

CHAPTER 1

INTRODUCTION

1.1. Background

A cigarette is a thin cylinder of finely cut tobacco leaves rolled in paper for smoking. We know that cigarettes have been existed in Indonesia since around 19th century. It was started with local cigarette companies which offered their products mostly to men in Indonesia. Lately, more cigarette companies enter Indonesian market and distribute their products, it is now not only a competition within local cigarette companies in Indonesia, but also a competition between local companies and international cigarette companies.

In fact, the development of cigarette usage in Indonesia is increasing since the first time it was known by customers until now. With many cigarette companies, both local and international, competing their products in the country, the Indonesian government starts to worry about the of the smoking-related diseases to the citizen if there are a lot of products of cigarettes sold in Indonesia. In 2013, the consumption of cigarettes in Indonesia reached 302 billions. Indonesian customers of cigarettes increased up to 46,16% for man smokers and so do female smokers that reached 35%. This situation influenced the health issues of citizen and also the economic condition of the country. At that time, 190.260 people died because of smoking-related illness while the

economic condition decreased because of the medical expenses and lost productivity caused by smokers who had health issues.

Looking at this situation, the Indonesian government tries to control and maintain the consumption of cigarettes in order to increase the health of the citizen. However, the government cannot stop and close the market of cigarettes in Indonesia. Up until now, the Indonesian government needs the state revenue from cigarettes to support many aspects of the development of Indonesia. The important state incomes from cigarettes are the custom and excise of cigarettes. They give quite significant impact on government's revenue. Therefore, the Indonesian government still supports the marketing of cigarettes inside the country

At the old times, cigarette companies gave simple packaging for the cigarettes to be distributed. As long as the time goes by, the development of cigarettes packaging is getting more complex and significant.

Lately, the Indonesian government enacted a law which regulates the distribution of cigarettes in Indonesia. The purpose of this law is to warn Indonesian citizen about the negative impact of consuming cigarettes. By passing this law, the government hopes that Indonesian people will be able to control their health by consuming less cigarettes.

The regulation which warns the Indonesian people about the negative impact of cigarettes is officially and firmly written in Law number 36 of 2009 on Health, particularly Article 114 and 199. Article

114 puts an obligation for every person producing or importing cigarettes to Indonesia to add health warning labels and images on the packaging of cigarettes. Article 199 determines that fail to comply to this obligation, the person will be given a maximum of five years imprisonment.

Based on the aforementioned situations, the writer is interested to examine the impact of health warning labels on packaging of cigarettes towards young smokers.

The purpose of this research is to investigate how health warning labels can affect smoking behavior and after that affect the purchase intention of young consumers.

1.2. Problem Identification

1. Do health warning labels give influence on smoking behavior?
2. Do health warning labels give influence on consumer's purchase intention?

1.3. Research Limitation

In order to simplify the problems, this research is limited on:

1. This research is done on several brands of cigarettes, but still classified on the health warning labels shown in the package of cigarettes.
2. The questionnaire will be distributed and analyzed in one month, October 2015.

3. The sample of this research is smokers in age range within 18 years old until 25 years old.
4. This research is done to analyze smoker's purchase intention of cigarettes with health warning labels on the cigarettes packages.

1.4. The Purpose of Study

The purpose of this research are:

1. To know whether health warning labels have any influences to smoking behavior or not.
2. To know whether smoking behavior has any influences to purchase intention or not.

1.5. Benefits of Study

The writers – A lot of benefits can be received by the writers through this research, especially to know the real relationship between consumer and product. To know more about consumer's point of view. Hopefully, the writer can use or apply the findings of the research in the next future studies or future businesses.

The other research – Hopefully, the result of this study can become a good reference for other similar research in the future.

The readers – Hopefully, by reading this research, the readers can have a better understanding about packaging in marketing and get deeper

knowledge about the recent situation and development of health warning labels on cigarettes packaging.

1.6. Research Design

This research is conducted to seek the impact of health warning labels towards smoking behavior and, next, towards purchase intention. The independent variable is health warning labels, while smoking behavior is standing as the intermediate variable. Lastly, purchase intention is there as the dependent variable.

1.7. The Setting

This reasearch is done in Yogyakarta among young smokers. The sample does not have to be from the same university or high school, but the important thing is they are in the same average of age. The data will be collected primarily and secondarily, and will be measured by Likert scale. The data run will be processed by using SPSS 16.00 for Windows.

1.8. Research Future

Chapter I: Introduction – This chapter describes the background of this research study, problem identification, research limitation and the setting.

Chapter II: Literature Review – This chapter describes the theoretical background which relevant to the research.

Chapter III: Research Design – This chapter describes the research design used by the author. And it also describes the sample of the research, population of the research and data collection.

Chapter IV: Data Analysis – This chapter describes the analysis of the data collection and interpretation of the data.

Chapter V: Conclusion and Managerial Implication – This chapter presents the result of the the data analysis and shows the conclusion of this research study, the weakness and also suggestion for the next research.