

CHAPTER I

INTRODUCTION

1.1. Background of the Study

The changes in the era of globalization is increasingly complex and has a major impact on the business growth. The market is getting wider and the competition is getting stronger and harder to predict, resulting in an increasingly competitive competition. This condition requires the ability of companies to adapt through changes in the face of increasingly competitive competition in order to maintain markets in an open world market (Reguia, 2014).

One of the emerging industries today is the cosmetics industry. Based on BIZTEKA's observation. The national cosmetic market is estimated to grow by 8.3% in 2015 with a value reaching Rp 13.9 trillion. This figure increased compared to 2014 amounting to Rp 12.8 trillion. The national cosmetic industry market increased during 2010-2015 with an average value of 9.67% per year (<http://cci-indonesia.com/> diunduh tanggal 08 September 2017).

The types of beauty brands in Indonesia include Viva, Sara Lee, Wardah, Loreal, Pixy, Sari Ayu, Ponds, Mustika Ratu, Avon, Nivea, Princess, La Tulipe, Maybeline, Olay, Revlon, Bless, Oriflame, Body Shop and others. With the emergence of these brands causing cosmetics turnover in Indonesia is increasing. The Indonesian Ministry of Industry explained that the export value of the cosmetic industry increased by gaining Rp 9 trillion and cosmetics industry sales turnover in 2013 will grow 15 percent compared to the 2012 turnover of Rp 9.7 trillion (<http://www.kemenperin.go.id/>, diunduh tanggal 08 September 2017).

The Ministry of Industry has even stated that the value on this industry is estimated around IDR 100 trillion and in general the Government has targeted economic growth in 2017 about 5.2% and in 2018 about 7%. As for the investment in 2017 of Rp. 600 trillion and in 2018 as much as Rp. 800 trillion. Future industrial development will also focus on 11 industry groups, including pharmaceutical, cosmetic and medical equipment industries. Based on PP 14/2015 concerning RIPIN 2015-2035, one of the mainstay industries which is a priority

industry that has a big role in driving the economy is the cosmetics industry (<https://id.linkedin.com/> , diunduh tanggal 08 September 2017).

Based on research conducted by BIZTEKA in 2015, stated that the cosmetics market is estimated to experience a growth of 8.3% in 2015 with a value reaching Rp. 13.9% trillion. This value has increased from 2014 which only received Rp. 12.8% trillion. The national cosmetic industry market has increased by an average of 9.67% per year during 2010-2015. Here is a table of developments in the cosmetics industry market in Indonesia throughout 2010 to 2015.

Table 1
Development of Cosmetic Industry Market on 2010
Until 2015

Year	Market	Increase
	Billion Rupiah	(%)
2010	8.900	-
2011	8.500	-4.49
2012	9.760	14.82
2013	11.200	14.75
2014	12.874	14.95
2015	13.943	8.3
Average Rise,% / year		9.67

Note: PT. Citra Cendekia Indonesia, 2016 (<http://cci-indonesia.com/>)

In addition, the era of globalization is also changing the business competition conditions to increasingly competitive conditions, thus demanding every company including PT Vitapharm which produces products under the brand Viva Cosmetics to be able to translate the market situation in order to seize the existing market share. 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. In this case Viva Cosmetics become one of beauty product brand in Indonesia which is included in Top Brand category on certain product such as data obtained from Top Brand Award that shown in table below.

Table 2**Top Brand Award Beauty Products**

Category	Ranking					
	1	2	3	4	5	6
Hand & Body Lotion	Citra (50.1%)	Marina (17%)	Vaseline (13.4%)	Viva (5.5%)	Nivea (3.3%)	
Face cleanser	Pond's (28.6%)	Garnier (12.5%)	Viva (11.8%)	Sariayu (6.2%)	Ovale (4.7%)	Wardah (4.5%)
Face moisturizer	Pond's (44.3%)	Wardah (7.3%)	Sariayu (7.2%)	Garnier (7.0%)	Viva (6.6%)	Citra (4.0%)
Face mask	Sariayu (23.2%)	Ovale (22.8%)	Viva (10.7%)	Mustika Ratu (10.7%)	Garnier (7.0%)	Wardah (5.8%)
Lipstick	Wardah (25.0%)	Revlon (12.7%)	Pixy (9.6%)	Viva (8.8%)	Sariayu (7.5%)	Oriflame (5.7%)
Foundation	Wardah (23.1%)	Revlon (11.9%)	Sariayu (6.1%)	La Tulipe (5.1%)	Viva (4.3%)	Oriflame (3.8%)
Loose Powder	Wardah (17.0%)	Viva (16.0%)	Marcks (11.8%)	Sariayu (8.0%)	Pixy (6.7%)	La Tulipe (4.2%)
Pressed Powder	Wardah (26.0%)	Pixy (15.7%)	Viva (8.0%)	Sariayu (7.8%)	La Tulipe (6.4%)	Maybelline (5.3%)

