

CHAPTER 2

REVIEW OF LITERATURE

2.1. Cigarettes

According to Government Regulation number 19 of 2003 on the Safekeeping of Cigarettes for Health, a cigarette is processed tobacco wrapped in cylinder shape, including cigars and other forms, consist of Nicotine and similar ingredients completed with or without tar. It is consumed by burning the other edge of the cigarette and smoke it.

2.2. Promotion

Promotion is a vital part in marketing, it has very important roles and gives big contributions in marketing process. Promotion is a concatenation of advertising, personal selling, sales promotion, public relation and direct marketing. According to Goi (2011) and Muala & Qumeh (2012), promotion is a selling technique that can be used to deliver the product to customers, it cannot stand by it self, it needs some factors such as communication to attract customers. Good communication will be able to persuade customers and it will also be able to pull customers to take action after they receive the message from the product.

Communication in promotion needs to have 3 criteria in order to be qualified as a successful tool to attract customers.

(1) Good communication will be able to offer consistent messages of the product to customer.

(2) Good communication requires exact media to be placed where customers are there in the target market circle.

Still based on what Goi (2011) and Muala & Qumeh (2012) have been stated, promotion has to provide specific information about the product in order to be able to persuade customers.

Riaz & Tanveer (2012) have stated that promotion is followed by strategies for promotion, which are:

(1) Advertising

Advertising is one of promotion strategies to deliver information about the product to customer. This strategy can be implemented by putting it in any media such as television, radio, banner, etc. It has strong potential in affecting customer to come check the product at store and buy the product (Maruyama and Trung, 2007)

(2) Personal Selling

A company can do promotion by offering the product directly to customer. Previous study by Hansen (2003) found that promotional tools such as direct mail and print advertisement are aimed to attract customers to visit real stores and lead their actions to purchase something there.

(3) Sales Promotions

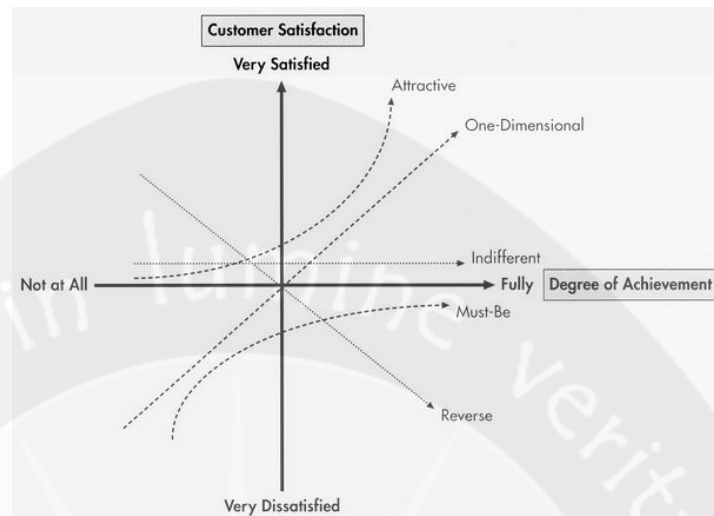
In these strategies, a company or a store needs to give enhance sales, such as discounts or samples to customers. This strategies can help to build long-term relationship between customers and the product. A previous Chinese study (McNeill, 2006) found that customers pay a lot more attention to sales promotion.

Promotion can increase sales and increase the consumption of existing customers (Ailawadi, Harlam, Cesar, & Trounce, 2006).

2.3. Packaging

Every companies cannot sell the product without something that cover the product. Every companies must wrap the product with something, it is called packaging. Before we examine further about the packaging, it is important to know that in relation to packaging, there is a theory of attractive quality (Kano, 1984). This theory of attractive quality supports the theory of packaging. The reason is this theory can give better understanding to customers to evaluate a product and perceive quality attributes. In this theory, there are 5 factors that can increase customer satisfaction towards a product: 1) attractive quality; 2) must-be quality; 3) reverse quality; 4) one-dimensional quality; and 5) indifferent quality.

Figure 2.3.1 Theory of Attractive Quality



Source:

[http://ohmoriws1.ms.kagu.tus.ac.jp/lab_master/tawai_contents/Obstacles
to the creation of attractive quality.htm](http://ohmoriws1.ms.kagu.tus.ac.jp/lab_master/tawai_contents/Obstacles_to_the_creation_of_attractive_quality.htm)

Packaging is tangible in nature, means that it is a three-dimensional marketing communication vehicle that represents the performance of the product offering. The package is becoming an intimate part of the customer's life, it means a phenomenon that represents a type of an experience between consumer and the brand (Lindsay, 1997).

