CHAPTER I

INTRODUCTION

This chapter outlines the whole structure of this study. It included research background, research problem, research objective, research question, research scope, research contribution, and also research outlines.

1.1 Research Background

Modern information technology allows for the transmission of data to virtually every corner of the globe (Sudarević & Marić, 2018), including beauty products. Beauty products is universal, both women and men need beauty products. In this context, a person's looks is determined not just by how they dress, but also by how their physical appearance appears. Cosmetics create a secondary need for individuals to have cosmetic or other beauty products to maintain their looks (Febiani Putri & Vionika Fadilla, 2021). Women who are the main target in beauty industry want to buy a beauty products that suit with their needs. As a result, beauty products increase competitiveness for beauty product brands. The purchase of a cosmetic product has become a necessity for society, especially for women (Stefani, 2013). Looking attractive is very important for women in every circumstance, and applying cosmetics can help them to boost their confident.

The beauty industry is currently experiencing very rapid development in the era of globalization. This industry contributes significantly to economic growth. Beauty products are now one of the most essential requirements for the majority of women around the world (Somnaikubun et al., 2020). They believe that beauty products can make their appearance more attractive and the majority of them will continue to follow the trend of new cosmetics brand launches on the market (Rajan et al., 2019a). It has become a daily basis to use beauty products by every level of society, and their consumption is increasing every year.

Figure 1.1 Beauty & Personal Care Market Value Worldwide

Source : (Commonthreadco, 2021)

As the beauty industry continues to grow in Indonesia, an increasing number of individuals are interested in entering the industry and striving to enhance their products and services. According to the report Markets of the Future: ASEAN in 2020 by Euromonitor International, Indonesia is the fastest growing beauty industry in Asia in terms of compound annual growth rate. The growth rate of Indonesia beauty products shows in a positive way. Meanwhile in 2018, the United States was considered the world's most lucrative beauty and personal care market (Ridder, 2020). Given the scale of the cosmetics industry in the United States, customers have almost limitless choices for which brands to buy, with certain names standing out as among the most popular.

The global beauty industry market is projected to increase at a 4.75 percent annual compounded growth rate from $483 billion in 2020 to $511 billion in 2021. It is projected to grow to $716 billion by 2025 and $784.6 billion by 2027. Expansion of cosmetics marketing through digital media, as well as inducement of more customers willing to spend higher prices for higher quality. The Asia Pacific area has the largest market share for the beauty industry, at 46%, followed by North America with 24% and Western Europe with 18%. When it comes to geography, Asia Pacific and North America are the most important, accounting for more than 70% of the overall market size combined (Sickler, 2021).

Women, who are the main consumers of beauty products, prefer products that are designed for specific needs. Women's desire to use beauty products increases rivalry among beauty product companies. The numerous kinds of beauty products

on the market, both locally and globally, show this competitiveness. There are many businesses in the beauty industry that provide a wide range of beauty products to meet the requirements of consumers. This is closely linked to the growth of social media, where the flow of information is getting easier and brands take advantage of this momentum by releasing new products every few months. Beauty brands launch new products every few months, because the current competition is not only between international brands, but also local brands that have started to penetrate the beauty industry, especially in Indonesia (Shalmont, 2020).

This research takes one global brand that is included in beauty industry, Maybelline. Maybelline is a beauty brand manufactured by the L'oreal Group. L'Oreal was the parent company of several subsidiaries, including the luxury Lancôme brand. L'oreal consumer products division was the fourth-largest participant in the mass cosmetics market in the United States (Hennessy et al., 2017). Maybelline is well-known to many beauty enthusiasts as an iconic-yet-affordable brand that provides a low barrier to entry for customers learning how to apply makeup for the first time. Many makeup enthusiasts have recognized and loved Maybelline as they picked up a Great Lash pink and green tube. The price point of the brand and famous ambassadors make the label luxury without breaking the budget. Designers distinguish the quality of Maybelline's products, but also its access to highly profile make-up artists. Performance and trend-driven Maybelline products are developed. The statistics indicate that certain Maybelline products are in the top class. This demonstrates the success of Maybelline

cosmetic goods in the Indonesian market with a high predicate (Somnaikubun et al., 2020).

