

CHAPTER I

INTRODUCTION

1.1 Background of Study

Business is very extensive right now and one of the significant rising business or business with new entrants is beauty brand. Nowadays, it is not hard anymore to search for beauty products (skincare or makeup). There are so many kinds of brands that are ready to serve the customers with a wide range of skincare that suits the customer's skin type and range of color of foundation or maybe lipstick that can suit the customer's skin color.

The Korean wave or Hallyu wave started in the middle of the 2000s that spread to some countries and happened in Indonesia. Indonesia is one of many countries that were affected by the Hallyu wave, where k-pop spread their market globally and also attracted many people in Indonesia. The wave is broader now not only k-pop, k-drama but k-beauty has also become a trend here, the appealing face of Korean idol and actress inspire many people to try their beauty product.

Because the korean beauty brands are hyping now, this market is filled with many competitors from the old company to new entrants, many various of korean brands innovate their products from packaging to quality to meet the customer needs.

Many beauty brand have also started to expand their market globally to other countries and also expand to Indonesia. Before, Korean skincare or makeup only can be bought directly from South Korea or online. However, now they have also started to open their official offline store to reach their customers easier. In Medan, there are many korea beauty brands open stores at malls, such as: Peripera, Innisfree, The Face Shop, The Saem, Nature Republic and many more.

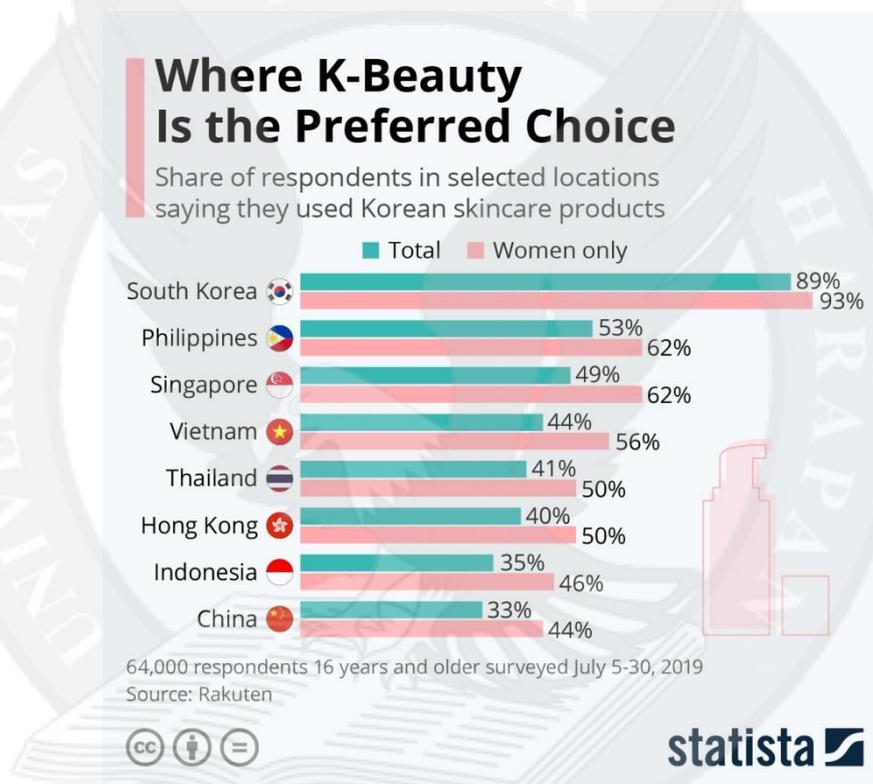


Figure 1. 1 Survey on selected locations of people who are using Korean skincare products

Source: Statista.com

From Figure 1.1, shows that there is a potential market for korean beauty brands in Indonesia because of the interest they show from the survey and shows that korean skincare is used by people in Indonesia too. Many people in Indonesia

are also influenced and showed interest in Korean beauty brands, from skincare to makeup .