Packaging works as both an extrinsic and intrinsic attribute, means that it cannot be changed without altering the nature of the product itself. By this definition, we can see that the package is a part of physical composition of the product (e.g., squeezable ketchup container) is intrinsic, while the informations mentioned on the package (e.g., brand

name, picture, logo) is considered as an extrinsic attributes. Extrinsic attributes of a packaging is aimed to examine the influence on product quality perceptions (Rigaux-Bricmont 1982; Bonner and Nelson 1985; Stokes 1985).

Packaging is defined as part of the buying and consuming process, but it is not always often related to the ingredients of the product to function. Therefore, with no doubt, packaging is specifically related to the strategic decision inside the marketing mix, and further will be used as positioning decisions (Underwood, 2003).

The key of this study is the packaging of the cigarettes that are distributed in Indonesia. Standard definition of packaging is that packaging became the tool of communication between a company and customers. (Lincoln, 1965; Gardner, 1967).

Based on the previous study, packaging is included as communicative role (Nancarrow, 1998; Underwood and Ozanne, 1998). In the previous study about packaging, the communicative importance of packaging has been investigated as the communicative power for creating and communicating brand identity. Many researches showed that packaging components and the proposition for products are bought in their final form, means that consumers often rely more on the package than other forms of marketing communication to develop an impression of the product in its prepared state. Every new technologies that related to a packaging solution can improve the possibilities for market communication (Ulger, 2009, p.

106). According to Wansink and Huffman (2001), packaging is an important tool in order to approach customer.

Therefore, packaging hold the very important role because it becomes the marketing vehicle (Underwood and Klein, 2002). We know that packaging works as communicative role, then as a vehicle in marketing process, therefore packaging is used to increase the brand building functions of the packages (Rettie and Brewer, 2000; Underwood, 2003). However, packaging still has another function which is as symbolic contribution to the total understanding of the corporation or brand (Rapheal and Olsson, 1978).

Many informations provided and mentioned on the packaging of a product. There are informations about the price of the product, then the ingredients of the product, and other information about how to use the product (Schoormans and Robben, 1997).

Packaging is a media to put advertisement about a product, therefore it needs to be attractive. It is important to choose the right shape, size and color for the product. Because packaging holds the very important role in marketing aspects and other aspects in order to deliver companies idea and the good to customers, the package design may be the best solution to draw attention and generating a favourable judgement of a package and the product inside (Schoormans and Robben, 1997).

Packaging is made to help customers experience the knowledge of the product, and to create the perception of quality. This theory is

reviewed based on Kano's theory of attractive quality in particular, after that the theory of attractiveness has been discussed.

Every firm believes that packaging and packaging design become the effective way of differentiating product offering from those of competitors (Rettie and Brewer, 2000).

While according to Underwood and Klein (2002), and also Young (2004), a new packaging design can provide better opportunities for customers about the information of the product. This theory also represents marketing communication at the store level.

Convenient packaging solution can surely be an important element in the marketing strategy for every company. Companies must create well-designed packages in order to build brand and drive sales because it is becoming an important element for building customer value and competitive advantage.

Seen from every aspect, packaging is very important, especially in aspect of trade in industrialized countries and is becoming more significant for logistic puposes in developing countries. Some of the earlier research have been done in several area of general characteristics and the result came up with packaging design is known as a variable influencing product evaluation (Banks, 1950; Schwartz 1971).

Packaging is called "silent salesman" because self-service has transferred the role of incoming the customer from the sales assistant to advertising and to packaging (Sonsino, 1990). The "silent salesman" will

inform us the quality and benefits that we are going to obtain if we consume the product (Vidales Giovannetti, 1995). The ability that packaging has is that it can persuade possible buyers before brand selection (McDaniel and Baker, 1977).

In order to reach all of the purpose that the packaging has, all of the packaging elements, which are texts; colors; structure; images; and people/personalities have to be combined to provide consumers with virtual sales negotiation when customers purchase and then use the product (McNeal and Ji, 2003).