Indonesia's beauty industry has been enriched by the introduction of new local brands. The products from these brands vary from skincare to cosmetics and are carefully made to fit the local environment, skin problems of the consumers, and active lifestyle. In this research uses local brand from Indonesia named Make Over. Make Over is a beauty brands from Indonesia that manufactured by PT. Paragon Technology which are often perceived as global brands that are often used for commercial purposes such as photoshoots, advertisements or tv shows, during fashion shows and promotes emerging Indonesian fashion designers at fashion events throughout the world (Kurniawati, 2020). Many product variants can trigger consumers to use these products with creations that can be made from each product series. The innovative use of the Make Over cosmetic variant is expected to stimulate consumers who use makeup to consume these products.

Make Over also actively promotes and participates in a wide range of events both at home and abroad. Make Over is a make-up partner during Jakarta Fashion Week 2018 (JFW2018) and promotes emerging Indonesian fashion designers at fashion events throughout the world. Make Over was named the cosmetic brand of choice for Indonesian women by Women's Health Choice Indonesia in 2013.

Although the beauty industry experienced a drastic decline in 2009 due to the global recession, in reality this decline was not as bad as the industry in other sectors. Even some experts state that the beauty industry has proven to be one sector that is able to survive in the midst of a recession. The fact that the industry

has survived is reasonable, considering that consumers always want to look their best (Ridder, 2020). The beauty industry in Indonesia has grown significantly as a result of this phenomenon. On the other hand, it has become a trend, leading to the current variety of cosmetic products from a variety of brands, both local and global.

Both former and newest companies as well as local and multinational company play a role in this industry to compete with each other by creating creations and innovations through their new launched products and its strategies. Importantly, the increasing of variety products produced by several companies notably hoped that it will increase the sales level which affect the development itself. Therefore it will require an analysis of the beauty and cosmetics industry. Competition for companies in Indonesia beauty and cosmetics industry is currently competitive, both by local and global companies. The competition between local brands also quite hard enough. Lots of new brands from local companies that appear and compete with another big local companies.

In this research, the researcher chose to compare a more specific local brand from Indonesia which is Make Over and global brand which is Maybelline. Make Over is a beauty brand from Indonesia that are often perceived as global brands, this brand is loved by Indonesian consumers because the products carefully made to fit the skin tone, skin problems, and active lifestyle. Followed by global brand, namely Maybelline, where this brand is well-known to many beauty enthusiasts as an iconic-yet-affordable brand that provides a low barrier to entry for customers learning how to apply makeup for the first time. These local

and global brands makes easy researchers to find research samples because these brands well-known, loved among public, and the two brands have similar target market. The researcher choosing detailed respondents so that the research can be more specific according to the range and criteria that have been determined.

Through the data that has been obtained and describe above, the researchers found interest in local and global makeup brands seen from how value perceptions drives purchase intentions on Indonesian consumers. To narrow the scope of the research, the researchers specify research on local and global brand in the context of value perception where this research model is replicated from the main journal with guilt as moderation to examine the impact of value perception on purchase intention toward consumers. Therefore this study specifically discusses value perception by involving need for exclusivity, need for conformity, hedonic needs with guilt as moderation towards purchase intention. Researchers implemented research in Indonesia by using respondents who live in big cities such as Jabodetabek.

