection of products with a variety of brands makes consumers more likely to change their choices according to their perception of a particular brand that is their favorite. This resulted in producers having difficulty in getting loyal or loyal customers. Today's business competition is increasingly leading to market mechanisms that ultimately position producers and marketers should strive to develop and seize market share. One of the assets to achieve that is

the company's product brand. In highly competitive market conditions, consumer preference or choice and customer loyalty are the keys to success for a company.

The marketing environment has turn out to be a very multifaceted and competitive one and day by day marketing environment is shifting and developing gradually. Thus, it has become essential for business to look for ways of gaining and maintaining brand loyalty by building consumer believes and to give an individual identity to brand loyalty. Organizations have to realized with the intention of competition, when customers are loyal to their brand, it provides the organization to develop increasingly without any disturbance and create a form of revenue in return of increases in profits.

Some products with model, features and quality are relatively the same, can have different performance according to the consumer's view because of the difference of perception of the product brand in consumer mind. Therefore, the role of brands as a differentiator becomes very important. Products are easy to imitate, but brands, especially brand images that are captured in the minds of consumers, can not be duplicated. In many ways, attitudes toward a particular brand often influenced whether the consumer will be loyal or not. A positive attitude toward a particular brand will allow consumers to make purchases and loyal to the brand, otherwise negative attitudes will prevent consumers from making purchases. To be able to compete and satisfy the consumer of course a brand must have competitive advantage compared with competitor brand and can fulfill consumer requirement.

The role of the brand makes every company seeks to establish a good brand image so that its brand is the top of mind in the minds of consumers. Many

advantages are generated by a brand that has a strong image in the minds of consumers, especially when it has a high level of trust. Brands that have good brand equity and high level of trustworthiness, generally also have a brand loyalty level from those brand users. Various indicators that a brand has a high degree of loyalty from its users, for example consumers are willing to pay higher for the price of products or brands it uses, consumers are reluctant to switch to other brands or products, and consumers are willing to promote products to other people.

Indonesia's cosmetics sector performed strongly throughout 2017 in line with the country's growing middle class and increasingly affluent consumers. The implementation of halal regulations for cosmetics in Indonesia has proven to be a game changer with halal cosmetics now starting to dominate cosmetic sales in the country. Wardah, the country's first halal cosmetic manufacturer, has successfully capitalised on the new trend and has become a leading cosmetics brand in Indonesia. Wardah as one of cosmetic brand cosmetics in Indonesia has a market share of 22.2%. (www.topbrand-award.com, 2017). Some of its products also occupy top positions in Top Brand Index (TBI) as shown in the following table.

Table 1.1**Top Brand Index (TBI) Cosmetics Product, 2017****BLUSH ON**

MERЕК	TBI	TOP
Wardah	23.0%	TOP
Revlon	15.1%	TOP
Sariayu	14.6%	TOP
Oriflame	13.6%	
Maybelline	3.6%	
Latulipe	3.2%	

EYELINER

MERЕК	TBI	TOP
Maybelline	14.5%	TOP
Oriflame	13.4%	TOP
Revlon	12.1%	TOP
Wardah	10.2%	
Sariayu	9.5%	
Latulipe	7.2%	

PENSIL ALIS

MERЕК	TBI	TOP
Viva	32.1%	TOP
Wardah	12.3%	TOP
Sariayu	10.2%	TOP
Revlon	10.0%	
Oriflame	6.2%	
Maybelline	5.2%	
Pixy	4.2%	

LIP GLOSS

MERЕК	TBI	TOP
Wardah	13.7%	TOP
Revlon	12.9%	TOP
Maybelline	12.5%	TOP
Sariayu	8.2%	
Oriflame	8.1%	
The Body Shop	6.1%	

MASKARA

MERЕК	TBI	TOP
Maybelline	25.3%	TOP
Oriflame	13.6%	TOP
QL	10.0%	TOP
Revlon	9.3%	
Pixy	6.6%	
Sariayu	6.2%	
L'Oreal	3.9%	