There are data from an exploratory qualitative study providing a preliminary evidence that is supporting the conceptualization of packaging as an effective tool for brand communication vehicle.

- 1) Packaging is a product-related attribute, means that it is the vehicle for meaning creation and delivery the potential cultural product itself.
- 2) Packaging communicates the meaning via both mediated and lived experience.
- 3) Packaging might be a vital tool for enhancing the relationship between consumer and brand, especially for low involvement consumer nondurable products.

According to Vidales Giovannetti (1995), there are 3 types of packaging.

- 1) **Primary Packaging.**

It is direct packaging, it does direct contact with the product.

2) Secondary Packaging.

It is a package that covers several primary packaging together. It does not have direct contact with the product, but it has direct contact with the primary packages of the product.

3) Tertiary Packaging.

It is a package that covers primary packaging and secondary packaging throughout the commercial chain, such as cardboard box that contains several bottles.

Figure 2.3.2 - Types of Packaging



Source:

<http://www.slideshare.net/naveenagust/packaging-labeling-in-food-industries>

This type of packaging is the type that companies use to package cigarettes.

Packaging is taken as a serious problem in every company that wants to deliver the value of their product to customer, and it has reasons of its existence (Behaeghel, 1991; Peters, 1994).

- 1) It is presenting the crucial moment when the decision to buy is made.

When a customer sees a package of a product, and when the customer automatically has the relationship between their perception and the brand of the product, then the customer will think whether he/she should buy the product or not.

- 2) Buyers are actively involved with packaging as they examine it to obtain the information they need.

By this reason, we know that before every customer buy something or some products, they must see the packaging of the product to see the information that the product has. By looking at the packages, customers are involved with the product because automatically the customers create the relationship about their perception with the brand of the product.

2.4. Health Warning Labels

According to Article 11 of the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC), a pictorial health warning labels means a picture that is applied on cigarettes packages in order to increase awareness about the dangers of tobacco use effectively.

The first country that applied health warning labels on cigarettes packages is Canada. The obligation was published in 1989 under Bill C-51.

“The Tobacco Products Control Act, which also banned all forms of commercial advertising for tobacco products, cigarettes manufacturers were required to place new and larger warning on cigarettes packages designed to properly inform consumers about the health hazards of smoking”

Since that moment, the regulation is spread around the world and until now, there are 77 countries that are applying the obligation of putting health warning labels on cigarettes packaging. These are the 77 countries and the timeline of applying regulations to put health warning labels.

- | | |
|---------------------------------|--------------------------------------|
| 1. Canada (2001; 2012) | 4. Thailand (2005; 2007; 2010; 2014) |
| 2. Brazil (2002; 2004; 2009) | 5. Venezuela (2005; 2009; 2013) |
| 3. Singapore (2004; 2006; 2013) | 6. Venezuela (2005; 2009; 2014) |

6. Jordan (2006; 2013)
7. Australia (2006, rotation of 2 sets every 12 months; 2012, rotation of 2 sets every 12 months)
8. Uruguay (2006; 2008; 2009; 2010; 2012; 2013; 2014)
9. Panama (2006; 2009; 2010; 2012; 2014)
10. Belgium (2006; rotation of 3 sets every 12 months starting 2011)
11. Chile (2006; 2007; 2008; 2009; 2010; 2011; 2012; 2013)
12. Hong Kong (2007)
13. New Zealand (2008; rotation of 2 sets every 12 months)
14. Romania (2008)
15. United Kingdom (2008)
16. Egypt (2008; 2010; 2012; 2014)
17. Brunei (2008; 2012)
18. Cook Islands (2008)
19. Iran (2009)
20. Malaysia (2009; 2014)
21. Taiwan (2009; 2014)
22. Peru (2009; 2011; 2014)
23. Djibouti (2009)
24. Mauritius (2009)
25. India (2009; 2011; 2013)
26. Cayman Islands (2009)
27. Latvia (2010)
28. Pakistan (2010)
29. Switzerland (2010, rotation of 3 sets every 24 months)
30. Liechtenstein (2010, rotation of 3 sets every 24 months)
31. Mongolia (2010; 2013)
32. Colombia (2010; 2011; 2012; 2013; 2014)

