

## CHAPTER I

### INTRODUCTION

#### 1.1. Research Background

Packaging is one of the most important aspects that need to be taken into consideration by marketers to attract the consumers in buying their products. There are several main functions of the packaging such as protecting the content of the product as well as being the representation of the product itself. According to Chandon & Wansink (2010) packaging is one of the factors that could drive consumer to buy a product. With the elements of packaging such as: the colour of the packaging, the size of the product, the packaging design, the labelling which defines the brand of the product as well as the product information which explains the ingredients and content of the product, it can influence the buying decision of consumers which resulting in product's sales growth. Besides the role of packaging which contains several elements (colour, design, size, label) that could attract the consumer's attention towards the products, according to Vieira *et al* (2015), packaging also contributes to stimulate consumers' appetite through its elements. For instances in the case of food packaging, when the transparency of the food content is shown in detail, consumer will understand whether the ingredients are safe to be consumed because health is one of the factors that is considered when choosing a food product.

Consumers nowadays are most likely to be critical in selecting a product that they prefer to buy. As a result, marketers should be able to create and build consumers' trust towards the brands which can be shaped through the packaging of the product.

As the first thing that is noticed by consumer is the packaging of the product, marketers can use packaging as a tool to communicate with their potential consumers (Shekhar & Ravendran, 2013). For instance, when the packaging of a product is eye-catching, there would be a possibility that the first product which is chosen by potential consumers is a product that has an attractive packaging. Consequently, the packaging of the product which is placed on a shelf should be unique compared to the others competitors' brands to gain consumers' attention. This statement is supported by a study which is done by Chandon & Wansink (2010). In their study, it is proven that the role of the packaging through its elements such as themes and message is way more effective in attracting consumers compared to the role advertising of a certain product.

In addition, packaging also contributes to the shaping of consumers' perception towards a certain product. As the first thing that is seen by consumer when choosing a product is the packaging of the product itself, first impression is crucial since it would stay in consumers' mind when they choose the product and evaluate the quality of the product, including the packaging. Therefore, marketers need to consider creating a good quality of packaging.

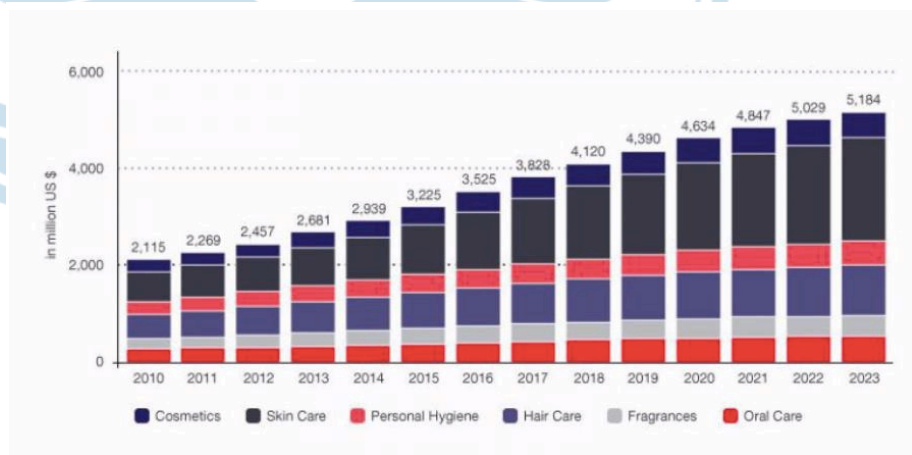
Moreover, packaging is one of the vital elements of a product that can build a positive effect on consumers' experience when buying a product. When a consumer is satisfied seeing the product packaging, it can drive the excitement of the consumer in trying the product itself where it leads to buying behaviour. This is an important aspect for marketers as consumers' satisfaction can lead to brand loyalty.

The importance of packaging's role is attached to all types of products in the market. One of the types of products that is required to have a good quality of packaging in terms of its function as well as appearance is fragrance products, as beauty products are most likely to be linked with the visual elements of its product, including the packaging. Based on the statement of Directorate General of Small and Medium Industry, consumers nowadays are not only paying attention to the visual aspect of the packaging, but they also consider about the environmental effect of the packaging itself. (Pasar Dana, 2020). This statement is supported by the existence of the current trend in using sustainable packaging for beauty and herbal products (Kementerian Perindustrian Republik Indonesia, 2020). Many cosmetic industries nowadays are prefer using materials that able to be recycled for its packaging. With that being said, marketers are expected to implement sustainable practice when creating a product packaging.

The global fragrance market has continued to rise throughout the years which following the continuous growth of perfume demand in the

market. According to the data launched by Global Perfume & Fragrance Market Report (2020), the market for perfume is projected to reach 6% in compound annual growth rate by 2023. Compared to Indonesia, the latest report of the Indonesian fragrances market representing a compound annual growth rate for 8.8% between 2015 and 2019.

The figure below explains the growth of cosmetic products (cosmetic, skincare, personal hygiene, hair care, fragrance, and oral care) in Indonesia over the period 2010-2023, including future prediction in million US\$. In overall, it can be seen that the sales of cosmetic products in Indonesia is constantly increasing. In 2023, the number of cosmetic products retailing is projected to reach USD 5,184 million.