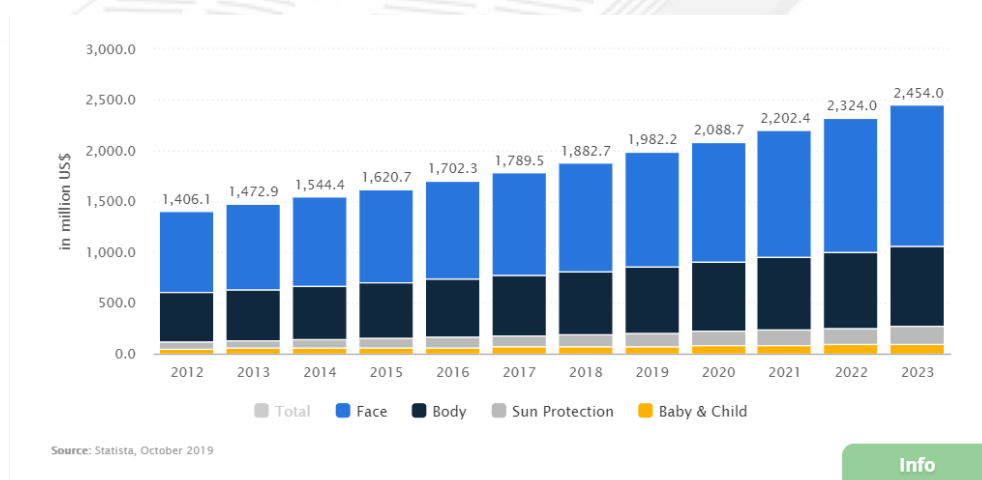## 1.2 Research Problem

Source: Statista, October 2019

Figure 1.2 Indonesia Beauty Products Annual Revenue

Source: (Statista, 2019)

With the existence of local and global makeup brands, people change the habit of using makeup to become a daily needs or people's lifestyles. The local and global makeup brands have their own value and characteristics. Local and global makeup brands are growing up every year, this make people can choose many makeup brands offered. It can be seen in figure 1.3 where the purchase of beauty products is increasing every year, even in 2020 when there is COVID-19. Given the reality of working from home, physical distance, and mask wearing, it has become much less essential to apply cosmetics and scent. The adaptation of a new habits due to the pandemic has shifted shopping patterns from offline to online. Statistics show a rise in online makeup product sales of 80 percent (Santia, 2020).

In the past few years, there were many global beauty brand have entered the Indonesian market. More than 50% Indonesian beauty industry dominated by global brands, and consumer prefer to purchase global products than local (Ratriyana, 2018). Many Indonesian consumers prefer global brands over local brands since the latter provide poor quality at a reasonable price. They can obtain a high-quality product at a similar price if they choose global brands. Consumers favor global brands because they are frequently linked with consumers' position, wealth, and prestige, which improves their social standing. It is believed that both female and male cosmetic consumers mainly regarded hedonic value to drive their

intentions to purchase male cosmetics, with the characteristic of facial attractiveness value being the most significant hedonic value (Ho et al., 2020).

This phenomenon encourages the researchers to analyse the impact of value perception on purchase intentions of local and global makeup brands in Indonesia. There is also a difference between this study and the previous one, (Wang et al., 2021) who examine the correlation between value perception and purchase intention and it adopts a cross-cultural framework by analysing two countries. Whereas in this research, researchers examined the impact and focusing on comparing local and global makeup brands in Indonesia.

This research goal aims to discover the value of local and global brand's perceptions towards purchase intentions. Moreover, there is still need research between local and global brand in makeup category and there is still few research that use guilt as moderation towards purchase intentions. Therefore, the research based on a brand focus approach on local and global makeup brands that is used as a key to determine the impact of value perception.

1.3   Research Objective

This research is conducted to fulfill the academic requirements to obtain the degree of Sarjana Management. Based on the research background and research problem, the research objectives can be stated as below:

1. To examine the effect of makeup consumers' Need for Exclusivity and Purchase Intentions towards global makeup brand Maybelline in Indonesia,

2. To examine the effect of makeup consumers' Need for Exclusivity and Purchase Intentions towards local makeup brand Make Over in Indonesia,

3. To examine the effect of makeup consumers' Need for Conformity and Purchase Intentions toward global makeup brand Maybelline in Indonesia,

4. To examine the effect of makeup consumers' Need for Conformity and Purchase Intentions toward local makeup brand Make Over in Indonesia,

5. To examine the effect of makeup consumers' Hedonic Needs and Purchase Intention toward global makeup brand Maybelline in Indonesia,

6. To examine the effect of makeup consumers' Hedonic Needs and Purchase Intention toward local makeup brand Make Over in Indonesia,

7. To examine whether Guilt moderate the relationship between Hedonic Needs and Purchase Intentions toward global makeup brand Maybelline in Indonesia,

8. To examine whether Guilt moderate the relationship between Hedonic Needs and Purchase Intentions toward local makeup brand Make Over in Indonesia.