Business-Indonesia.org (2020) stated that the cosmetic market in Indonesia is considered a highly competitive. Creating a strong brand through promotion is recommended for substantial entry into the market, and 75% of Indonesian women prefer beauty products with natural ingredients. Imported cosmetics mainly target the middle-to-upper economy class population and are dominated by products from Europe, Japan, South Korea and the United States.

One of the businesses that the researcher will analyze is Nature Republic, Nature Republic is a skincare brand that was originally from South Korea and founded in 2009 by the founder Jung Woon Ho that focus on selling skincare products made from natural ingredients.

Cited from style.yahoo.id, Nature Republic was a brand that attracted attention for various reasons even before its launching. It is because Nature Republic's President Jung Woon Ho was an individual skillful enough to be referred to as the "Midas Hands of the cosmetic industry". His existence only stirred the cosmetic industry.

In 2003, President Jung Woon Ho received attention from the cosmetic industry for becoming the driving force in creating the wave of Korean low to middle-cost brand shops by launching TheFaceShop. As a result, TheFaceShop wrote a new legend for the cosmetic industry by reaching 150 billion won in the second year of its creation and becoming the number one brand in the industry.

Nature Republic expanded their business in Indonesia and was imported by PT. NRI Global Mandiri since January 2018. Their first offline store was located at Lippo Mall Puri (West Jakarta). Now they already have some stores located in some cities in Indonesia, including Medan (North Sumatera) located at one of the department stores, which are Center Point Mall and Sun Plaza Mall.



Figure 1. 2 Nature Republic store at Center Point Mall Medan

Source : google

Every business cannot always stay in the comfort zone because people will leave if the company doesn't follow up on what is happening or what is needed right now. This situation also applies to Nature Republic; as a beauty brand, product innovation is a must, especially people needs are different so they always need to innovate product that can expect the customers' needs. One of the brilliant innovations and one of the bestseller products of Nature Republic up till now is Nature Republic Aloe Vera Soothing Gel 92%. The product's main ingredient is aloe Vera which can be used all over the body (even face and hair) and help soothe and moisturized.

For Nature Republic to stable and grow its business in Indonesia, they need to push or increase the Repurchase Intention. According to Sutisna (2001), repurchase intention is when a consumer obtains a positive response to the past actions, there will be a strengthening; his positive thoughts on what that person received will enable the individual to make the repurchasement. According to Kotler (2015), repurchase intention is an action from consumers to buy or not buy a product. One of the evidence is Nature Republic, one of the famous Korean skincare brands that is the best selling in Indonesia.

Cited to Sindonews.com, the representative of Nature Republic Asia in Indonesia, Kim Su Ho in the interview in 2019, stated that “Indonesia recorded the largest sales globally and contributed quite high revenue in the first quarter”.

Leading cosmetic brands sold in major online stores in Indonesia as of January 7, 2020, by number of items sold .

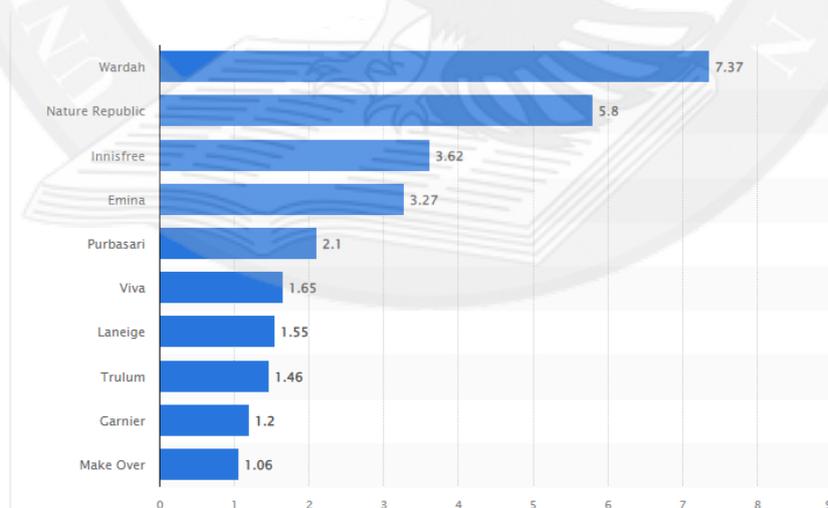


Figure 1. 3 graph Leading cosmetic brands sold in major online stores in Indonesia as of January 7, 2020, by number of items sold

Source : Statistia.com

From Figure 1.3, Nature Republic placed second as the leading brand sold in major online stores in Indonesia, which means Nature Republic do have a market in Indonesia and has a high purchase intention on Nature Republic which contribute to their sales revenue.