Note: Top Brand Award, 2017 (<https://www.topbrand-award.com/top-brand-index/>)

Based on the data obtained, it shows that Viva Cosmetics products include TOP Brand products that are included in the top 3 ranking in the category of facial cleansing products, face masks, face powder and compact face powder, while other product categories are not included in TOP Brand products which are under rank 3. This suggests that there is still a need for a stronger brand increase for consumers to switch to Viva Cosmetics products in all product categories, since branding is an important and important concern for marketers for business growth (Homburg et al in Tariq et al, 2017).

Strong brands are assets that can provide added value to companies and consumers (Aaker in Kotler, 2017). Durianto, et al (2004) explains that the brand becomes very important because of several factors, one of which is the brand is very influential in shaping consumer behavior. According to Lamb et al in Rangkuti (2009) defines consumer behavior as a process in making a decision to buy and use goods and services by consumers, including the factors that influence

purchase intention and product use. Purchase intention indicates the possibility of consumers planning or willing to buy certain products or services in the future (Chepchirchir and Leting, 2015). Thus, brands have a very important role, especially in bridging the expectations that consumers have when a company makes promises to these consumers (Durianto, et al, 2004). Based on the perspective of brand equity consumers consists of brand awareness and brand image (Suyanto, 2007).

Buyers are able to remember and recognize the brand as part of a product category, arguably brand awareness (Durianto, et al, 2004). Building brand awareness means getting customers to understand the category of product or service where the brand is competing (Soehadi, 2012). Products have high brand awareness, if a certain brand is remembered when consumers want to buy a product. A product that has a higher brand awareness can influence consumer decisions in buying a product (Dodds, Monroe, & Grewal; Grewal, Monroe & Krishnan, in Chi et al, 2009).

The important role that brand awareness has can influence purchase intentions, because consumers are more likely to buy products with well-known brands (Keller, Macdonald & Sharp, in Chi et al, 2009). Products have high brand awareness, if a certain brand appears in the minds of consumers when consumers want to buy a product (Keller in Wijaya, 2013). According to Dodds, et al in Malik et al (2013) higher levels of brand awareness can lead to consumer's purchasing decisions. This indicates that the product will have a high market share when it has higher brand awareness and has a better evaluation of quality. According to Keller; Macdonald & Sharp in Chi et al (2009), purchase intention can be influenced by the role of brand awareness, because consumers will buy a product that is more familiar. Brand awareness plays a very important role because because there will be no communication and transactions if there is no brand awareness (Malik et al, 2013). Research conducted by Sari & Widowati (2014), Chi et al (2009), Yaseen et al (2011), and Malik et al (2013) provide fact that brand awareness have significant positive effect on purchase intention.

In addition to brand awareness, brand image is also an important thing in affecting purchase intention. Brand image is is the perception that is owned by the

consumer when he first heard a memorable slogan and embedded in the minds of consumer (Kotler and Keller, 2012). Keller in Chao and Liao (2016) argues that the company will have high product value in the minds of consumers if the company has a good brand image.

The important role of brand image is illustrated by the importance of differentiating one company's products from other companies' products. The product is easy to imitate, but the brand, especially the brand image recorded in the consumer's mind, can't be imitated. Companies have difficulty attracting new customers and retaining existing customers if they do not have a strong and positive brand image (Susanto and Wijanarko, 2004). More broadly, Yoo and Donthu in Torlak et al (2014) illustrates that brand image is very important in increasing the company's earn and cash flow on long-term, coalition decisions and corporate decision makers, sustainable competitive advantage, stock prices and company success in the market. The company will have a higher product value in the minds of consumers if it has a better brand image. A brand image for a company can provide different products and services by different suppliers (Keller in Chao dan Liao, 2016). Ambarwati et al (2015), Aberdeen et al (2016), Wijaya (2013), Torlak et al (2014) proved that purchase intention had a positive effect by the brand image

Then brand credibility can also affect purchase intention like Maathuis et al in Sheeraz et al (2012) which shows that brand credibility has a positive relation with emotion and reason for consumers in making decisions. Malik et al in (Sallam, 2015) stated that brand credibility is related to how consumers perceive as brand as a reliable source of information relevant to personal characteristics.

