

CHAPTER I

INTRODUCTION

1.1 Background of the study

Beauty is a quality or combination of qualities that gives pleasure to the mind or senses and is often associated with properties such as harmony of form or color, proportion, authenticity, and originality. Outstanding beauty, like outstanding gifts of any kind, tends to get in the way of normal emotional development, and thus of that particular success in life which people call happiness (<http://www.thefreedictionary.com>, retrieved on September 7, 2017).

Historians can trace people use of beauty products and cosmetics back to 4,000 BC, and the ancient Egyptians who used kohl to create dramatic eyes. Today, the worldwide beauty industry, which covers everything from hair and skin care to make-up is an estimated \$425 billion industry. The history of the beauty industry is as diverse and colorful as the lipsticks and nail polishes on display at local make-up counter. Early beauty and cosmetic regimes relied heavy upon natural ingredients, including berries, bugs, and charcoal to create a variety of colors, and many products were used for more than one purpose, a preview of today's makeup multi-taskers. Early beauty treatments also utilized the area's natural resources, locally sourcing natural ingredients for scrubs, pastes, and exfoliates. This pattern of using local, natural ingredients is an ongoing trend throughout the history of the beauty industry (<http://www.avenufive.com>, retrieved on September 7, 2017).

A Harvard Business case study, "Blonde and Blue-Eyed? The Globalization of the Beauty Industry 1945-1980," provides a comprehensive overview of the growth of beauty industries. The modern beauty industry developed in three phases: Fragrance and soaps: started in the U.S. and Western Europe. Demand for these products stemmed from mid-19th century urbanization that resulted in growing stench and infectious diseases; Facial beauty products: demand came from increased visual awareness that accompanied commercial photography and

advances in printing, including the mass circulation of female fashion magazines; Transformative beauty products: lip stick, hair dyes, and mascara (<http://www.globalization101.org>, retrieved on September 7, 2017).

K-beauty is an umbrella term that encompasses not just Korean skin care and makeup products, but also its culture and outlook towards beauty and grooming in general. Riding on the back of K-drama and K-pop, the Korean beauty industry has witnessed an unprecedented level of growth that has rarely been seen in any other industry for the past several years. Until recently, it relied exclusively on domestic demand and was thus considered to be limited in its potential in comparison to other export-oriented industries. This also translated into a high degree of elasticity, meaning it was directly affected by the state of the domestic economy and consumer spending. However, the Korean cosmetic industry started to veer off this trajectory starting in 2007, as it gradually became more inelastic, which indicated that cosmetic products were increasingly being perceived as more of a necessity than a luxury good. This shift in perception became more conspicuous during the 2008 global financial crisis and thereafter. Its year-on-year growth rate hovered around 10 percent, while most other consumer-goods industries saw a modest three to four percent growth (<http://www.thegrانيتower.com>, retrieved on September 7, 2017).

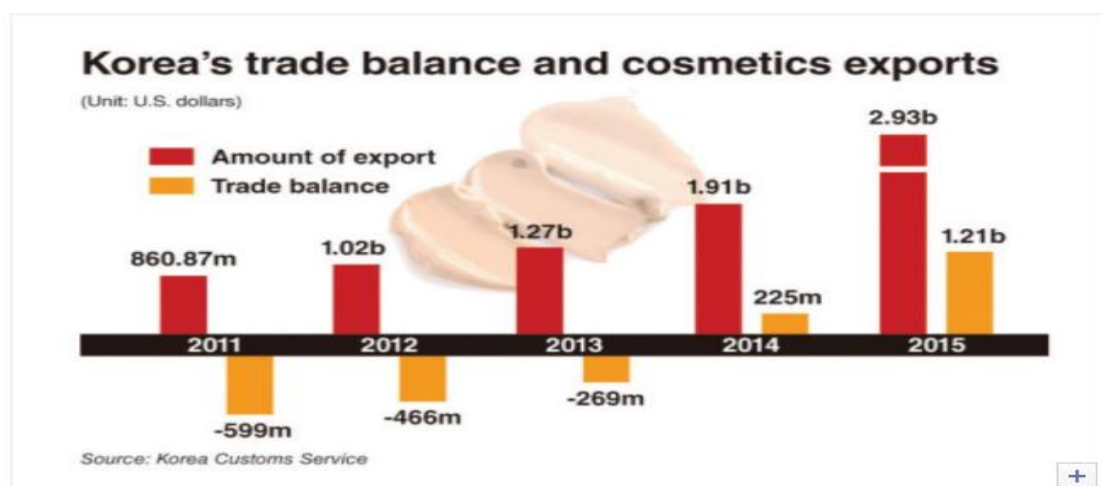


Figure 1

Korea's trade balance and cosmetics exports

Note. www.thegrانيتower.com (retrieved on September 7, 2017)

Such robust growth has only accelerated since then as domestic cosmetic giants continue to outdo themselves. Most notably, AmorePacific has recorded a whopping 419 billion won in operating profits in the first quarter of 2016, which equates to a 30.7 percent increase from a year earlier. Coming in second, LG Household and Health Care's operating profit in the first quarter was 233 billion won, another record for the conglomerate (<http://www.thegranitetower.com>, retrieved on September 7, 2017). One of the brand under AmorePacific is Etude House.