Resource: <http://www.topbrand-award.com/>

Based on TBI (Top Brand Index) 2017 which was launched by Top Brand Award, it appears that some Wardah brand cosmetic products, such as Lip Gloss, Mascara, Eyeliner succeeded in top position in Top Brand Index (TBI) ranking. The position also represents the great ability of these products in mastering the

cosmetics market in Indonesia. As stated in the survey that Wardah brand cosmetics in Indonesia has a market share of 22.2%. (www.topbrand-award.com, 2017). However, the issue of customer buying decision to the Wardah brand is still a big issue that needs to be continuously reviewed. Measuring of customer buying decision becomes so important in the effort to win business competition in the cosmetics industry. Therefore, we are interested to examine what factors, especially those relating to the brand, which affect the customer buying decision of the brand users. Some Wardah brand cosmetic products, such as Lip Gloss, Mascara, Eyeliner succeeded in top position in Top Brand Index (TBI) ranking. However, based on comparison of the size of Wardah market share in 2016 compared to 2017, there was a decline from 8.7 to 7.5%.

One important factor in consumer consideration for determining purchasing decisions is the brand image factor, especially in products that have to do with one's style or appearance. Among young people or young consumers, products that are closely related to their appearance, including cosmetic products, brand image factors may actually be the main factors considered in their purchasing decisions. For the majority of consumers who will make a purchase of a product whose brand is not yet well known, the brand will use brand recognition of the brand on the product.

Kotler and Armstrong (2014: 233) state that brand image is "The set of beliefs held about a particular brand is known as brand image". Meanwhile according to Kotler and Keller (2012:248) "Brand Imagery describes the extrinsic properties of the product or service, including the ways in which the brand attempts

to meet customers psychological or social needs”. Brand image is a set of consumer confidence in a particular brand. Brand image is important and is a top priority for business owners. According to Kotler (2002: 215) brand image is a set of beliefs, ideas, and impressions that are owned by someone against a brand. Therefore, the attitude and actions of consumers towards a brand is determined by the brand image. Kotler (2002: 225) also added that the brand image is a requirement of a strong brand and the image is a relatively consistent perception in the long run. Meanwhile, according to Tjiptono (2015: 105) brand image is a description of the association and consumer confidence in a particular brand. Consumers who have a positive image of a brand, it will be more possible to make a purchase. In other words, the better the brand image of a product, the more consumer purchasing decisions.

Another factor that should be suspected to influence consumer purchasing decisions for cosmetic products is the brand ambassador factor. A brand ambassador (sometimes also called a corporate ambassador) is a person who is hired by an organization or company to represent a brand in a positive light and by doing so help to increase brand awareness and sales. The brand ambassador is meant to embody the corporate identity in appearance, demeanor, values and ethics. The key element of brand ambassadors is their ability to use promotional strategies that will strengthen the customer-product-service relationship and influence a large audience to buy and consume more. Predominantly, a brand ambassador is known as a positive spokesperson, an opinion leader or a community influencer, appointed as an internal or external agent to boost product or service sales and create brand

awareness. Today, brand ambassador as a term has expanded beyond celebrity branding to self-branding or personal brand management.

A company chooses a brand ambassador to be the "face" of the brand. Ideally, the candidate is a tastemaker in their communities, and should plan to use already established networks and relationships to market the brand via word-of-mouth marketing tactics (i.e. referring friends, posting about the brand online, etc.). On top of that, a brand ambassador will also represent her company at specific events, where she may perform product demonstrations or give away sample products.

For a company, the use of brand ambassadors aims to influence consumers in buying products. Companies must be able to know consumer demand so that companies can choose the right brand ambassador for their products. The right brand ambassador serves to influence and become a trendsetter of the company's products. It is hoped that the presence of brand ambassadors can increase consumer purchases of company products.