Cited from in 2021. Stephen Tanihaha, COO of Nature Republic Indonesia, stated that during this new normal era, Nature Republic already opened some stores in several cities in Indonesia with one of them located in Surabaya, showing Nature Republic is still growing during the pandemic.

One of the factors that can affect repurchase intention is Attitude towards Purchasing. Attitude can be defined as predispositions to behave in spesific ways in response to a given stimulus (Burnett, 2010). According to Zhang and Kim (2013), Attitude is the process of assessing the extent to which a person likes or supports the behaviour.

One of the variables that can affect Attitude towards Purchasing is Brand Consciousness. According to Nan and Heo (2007), Brand Consciousness is an individual trait characterized by the degree to which a consumer is oriented toward buying well-known branded products. Richin and Dawson (1992) stated that consciousness is a tendency to buy expensive and famous brands”.

With brand consciousness, it placed in their mind that they instead buy well-known or expensive brand products. People tend to have this type, even on beauty products. Most people instead buy or even be willing to buy makeup or skincare from the well-known brand even if it is more expensive if being

compared. Same to Nature Republic, in their original country South Korea, the researcher assumed that many people know about this brand and also Indonesia, from the hype of their product which is “Aloe Vera Soothing Gel 92%” and cooperation with famous Korean boy group EXO in 2013 and NCT 127 in 2020 that even make Nature Republic hyper and shine than before, the new face of their brand catch broader people attention about their brand and build brand consciousness on their mind. These are 5 top Korean skincare brands that are famous and best selling in Indonesia :

Rank	Brand Name
1	Laneige
2	Nature Republic
3	Some By Mi
4	Innisfree
5	Nacific

Table 1. 1 Top Korean skincare brands that are famous and best selling in Indonesia by Beautynesia.id

Source :beautynesia.id

From table 1.1, Nature Republic entered the list of Korean brands that is the best selling in Indonesia and even placed second, one of the factors is brand consciousness. Brand consciousness is a desire to express a self-concept that is understood as one of the primary motivation behind acquiring branded goods, whereby consumption of such contributes to the construction of consumers' self-concept (Solomon, 1983).

Leading cosmetic brands on Google in Indonesia as of January 2020,
by amount of searches (in 1,000s)

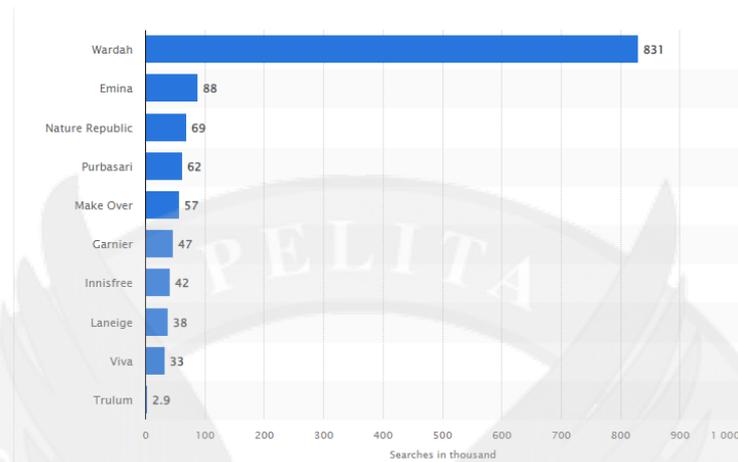


Figure 1. 4 Figure Graph of Leading cosmetic brands on Google in Indonesia as of January 2020, by amount of searches

Source : Statista.com

These are one of the evidence that the brand consciousness of Nature Republic is quite high in Indonesia as Nature Republic placed third as the cosmetic brand in Indonesia by the amount of search, which means many people in Indonesia show interest in this brand.