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33. Turkey (2010)
34. Mexico (2010; 2011; 2012; 2013; 2014)
35. Norway (2011)
36. Malta (2011)
37. France (2011)
38. Guernsey (2011)
39. Spain (2011)
40. Bolivia (2011)
41. Jersey (2012)
42. Ukraine (2012)
43. Honduras (2012) 11
44. Madagascar (2012; 2013)
45. Denmark (2012)
46. Ecuador (2012; 2014)
47. Argentina (2012; 2014)
48. El Salvador (2012; 2015)
49. Bahrain (2012)
50. Kuwait (2012)
51. Oman (2012)
52. Qatar (2012)
53. Saudi Arabia (2012)
54. United Arab Emirates (2012)
55. Hungary (2012) 14
56. Macau (2013)
57. Iceland (2013)
58. Ireland (2013)
59. Russia (2013)
60. Kazakhstan (2013)
61. Seychelles (2013)
62. Fiji (2013)
63. Vietnam (2013)
64. Macedonia The F. Y. R. (2014)
65. Montenegro (2014)
66. Indonesia (2014)
67. Nepal (2014)
68. Costa Rica (2014)
69. Jamaica (2014)
70. Suriname (2014)
71. Yemen (2014)
72. Sri Lanka (2015)
73. Solomon Islands (2015)

74. Turkmenistan (2015)

76. Namibia (2015)

75. Trinidad and Tobago

77. Philippines (2015)

(2015, rotation of 2 sets

every 12 months)

All regulations that are applied in those countries are based on Article 11 of the WHO FCTC.

“The international tobacco treaty, Parties to the Convention must require that all packages of tobacco products carry health warnings describing the harmful effects of tobacco use or other appropriate messages which “should be 50% or more of the principal display areas but shall be no less than 30% of the display areas” and may be in the form of or include picture warnings”

Cigarette packages have Principal Display Areas which means the front and back. According to the WHO FCTC’s international tobacco treaty, the health warning must be written in the national language or languages and must be rotated. It has to be applied to cartons and other outer packages. It may also possible if there is non-health messaged added (e.g. “Quit, save money”). Besides, there are no exception allowed for small volume brands or even duty-free stores under this international treaty. All of the store or every party who contributes in producing, selling

and distributing cigarettes must implement warning requirements as obliged by Article 11 within three years the WHO FCTC affirms the regulations.

The health warning label is seen as an effective way to persuade smokers with positive health issues. The reason is the picture warning label really describes the situation of health hazard issued of smoking. WHO FCTC believes that picture can say a thousand words, by conveying a message with far more impact than only a text-message on the packages. The larger the picture are for health warning labels, the better for the products to deliver message for consumers, especially smokers.

According to Ursic (1979), health warning labels must be added conspicuously, and hopefully health warning labels are able to communicate the level of danger. They have to be able to tell how consumers can avoid the hazard in a good understanding.

There are many benefits of pictures of health warning labels. Firstly, it is better for imigrant or tourists who want to consume cigarettes in other country, they will directly understand the meaning of the pictures.

Secondly, not all of the countries around the world use alphabets, some of the countries use special characters as their language. By applying health warning labels as a picture, it can represent the meaning of the warning labels.

The Indonesian regulation which warns the people about the negative impact of cigarettes is officially and firmly written. Article 199 of Law number 36 of 2009 on Health determines that the local and international cigarettes companies have to add health warning labels and images on the packaging of cigarettes. Fail to comply to this obligation, the company will be given a maximum of five years imprisonment.

Here are some pictures of health warning labels on cigarettes packages in Indonesia.

Figure 2.4.1 – Health Warning Labels in Indonesia



Source:

<http://img1.beritasatu.com/data/media/images/medium/1403630608.jpg>

There are several questions that represent health warning labels variable.

- 1) Smokers know and realize the existence of health warning labels.
- 2) Smokers read the health warning labels on the cigarettes packages.
- 3) Smokers understand the message oh health warning labels on cigarettes packages.
- 4) Smokers consider that the message of health warning labels is usefull for them.
- 5) Smokers consider that health warning labels on the cigarettes packages deliver the message well.
- 6) Smokers consider that health warning labels on cigarettes packages is appropriate to be put on the packages.
- 7) Smokers feel afraid by the existence of health warning labels on the cigarettes packages.
- 8) Smokers remember that risk health caused of smoking by looking at the health warning labels on cigarettes packages.

2.5. Smoking Behavior

Smoking is the act of smoking cigarettes or other similar substance.