Since 16 November 2017 Wardah uses ambassadors brand as a representative products and to make appeal emotionally advertising. Wardah said that the brand ambassadors are called inspiring women. One of them is Mesty Ariotedjo. Since November 2017, Wardah pointed Mesty Ariotedjo who is being Wardah's brand ambassador for representing Wardah products. Wardah sees, Mesty Ariotedjo is a woman who represents the figure of Inspiring Beauty, a woman who is not only beautiful but also positively inspires the surrounding environment. Today Mesty is known as a multi-talented female figure in music; she also has a

high concern for others, seen through various social actions that she lived. This is in line with Wardah's values that encourage Indonesian women to become inspirational beautiful figures through various actions both for the wider community.

Some of previous studies on the effect of using brand ambassadors and brand image on consumer purchasing decisions, show different results or findings. In other words, there is a research gap in previous studies. Therefore, the topic is interesting to study further. Utomo et al. (2017) found that brand ambassador and brand image has significant influence to customer buying decision on automotive product, likewise Magdalena et al (2015) found that brand ambassadors had a positive and significant effect on consumer purchasing decisions of Samsung smartphone.

Some studies suggest that ambassadors have a positive influence on purchasing decisions, but research conducted by Ligia, Yuliani and Sylvie (2016) express different opinions. Sandra as Wardah's cosmetic brand ambassador has a little and significant impact on buying decision Wardah cosmetics in Bandung.

Interested in the phenomenon of business that occurred in the cosmetics industry and because of differences in the results of previous research, then we intend to conduct research on the same variable and the results will be reported in the form of thesis with the title: **The Effect of Using Brand Ambassador and Brand Image towards Buying Decision of Wardah Cosmetics Consumer.**

1.2 Problem Statement

The problem of this study is how the influence of brand ambassador and brand image on customer decision of Wardah cosmetic user, formulated in the research questions as follows:

1. Does Brand Ambassador usage affect to customer buying decision of Wardah cosmetics customer?
2. Does Wardah's brand image affect to customer buying decision of Wardah cosmetic customer?
3. Which of the brand ambassador usage and brand image most dominantly influences to customer buying decision of Wardah cosmetics customer?

1.3 Research Objectives

The purposes of this study are:

1. Analyzing the influence of brand ambassador usage on customer buying decision of Wardah cosmetic users.
2. Analyzing the influence of brand image on customer buying decision of Wardah cosmetic users.
3. Finding out which of the brand ambassador usage and brand image are the most dominant influence on customer buying decision of Wardah cosmetics users.

1.4 Benefit of Study

The author expects some benefits from this study such as:

1. For the Company: The results of this study are expected to be beneficial to the company, namely PT Paragon Technology & Innovation (PTI) as one of the inputs in determining management policies, especially in relation to efforts to improve brand image of Wardah cosmetics.
2. For other researchers: This research can be used as a stepping stone on which are to explore further in terms of the relationship brand ambassador usage and brand image on customer buying decision of Wardah cosmetic users.

1.5 Scope of Study

In order for this research to be more focused then the research problem to be limited to the problems that related to research variables, namely brand ambassador usage and brand image in related to customer buying decision of Wardah cosmetic users, especially in Yogyakarta, during February until April 2020.

1.6 Systematics of Research Writing

The research writing system is arranged in the following format:

Chapter I INTRODUCTION: This chapter contains the background of the problem, the formulation of the problem, the purpose of the study, the benefits of the study, the limitations of the study, and the systematic writing of the research.

Chapter II LITERATURE REVIEW: This chapter will explain the concepts or theories related to this research which are about brand ambassador, brand image, buying decision and hypothesis development.

Chapter III RESEARCH METHOD: This chapter contains research locations, data collection techniques, operational definitions, and data analysis methods.

Chapter IV RESULTS AND DISCUSSION: This chapter contains the research process, the results of the study including the results of the questionnaire that has been distributed and the discussion.

Chapter V CLOSING: This chapter contains conclusions from the results of research, managerial implications, suggestions for further research, and limitations of research.