Materialism is a view that contains orientations, attitudes, beliefs and values of life that emphasize or attach ownership of material goods or other values in life that are related to spiritual, intellectual, social and cultural matters. Product quality is also one of the factors of materialism. A company not only product that can be sold at minimum price in the market, but they also need to concern about the product quality. When the product quality is good sometimes price can be set in accordance to the quality that the product serves itself. Some people do have

these materialsim of a brand or product, the better the brand can serve the customers, the higher materiality of the customer will be.

For Nature Republic, it seems that their product quality is still can be considered as good from the reviews of the consumers.

These are some online reviews of Nature Republic consumers on the website :

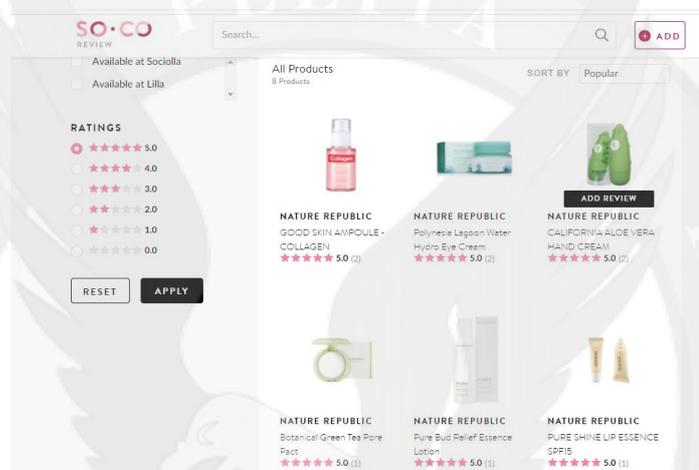


Figure 1. 5 Nature Republic product reviews on Sociolla

Source : Sociolla.com

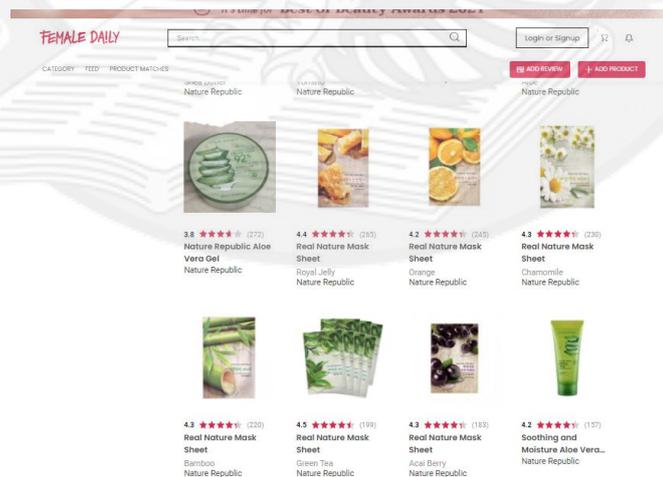


Figure 1. 6 Nature Republic product reviews on Female Daily

Source : Femaledaily.com

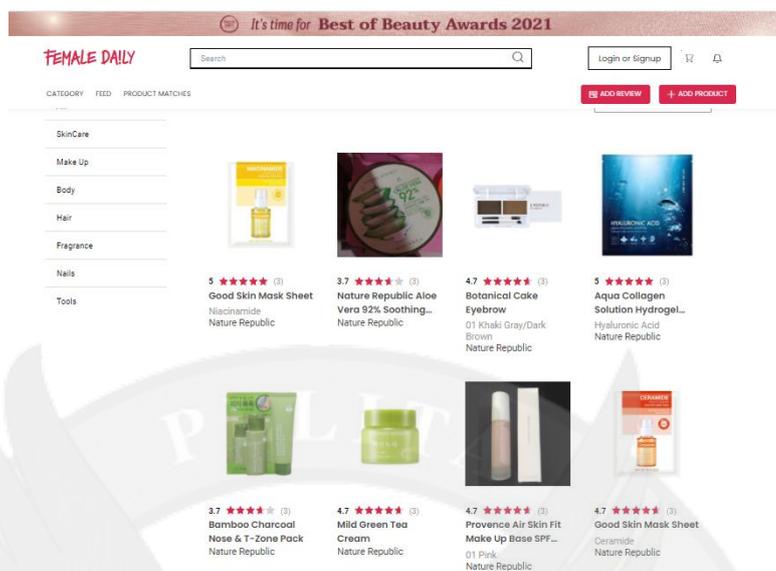


Figure 1. 7 Nature Republic product reviews on Female

DailySource: Femaledaily.com

Social comparison is also another variables that can affect the attitude toward purchasing. According to Sun et al. (2016), Social comparison is used by individuals to measure whether behaviour can be categorized as right. That compares to these individuals is the ability and state themselves with society. Social comparison can be seen when Nature Republic chose NCT 127 as their brand ambassador to represent their brand. The photos and videos show them using the products on advertisements and also caught using them in real life influence other people to use the product too because they have already made social comparison with the artist.

They are likely to hire celebrities as endorser because celebrities with their talent and appearance attract many people, and they get influenced by them.

So many brands are likely to cooperate with celebrities to represent their brand because it can gather and attract more audience and target market.



Figure 1. 8 NCT's Jaehyun for Nature Republic photoshoot, Doyoung promoting Nature Republic on Twitter and Haechan showing Nature Republic that he used on Vlive

Source : google.com

These days, the competition in the beauty market are getting tighter, not only foreign brands that fight but also local brands that start to strengthen their place in the market. They put much effort into their brand, and the quality of local brand getting better and recognized and they start to boost their marketing strategy by hiring Korean celebrities as their representative brand to increase the customer's interest towards the brand, and it can become traits for Nature Republic .