Behavior, according to Oxford English Dictionary, is the way of action of one person towards other. This action can be repeated in daily life, in every condition.

Therefore, smoking behavior means the act of smoking that is repeated in daily life.

Pierce et al (1989) stated that smoking behavior for every person is different. It is impossible for two or three or even more persons have the same smoking behavior. The reason is there are differences in smoking prevalence for every different age and racial groups (Tolley et al., 1991; U.S Department of Health and Human Service, 1986; Harris, 1983). Different smoking prevalence and cessation are also differed by various educational attainment, racial, gender and age group that can be changed over time. U.S Department of Health and Human Service (1980) and Harris (1983) stated that men began to smoke earlier than women.

In Indonesia, the regulations on cigarettes are very strict for cigarette companies. According to Article 144 of Law number 36 of 2009 on Health, every producers or importers of cigarettes has to add health warning labels on the packaging of the product that are distributed in Indonesia.

- 1) Smokers can have confidence by smoking.
- 2) Smokers are always consuming cigarettes everyday.
- 3) Smokers will feel strange feeling without smoking.
- 4) Smokers can reduce their stress by smoking.

- 5) Smokers can feel more concentrate by smoking.
- 6) Smokers are always smoking everywhere.
- 7) Smokers consider about other people when they smoke in a certain place.
- 8) Smokers smoke in their free time.
- 9) Smokers are glad to smoke with their friends.
- 10) Smokers will feel dry in their throat whenever they don't smoke.
- 11) Smokers will keep smoking even if they are sick.

2.6. Purchase Intention

Purchase intention is a very important aspect in marketing literature.

To get a loyal purchase intention, consumer's satisfaction is needed (Johnson *et al.*, 2006; Mazursky and Geva, 1989).

This aspect is needed in every company. Every managers need customer's purchase intention because purchase intention can give forecasting about the demand of a product of the company (Tsiotsou, 2006). It helps the company to always be up to date about newest condition and situation of the market and to be able to increase the quality of the company in producing and serving their product. That is why to form a consumer's purchase intention, the company has to be dynamic in new-to-market offering (Johnson *et al.*, 2006).

Purchase intention has several actions and factors that make it is called purchase intention. Firstly, there is the theory of planned behavior that is stated by Ajzen (1985). In this theory, there are 3 conceptual steps, as follows:

- 1) The first determinant is about a person's evaluation or appraisal followed by act towards something positively.
- 2) The second determinant is about a person's motivation to do the activity that has been evaluated before.
- 3) The third determinant is a person's perceived resources and the feeling control over the activity that has been done.

By these determinants, we can see that there is a relation between the study of consumer social psychology and the behavior of planning to do something. Still, purchase intention is affected by consumers, situational characteristics or any cultural differences (Evanschitzky and Wunderlich, 2006; Walsh *et al.* , 2008; Kassim and Abdullah, 2010).

There are several questions in the questionnaire that represent the health warning labels variable.

- 1) The willingness to buy cigarettes from smokers.
- 2) Smoking is the priority activity that the smokers have.
- 3) Smokers will keep consuming cigarettes.
- 4) Brand of the cigarettes is very important to smokers when they buy cigarettes.

- 5) Flavour of the cigarettes is very important to smokers when they buy cigarettes.

2.7. Previous Studies

There are some previous studies have been done with similar topic and the four studies are explained below.

The first previous study is A Consumer Evaluation of Health Warning Labels on Cigarettes Packages in Canada, written by Crane, F.G and MacLean, V.A in 1996. In this research study, the authors tried to evaluate consumer's perception about health warning labels on cigarettes packages in Canada. At that time, health warning labels recently added to the cigarettes packages, it was new among the citizen of Canada. However, the auther chose both of smokers and non-smokers to evaluate the health warning labels on cigarettes packages. The data collection was also done by distributing questionnaires to 137 respondents, 73% non-smokers and 27% smokers. The authors focused on the health warning labels and consumer's perception about the image of health warning labels. There are 5 health warning labels that were rated in this study by respondents, which were warning #1 about lung cancer, warning #2 about complications during preganancy, warning #3 about danger to health increases with amount smoked, warning #4 about smoking reduces life expectancy and warning #5 about smoking is the first cause of heart disease. The result shows that consumers were able to evaluate the health

warning labels as an effective method to help smokers reduce their smoking behavior. Warning about direct diseases caused by smoking can influence consumer more than just warning that is included in nature death cause. The authors believed that if health warning labels were intended to have impact on consumer's consumption behavior, it has to strike a responsive chord with the customer, not only seen or read.