Source: Cekindo.com (accessed on March 05, 2021)

Picture 1.1

Growth of Cosmetic Products in Indonesia year 2010-2023

According to the chief of Indonesian Cosmetics Association, Sancoyo Antarikso, an increase in living standard of society is the main reason of the continuous growth in the demand of beauty and personal care products in Indonesia (Jawa Pos, 2020). Consequently, many cosmetic industries are focusing on boosting the sales of beauty products in the domestic market. This statement is aligned with the data launched by the Ministry of Industry Indonesia that stating the rapid growth of the number of national cosmetic industry from 760 companies in 2018 to 797 companies in 2019. This data shows that the competition in the cosmetic industry would become more competitive. In order to differentiate the products with other competitors, the Directorate General of Small and Medium Industry, Gati Wibawaningsih, suggested that cosmetic industries must consider the role of packaging not only to protect the content of the product but also as a marketing tool to represent the quality of the product itself by designing unique and eye-catching packaging (Kementerian Perindustrian Republik Indonesia, 2020). Besides that, understanding the characteristic as well as the preference of targeted consumers is crucial for bringing a successful product to market.

The result of the study which is done by Indonesian Internet Service Providers Association stated that Millennials and Generation Z as young consumers in Indonesia were considered to spend their money on fashion and beauty products which represent for about 30% and 16% respectively from the total e-commerce transaction (Muazam, 2020). From this report, it

can be seen that young consumers in Indonesia is a group of consumers that have a big potential to be a significant segment for cosmetic industries.

In order to attract young consumers as the main buyers in the cosmetic industry, marketers must understand fully of their interests and characteristics as it might be useful to consider what are the attributes in the packaging that can attract this group of consumer. Due to the easiness of accessing information with the internet, they are willing to try something new in purchasing product. As a result, uniqueness is one of the factors that can attract them in buying a certain product. As an example, there is one of the famous cosmetic companies in Indonesia, PT Victoria Care Indonesia that focuses on creating personalized packaging for their specific target of consumers. In terms of fragrance, this company has launched a fragrance bar that applying personality concept in their products to catch the attention of Millennials as their targeted consumers. This company offers many types of perfume variant with different type of scent and packaging based on the consumers different types of personality (Media Indonesia, 2021). In addition, the development of technology has contributed to shift the consumers behaviour of this generation. They are attached to everything that is effortless and instant. In the case of perfume packaging, this company also offers a perfume with mini size of packaging for convenience reason. By launching these new concepts in the market, this company received positive feedback from young consumers which indicates by the product sales growth. From this fact, it can be concluded that creating product

packaging according to the young consumers' characteristics is one of the key to boost sales.

Since many companies are creating an innovative product packaging to increase their sales, it is important for marketers to understand the packaging elements to create inventive packaging. Considering that not only the design of the packaging that is vital to consumers nowadays, but also the sustainable practice of the packaging, this study will help marketers to identify the influence of packaging design (visual and verbal) as well as packaging benefits towards the young consumers' buying decision in Indonesia.

## 1.2. Problem Identification

The competition in the cosmetic industry would become more competitive as many companies are eager to develop and improve its products quality, including the packaging in order to win the market. The function of packaging as the communication tool is growing in the market of beauty products due to the fact that packaging is also the representative of the product itself. This study will examine the effect of packaging elements towards the purchase behaviour of young consumers in Indonesia. Therefore, the research questions below are formulated as a guidance to develop this study.

1. Does visual packaging elements affect young consumers' buying decision on perfume product in Indonesia?
2. Does verbal packaging elements affect young consumers' buying decision on perfume product in Indonesia?
3. Does packaging benefits affect young consumers' buying decision on perfume product in Indonesia?
4. Does Indonesian young consumer have a different perception toward perfume packaging design (visual and verbal) and packaging benefits on buying decision based on the demographic profile (age, educational background and income)?

## 1.3. Research Objectives

The purpose of this study are:



1. To analyse whether visual packaging elements affect young consumers' buying decision in Indonesia.
2. To analyse whether verbal packaging elements affect young consumers' buying decision in Indonesia.
3. To analyse whether packaging benefits affect young consumers buying decision in Indonesia.
4. To analyse whether Indonesian young consumer have a different perception toward perfume packaging design (visual and verbal) and packaging benefits on buying decision based on their demographic profile (age, educational background and income).

#### **1.4. Research Benefit**

This research is expected to be beneficial to several related parties:

##### **1. Practical Benefit**

This research will help marketers to identify and understand about the effect of packaging design and benefits towards the buying decision of consumers.

As a result, the result of the study is expected to be beneficial for marketers in order to formulate the right strategy in designing packaging of a product as a purpose of influencing consumers' buying decision.

##### **2. Theoretical Benefit**

This research is expected to be utilized by the other parties to improve their knowledge and experience related to the marketing field. Also, the result of the study is expected to provide a new perspective towards the importance

of packaging attributes that can be used a reference to conduct similar research.

### **1.5 Research Systematic**

To give an insight of the research, this study develops the research proposal into three parts as follow:

#### **CHAPTER I: INTRODUCTION**

This chapter consists of background, problem statement, research questions, objective of the research, the scope of the research, benefit of the research and research systematic.

#### **CHAPTER II: LITERATURE REVIEW**

This chapter consists of literature review, the theories that are used in this study, , hypothesis and conceptual framework

#### **CHAPTER III: RESEARCH METHODOLOGY**

This chapter consists of research location, data collection, variable, measuring instrument and data analysis method.

#### **CHAPTER IV: DATA ANALYSIS**

This chapter will indicate the result from the data analysis and the interpretation of the data using several analytical tools.

#### **CHAPTER V: CONCLUSION AND MANAGERIAL IMPLICATIONS**

This chapter will contain of conclusion, research limitation, managerial implications and future research.