Figure 1. 9 EXO's Sehun for Whitelab, actor Kim Seon Ho for Everwhite and actress Han So Hee for Somethinc.

Source : google.com

The following variable will be Product Innovativeness. According to Maniak et al. (2014), Product innovativeness is uniqueness of a product and one of the main factors that enables the new product development to understand the customer's needs.

One of the best product innovation that Nature Republic ever released is their Nature republic Aloe Vera 92% Soothing Gel. It is a skincare product the main ingredient is Aloe Vera which helps to soothe and moisturized skin. The good thing is this product can be used all over the body (from hair to toe). This product made Nature Republic go viral, and the demand for the product was very high at that time; even many irresponsible people that used this moment by producing the fake product.

Cited from Swa.co.id (2019). From the first store open in 2018 up until now (the estimated year 2018- 2019), With only one Nature Republic product which is Nature Republic Aloe Vera 92% Soothing Gel already can sell 1,5 million products. It shows how hype this innovative product is in Indonesia.



Figure 1. 10 Nature Republic Aloe Vera 92% Soothing Gel

Source : google.com

From the customer's perspective, innovation is a vital aspect that affects their purchase intention. Customers will not stay on the same product; while technology is constantly improving and skin problems are more comprehensive, they need a product that can fulfil their needs. They will not hesitate to go to other brands that offer a product that can fulfil their needs.

Some customers are cared for the innovation because of their needs, however some also like to be "ahead from other", which means that they like to be the first to try the new products in their environment even if they do not do any research before buying and based on because it is "new". Some customers were also willing to pay more for the product that they thought was innovative and premium.

The last variable is Product Involvement. Product involvement is the customer's perception of the level of a product's level of personal relationship to them (Quester and Lim, 2003). In high involvement, the consumers will think that the product is essential and fulfil their personal goals. Consumers will seek information about the product they want to buy. In Low Involvement, consumers do not have a high personal relationship with the product, so they do not much effort into seeking information about the product (Siahaan, 2011).