Figure 2

Etude House Store Animation

Note. <http://www.etudehouse.co.id> (retrieved on September 7, 2017)

Etude House, is a worldwide cosmetics brand. Etude House's mission is to make women more beautiful through attractive cosmetic products and friendly counseling. In addition, Etude House products have four basic concepts of the best quality, affordable price, beautiful design and a variety of attractive color variants. Etude House embodies every woman's dream to look beautiful and alluring with easy and fun makeup. More than 270 retail stores spread all over the world. Until now Etude House is located in 11 countries, including: Indonesia, Singapore, Japan, Thailand, Philippines, Taiwan, Myanmar, Vietnam, Malaysia, Brunei Darussalam

and Hong Kong. Etude House is working with PT Interkos Jaya Bhakti as a solo distributor and opened the first store in Indonesia in 2008 in Jakarta. To date there are 32 Etude House stores throughout Indonesia (including Jakarta, Bekasi, Surabaya, Bandung, Medan, Palembang, Semarang, Manado, Bali, and Kalimantan) (<http://www.etudehouse.co.id>, retrieved on September 7, 2017).

In highly competitive markets, firms are increasingly concerned with customer's post-purchase behavior. It is recognised that merely satisfying customers will be sufficient to secure customers also lower a tendency to switch to competitors (Mittal & Lasser, 1998). In the past decade, quality has been recognised as a strategic tool to strengthen a firm's competitive position and improve its profitability (Reicheld & Sasser, 1990). Woodruff (1997) believes that customer value is the next underlying for competitive advantage. Consistent with this view, Weinstein and Johnson (1999) consider that customer value is strategic driver that differentiates a firm's offering in the crowded marketplace. Heskett et al. (1997) define perceived value as the ratio of process quality and results delivered to customers relative to the price and the other costs incurred in acquiring the service. However most studies have notable the contribution of customer perceived product quality and celebrity endorsement to perceived value.

Customer satisfaction, quality and perceived value are three prominent marketing construct, and their relationships with post-purchase behavior have drawn considerable interest and attention from practitioners and academics (Sweeney et al., 1997). Parasuraman and Grewal (2000) suggest that quality enhance perceived value, which in turn, contributes to customer loyalty. This quality-value-loyalty model accords with Heskett et al. (1997) service profit chain which places perceived value at the centre of the chain linking employee satisfaction, loyalty, productivity and output quality with customer satisfaction, loyalty and profitability.

The actual quality of service is difficult to define and measure (Gavin 1983; Parasuraman et al., 1988; Brown & Swartz, 1989). However, researchers have

reached a consensus that service quality should be defined and measured from the customer's perspective. The most widely accepted definition of perceived service quality is that represents the discrepancy between customers expectations and their perceptions of the service performance (Lewis & Booms, 1983; Gronroos, 1984; Parasuraman et al., 1988). Etude House provide excellent service in their stores, such as: tester, make up in store, and many more (<http://www.etudehouse.com> retrieved on September 7, 2017).

"Berbeda dengan store lainnya, di sini para pengunjung bisa langsung datang dan merasakan langsung ragam kosmetik yang kita hadirkan. Didukung dengan interior ala puteri kerajaan, para pengunjung bisa merasakan pengalaman tidak terlupakan," ujar Yenny sesaat sebelum peresmian.

Salah satu konsep baru tersebut adalah Nail House, di mana para Princess --sebutan untuk pelanggan Etude House-- bisa merasakan pengalaman langsung mencoba berbagai macam produk cat kuku yang dihadirkan. Ada lebih dari 100 warna cat kuku mulai dari nuansa nude, oranye, merah, biru, hingga yang berglitter.