Brand credibility is seen as different from reputation. Reputation pay more attention to the perceptions of justice, honesty and perceptions of other people's behavior (Hanzaee and Taghipourian, 2012). Brand credibility plays an important role in consumer buying intent and finds that it has a positive and powerful influence. More and more credible brands are increasingly likely to be included in the selection formation and will be selected (Erdem and Swait in Sheeraz et al., 2012). The results of Sheeraz et al (2012) and Wang and Yang (2010) found that

there is a connection between brand credibility and purchase intention.

According to Maathuis et al in Sheeraz et al (2012), brand credibility has a positive relationship with emotions and reasons for consumers to make decisions. Sheeraz et al (2012) show that there is an important role in brand credibility in consumer purchase intentions and this has a strong positive impact. Wang and Yang in Sheeraz et al (2012) also shows the same results that there is an effect of brand credibility on consumer purchase intentions.

Based on the phenomenon and problems presented, this research is conducted by taking the title “The Influence of Brand Awareness, Brand Image and Brand Credibility to Purchase Intention on Cosmetic Brand Viva Cosmetics products in Surabaya.”

1.2. Research Problem

By reviewing the above background, the recipe of the problem in this study is described as follows:

1. Does Brand Awareness has influence on Purchase Intention on cosmetic brand product of Viva Cosmetics in Surabaya?
1. Does Brand Image has influence on Purchase Intention on cosmetic brand product of Viva Cosmetics in Surabaya?
2. Does Brand Credibility has influence on Purchase Intention on cosmetic brand product of Viva Cosmetics in Surabaya?

1.3. Research Objectives

The objectives on this research are based on the recipe of the problem above include:

1. To knowing the effect of Brand Awareness on Purchase Intention on cosmetic brand product of Viva Cosmetics in Surabaya.
1. To analyze the effect of Brand Image on Purchase Intention on cosmetic brand product of Viva Cosmetics in Surabaya.
2. To examine the effect of Brand Credibility on Purchase Intention on cosmetic brand product of Viva Cosmetics in Surabaya.

1.4. Research Contributions

This research is conducted in the hope of contributing to several parties related to this research, that is for Pelita Harapan University in general, and for PT Vitapharm in particular. This research can give contribution for Pelita Harapan University as reference and input for scientific writing in the field of management in subsequent research and add literature review especially related to brand awareness, brand image, brand credibility, and purchase intention. This research is also expected to contribute to PT Vitapharm as input related to management and its relation with brand awareness, brand image, brand credibility to increase purchase intention, so that it can be used by PT Vitapharm as evaluation material in seeing the importance of brand in the eyes of consumer can formulate brand-related strategies to achieve competitive advantage so as to increase purchase intention or consumer buying interest in Viva Cosmetics brand beauty products.

1.5. Research Limitations

This research is done by giving some restrictions so that the research can focus on the issues to be discussed by giving the following limits:

1. This research only limits on Brand Awareness, Brand Image, Brand Credibility, and Purchase Intention variables.
2. This research is conducted by taking the subjects of consumers who have used the beauty product of Viva Cosmetics brand in Surabaya.

1.6. Research Outlines

Research outline explains the systematic writing of this study. The outline is divided into three chapters as follows:

Chapter I Introduction

In this chapter will explain the background of problems and research phenomenon which then formulated the problems and explained the purpose of the study. This chapter also describes research contributions, research boundaries, and research statistics.

Chapter II Literature

In this chapter will explain the theoretical review of the variables used, then the researchers describe some empirical reviews on previous research relevant to this

research as well as a frame of mind that describes the process of this research done.

Chapter III Method

In this chapter will explain the research methods used such as research design, identification of variables, operational definitions and measurement of variables, tools and methods of data collection, types and sources of data, population and sample research, and data analysis techniques.