Second previous study is *The Potential Effectiveness of Warning Labels on Cigarette Packages: The Perceptions of Young Adult Canadians* written by Koval, J.J, Aubut, J.A.L, Linda. L, O'Hegarty, M and Chan, S (2005). The purpose of this study is also to examine how young smokers perception about health warning labels on cigarettes packages. They collect the data from 1267 respondents in Canada in average age range 20-24 years old. Not all of the respondents were smokers. the smokers were only 32,8% out of the total amount of the respondents. This research tried to examine how smokers can decide their behavior after they see the health warning labels on the cigarettes packages. There are several possibilities such as the smokers will keep smoking eventhough they see the health warning labels on the cigarettes packages, or they will reduce their smoking behavior because of the existance of health warning labels on the cigarettes packages. The result came up with some of the current smokers likely believe that health warning labels on cigarettes packages could make them stop smoking rather than exsmokers. In conclusion, the respondents who participated in

the research study, especially adolescents, mostly would not pay much attention on health warning labels and acknowledge the meaning of the health warning labels on cigarettes packages. From this study, the researchers suggested that it is important to change the health warning labels appearances to attract more attention from adolescents.

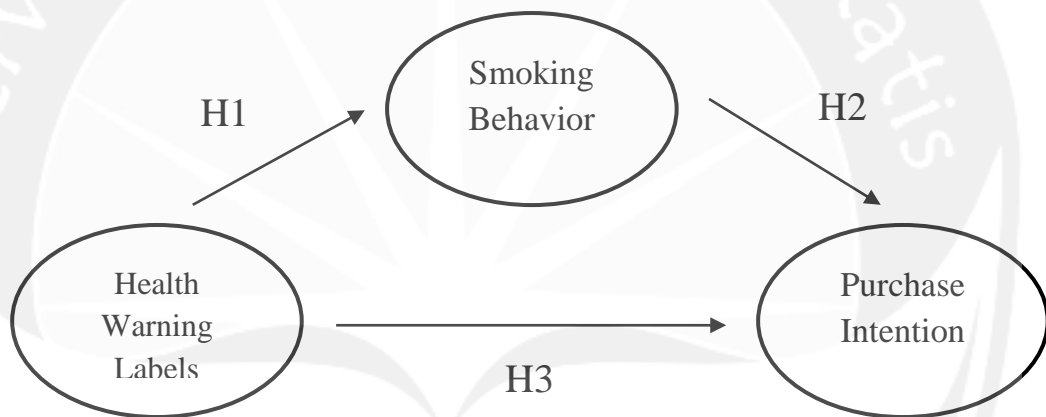
The third previous study that has been become reference is from Miller, C.L., Hill, D., Quester, P.G., Hiller, J.E entitled The Impact Of Australia's New Graphic Cigarette Packet Warnings On Smokers' Beliefs and Attitudes. This research analyzed the impact of health warning labels towards some of variables that are determining smoker's behavior in smoking, such as quitting smoking and also behavioural control. This research is done by interviewing 587 respondents and the data is run by using Chi-Square, ANOVA. As the result of this research, health warning labels give significant impact towards smoker's behavior.

The fourth study that is becoming the reference for this study is from Kim, A.E., Nonnemaker, J.M., Loomis, B.R., Shafer, P.R., Shaik,. A. in 2014 entitled Influence of Point-of-Sale Tobacco Displays and Graphic Health Warning Signs on Adults: Evidence From a Virtual Store Experimental Study. This research analysed whether there is a significant impact that health warning labels on cigarettes packages give to consumer's purchase intention. The research found that there is significant impact from health warning labels towards purchase intention.

Based on the aforementioned previous studies, this research is conducted to see further about how young smokers in Indonesia react to health warning labels on cigarettes packages.

2.8. Hypothesis

Figure 2.8.1 – Research Model



Source: Data Primer 2015

- H1: Health warning labels on cigarettes packages can give impact to smoker's smoking behavior.
- H2: Smoker's smoking behavior can give impact to consumers purchase intention.
- H3: Health warning labels on cigarettes packages can give impact to consumer's purchase intention.