The more or easier the product can be accessed or seen, or advertised by influencers, the higher involvement it will be. From Nature Republic side, it can be from advertising. They hired a famous Korean boy group named NCT 127 (Neo Culture Technology) as their brand ambassador to promote their products

and do advertisements projects such as photoshoots for Instagram, Website, promotions and some video advertisements for social media promotion such as for Instagram and Youtube.

From the explanation above, this research will determine the factors that can affect the dependent variable (Y) which is Repurchase Intention of Nature Republic Medan with the Attitude towards Purchasing as the intervening variable and Brand Consciousness, Materialism, Social Comparison, Product Innovativeness and Product Involvement as the independent variable (X).

1.2 Problem Limitation

The researcher will analyze about The effect Brand Consciousness, Materialism, Social Comparison, Product Innovativeness and Product Involvement Towards Attitude of Purchasing and Repurchase Intention of Nature Republic Medan. This research has limited sources in the variables, so the data will be processed or collected by getting more information, doing sampling and research. The sampling method will be non-probability and will be using convenience sampling by giving out questionnaires.

1.3 Problem Formulation

The problem formulation will be :

1. Does brand consciousness influence significantly to attitude towards purchasing at Nature Republic Medan?
2. Does materialism influence significantly to attitude towards purchasing at Nature Republic Medan?

3. Does social comparison influence significantly to attitude towards purchasing at Nature Republic Medan?
4. Does product innovativeness influence significantly to attitude towards purchasing at Nature Republic Medan?
5. Does product involvement influence significantly to attitude towards purchasing at Nature Republic Medan?
6. Does attitude towards purchasing influence significantly to repurchase intention at Nature Republic Medan?

1.4 Object of the Research

To know the influence of brand consciousness towards attitude towards purchasing at Nature Republic Medan?

1. To know the influence of brand consciousness towards attitude towards purchasing at Nature Republic Medan.
2. To know the influence of materialism towards attitude towards purchasing at Nature Republic Medan.
3. To know the influence of social comparison towards attitude towards purchasing at Nature Republic Medan.
4. To know the influence of product innovativeness towards attitude towards purchasing at Nature Republic Medan.
5. To know the influence of product involvement towards attitude towards purchasing at Nature Republic Medan.
6. To know the influence of attitude of purchasing towards repurchase intention at Nature Republic Medan.

1.5 Benefit of Research

1.5.1 Theoretical Research

In hope this research can help the researcher to get insight and information from the theories that already exist about Brand Consciousness, Materialism, Social Comparison, Product Innovativeness, Product Involvement and Attitude Towards Purchasing to Repurchase Intention

This research is being analysed with the hope that the researcher has any significant influence from Brand Consciousness, Materialism, Social Comparison, Product Innovativeness, Product Involvement and Attitude towards Purchasing to Repurchase Intention of Nature Republic Medan.

1.5.2 Practical Research

1. For the brand

It can become additional information or insight that they can get from this research that may help them to know more about their customers' behaviour of how those factors can influence their purchasement.

2. For the researcher

By doing this research, it can add new knowledge about what kind of factors from the customer's side that can affect the repurchase intention.

1.6 System of Writing

The system of writing will be divide into 5 different chapters

and the details of the chapter will be :

CHAPTER I : INTRODUCTION

In this chapter, the cases that will be discussed of the background of study, problem limitation, problem formulation, objective of the research, benefit of the research divided into theoretical benefit and practical benefit and the last one is the system of writing.

CHAPTER II : LITERATIVE REVIEW AND HYPOTHESIS DEVELOPMENT

In this chapter, will describe some theories by experts that related to topic that being analyzed.

CHAPTER III : RESEARCH METODOLOGY

In this chapter, it will discuss about research, sample , data collection method , variable definition and measurement and also data analysis method.

CHAPTER IV : RESEARCH RESULT AND DISCUSSION

In this chapter , it will consist the data analysis from the research and discussion.

CHAPTER V : CONCLUSION

In this chapter will describe the conclusion from the result of the research and recommendation/suggestion for better changes.