Figure 3

Service Quality Testimonials Etude House

Note. www.wolipop.detik.com (retrieved on October 6, 2017)

packaging-nya cantiiikkk banget kayak princess-stuff gitu. Belum lagi kita bisa nyobain produknya km ada tester-nya. Untuk bedak baunya kalem...sumpah langsung jatuh cinta. Okedeh kembali ke tujuan awal nyari BB Cream sm liptint! Nah ada karyawan tokonya yang bantuin milih mana warna yang cocok. Mbak-nya sabar +ramah banget. Pas aku liat harganya

Figure 4

Service Quality Testimonials Etude House

Note. www.ourlifeisreality.co.id (retrieved on October 6, 2017)

Perceived quality means consumer perception on the quality of a product (Tsiotsou, 2006); represents consumers' overall judgment on the superiority of a product (Zeith, 1998). In this study, perceived quality is measured using the four dimensions of Petrick (2002): dependability, reliability, superiority, and consistency, since these can be used to measure consumers' overall judgment of a product or service. In the context of consumers' satisfaction, Chaudhuri (2002) considered perceived quality to be an influential factor, in that the higher perceived quality consumers had, the higher their purchase intention was. Tsiotsu (2006) further proved that perceived quality were directly positively correlated. Etude

house provide good quality of product. The make up has given better coverage and results than some of the more high end makeup people purchased. Their surprise essence concealer is a miracle worker, and their dear my blooming lips lips talk lipsticks leave great color on lips and do not dry them out. Their BB & CC creams, masks, make up removers, eye and lip products are very good. Packaging tends to be very nice.

review untuk BB Magic Cream ini, warnanya sih bagus langsung nge blend dimuka & juga kulit muka gw yang kombinasi ini gak cepet oily & greasy.

Figure 5

Product Quality Testimonials Etude House

Note. www.honeysosweet.co.id (retrieved on October 6, 2017)

putih... agak krem dan ada shimmernya. Langsung SAnya mencoba memakaikan ke bawah mataku, hasilnya bagusss. Mataku jadi cerah. Aku langsung bilang mauuu,

Figure 6

Product Quality Testimonials Etude House

Note. www.onikchan.co.id (retrieved on October 6, 2017)



Figure 7

BB Cream Brighter, Lip Tint

Note. www.amazon.com (retrieved on September 7, 2017)



Figure 8

Missing You Lipbalm, Secret Recipe Chocolate Eyes, Dear My Wish, Secret Recipe Ice Cream

Note. www.moeslema.com (retrieved on September 7, 2017)

Celebrity endorsements are the ones who know by the public for any act or achievement done in any specific area for the benefits of the people or to entertain people (Friedman, 1979). Multinational organization used celebrity endorsement in the advertisement because they believe that the celebrities in advertisement have a very significant and greater impact for consumer buying behavior and their purchase intention (McCuthceon, Lange & Houran, 2002). In current marketing place celebrities have greater affect that where the ads has been shoot, made or captured and how the celebrity is acting on that particular advertisement according to the requirements of product or services. It makes the positive result of the company sales increase (Brajesh & Gouranga, 2011). Celebrities involvement in negative activities decrease the sales of the particular product or services advertised by those celebrities (White et al., 2009). The term celebrity endorsement is associated with individuals who are frequently in the public eye and typically have a high profile in entertainment industries among others (Jay, 2001). They are used to endorse services, products, ideas or organizations (Jay et al 1995). Celebrities Endorsement is a channel of communication where celebrities act as spokesperson of the brand and by extending their popularity and personality they certify the brand's claim and position (Kotler, 2008).



Figure 9

SHINee Etude House Update

Note. www.shawolindo.wordpress.com (retrieved on September 7, 2017)

A rarity in pop, South Korean boy band SHINee has been together for nearly a decade. SHINee is an homage to R & B Contemporary. Boy Band was formed in 2008 by SM Entertainment. Consists of Lee Jin-ki (Onew, 27), Kim Jong-hyun (Jonghyun, 27), Kim Ki-bum (Key, 25), Choi Min-ho (Minho, 25) and Lee Taemin (Taemin, 23). SHINee popular among the younger generation because of their dress style. Their first full album “The SHINee World” which was released on August 28, 2008. The album went straight to 3rd Korean album charts and sold 30,000 copies. The chart-topping five-piece are wrapping up their world tour in Hong Kong on May 20 and Taiwan on June 11 (<http://edition.cnn.com>, retrieved on September 7, 2017).

SHINee has been a top three popular boy group for nearly 10 years now. SHINee are a proven entity so no need to question their staying power. Together since 2008, these "Princes of K-pop" are now nearing their early to late 20s. They have constantly evolved, kicking off specific pop-cultural trends with their unique mix of fashion and R&B fusion. They are also known for their dance skills, winning multiple awards for their performances. Group SHINee has been chosen to be the next face of Korean makeup brand, Etude House. On October 25th, Etude House tweeted, "Bling bling Etude and shining SHINee have met! Please anticipate Etude,

who will now be working with SHINee!" Smiling brightly in pastel-toned clothes, the boys are certainly living up to the brand's slogan, "Want to be sweet?" (www.allkpop.com, retrieved on September 7, 2017).