1.4 Research Question

According to the research background and research problem, the following are the study's research questions:

1. Does consumers' Need for Exclusivity have a positive effect on Purchase Intention on global makeup brand Maybelline in Indonesia?

2. Does consumers' Need for Exclusivity have a positive effect on Purchase Intention on local makeup brand Make Over in Indonesia?

3. Does consumers' Need for Conformity have a positive effect on Purchase Intentions on global makeup brand Maybelline in Indonesia?

4. Does consumers' Need for Conformity have a positive effect on Purchase Intentions on local makeup brand Make Over in Indonesia?

5. Does consumers' Hedonic Needs have a positive effect on Purchase Intentions on global makeup brand Maybelline in Indonesia?

6. Does consumers' Hedonic Needs have a positive effect on Purchase Intentions on local makeup brand Make Over in Indonesia?

7. Does Guilt moderate the relationship between Hedonic Needs and Purchase Intentions on global makeup brand Maybelline in Indonesia?

8. Does Guilt moderate the relationship between Hedonic Needs and Purchase Intentions on local makeup brand Make Over in Indonesia?

1.5 Research Scope

This research has a limited scope in the following conditions:

a) This research is conducted in Indonesia.

b) The research discusses the need for exclusivity, need for conformity, hedonic needs, and guilt.

c) Respondents in this research are young consumers that aged 17-35 who are more familiar or used the local and global makeup brand.

d) The global brand products discussed in this study such as Maybelline and for the local brand products that will be discussed in this study is Make Over. These two brands will be tested

1.6 Research Contribution

This research is expected to have contributed in the development of the following general perspective and practical implications:

1. Theoretical Contribution

   This research aimed to contribute theoretically which can provide a broader knowledge of the variables used in this research model, which are value perceived and purchase intention, and other variables, as well as a deeper understanding of the marketing of local and global makeup brands in Indonesian market. this research is expected to provide an understanding of the relationship between variables that create a strong relationship to global or domestic fashion brands. Therefore, this research is expected to be a reference for further research in the context of brands in international marketing.

2. Practical Contribution

   In this research, it is expected to contribute practically by making this research as a reference for marketers and brand managers internationally in formulating marketing strategies. In addition, researcher wish this

research can contribute to providing a broad perspective for international marketers that have an impact on the judgment of consumers so that consumers get what they want from a brand.

1.7 Research Outline

This research has five chapters in total. The contents of each chapter in this research are explained as follows:

a. **CHAPTER I: INTRODUCTION**

    The first chapter's discussion gives an introduction to the topics discussed in this research, and with the aim that readers will get an understanding of the research being conducted. This chapter includes the research background, research objectives, research questions, research benefits, and a systematic outline.

b. **CHAPTER II: LITERATURE REVIEW**

    In this section, explain the entire existing theories and literature review of the research issue, which will be gleaned from textbooks, journals, and other sources. The research model and hypothesis are also discussed in this chapter, as well as various factors in relation to the research questions posed.

c. **CHAPTER III: RESEARCH METHODOLOGY**

    This section discusses the research paradigm, types of research, measurement, sample population determination, unit analysis, data

collection methods, questionnaire preparation technique, and data analysis technique.

d. **CHAPTER IV: DATA ANALYSIS AND DISCUSSION**

This section will describe the results of the research that has been carried out, and provide an analysis of the results that have been obtained from the research that has been carried out.

e. **CHAPTER V: CONCLUSION**

This section is the last chapter of the study and includes a summary of the research and its implementation, a discussion of suggestions for future research improvements, limits of the research, and the research's conclusion.