Figure 10

Etude House: f(x)'s Krystal

Note. <http://www.koogle.tv> (retrieved on September 7, 2017)

Chrystal Soo Jung, better known as Krystal Jung, Krystal, or by her Korean name Jung Soo Jung, is a Korean American singer and actress currently based in South Korea. Discovered by S.M. Entertainment in 2000, she began filming for commercials and music videos by 2002. She is a member of both the South Korean girl group f(x) and the ballad group S.M. The Ballad, and has participated in various television dramas such as *High Kick 3*, *The Heirs*, and *My Lovely Girl*. Krystal have many award such as 2010 MBC Entertainment Awards : Rookie Comedy Award category More Charming By The Day, Most Popular Actress ("My Lovely Girl") - 2015 (51st) BaekSang Arts Awards - May 26, 2015 (<http://asianwiki.com>, retrieved on September 7, 2017).

F(x) member Krystal is the latest idol to endorse 'Etude House's Lash-pump Curl Fix Mascara! Everything about the singer in the CF is on point from hair to outfit, and of course eye lashes. The video is bright and shimmery, and Krystal really adds to the overall cheerful mood of the video with smile! The focus of the video is on the Krystal's lashes which have no clumps and have been curled to near

perfection (any girl would die to have those lashes) (<http://www.koogole.tv>, retrieved on September 7, 2017).

Perceived value is an important factor in consumers' purchasing decision process, and consumers will buy a product with high perceived value. Dodds (1985) and Zeithaml (1988) contended that consumers will evaluate what they give and what they get in their subjective perception when they are buying a product/service. According to Utility Theory, the probability of perceived value will increase, when consumers acquire more benefits than they pay for a product (Dickson, 1990). Thaler (1985) also considered that perceived value is an important antecedent to influence consumer purchase intention because it is the composition of transaction utility and acquisition utility. In fact, value is a unique construct from satisfaction and quality (Oliver, 1999). Marketers have to work hard for maintaining added value that could satisfy customers for loyalty. Customer's perceived value can be defined from the perspectives of money, quality, benefit, and social psychology.

Customer satisfaction is important in global competition, according to Parasuraman et al. (1991). In marketing literature, customer satisfaction has been considered as a crucial factor influencing customer loyalty (Gerpott et al., 2001; Kumar, 2013; Kim, 2016). Gerpott et al. (2001) state that satisfied customers tend to retain their pattern of purchases. Grönholdt et al. (2000) point out that customer loyalty is a function of customer satisfaction, and that loyal customers affect a company's financial performance. Analytical studies by Maxham (2002) and Blodgett (1997) recognise the fact that satisfied customers publicise the firm and are more likely to remain loyal.

1.2 Research Problems

Based on the background of the study, research problems consist of the following:

1. Does perceived service quality influence on perceived value of Etude customers in Surabaya?
2. Does perceived service quality influence on customer satisfaction of Etude customers in Surabaya?
3. Does perceived product quality influence on customer satisfaction of Etude House customers in Surabaya?
4. Does perceived product quality influence on perceived value of Etude customers in Surabaya?
5. Does celebrities endorsement influence on customer satisfaction of Etude customers in Surabaya?
6. Does perceived value influence on customer satisfaction of Etude customers in Surabaya?
7. Does customer satisfaction influence on post-purchase behavior of Etude customers in Surabaya?
8. Does perceived value influence on post-purchase behavior of Etude customers in Surabaya?

1.3 Research Objectives

The general objective of this proposed research is to identify the factors that influences the post purchahse behavior of Etude customers in Surabaya. In addition, the specific objectives of the research are as follows:

1. Examine the influence of service quality on customer satisfaction of Etude customers in Surabaya.
2. Examine the influence of perceived service quality on perceived value of Etude customers in Surabaya.
3. Examine the influence of perceived product quality on customer satisfaction of Etude customers in Surabaya.
4. Examine the influence of perceived product quality on perceived value of Etude customers in Surabaya.

5. Examine the influence of celebrities endorsement on customer satisfaction of Etude customers in Surabaya.
6. Examine the influence of perceived value on customer satisfaction of Etude customers in Surabaya.
7. Examine the influence of customer satisfaction on post-purchase behavior of Etude customers in Surabaya.
8. Examine the influence of perceived value on post-purchase behavior of Etude customers in Surabaya.

1.4 Research Contributions

1.4.1 Theoretical Advantages

This study made its contribution as a reference in Customer satisfaction and Post-Purchase Behavior, by identifying the significance of factors that affect post-purchase behavior in purchasing beauty and skincare products. This study also a reference for further studies related to similar to the field of study.

1.4.2 Empirical Advantages

1.4.2.1 For Etude House Surabaya

The result of this study can be used for evaluation purposes by Etude House Surabaya regarding their consumer behavior and how they can improve their strategies in marketing by learning about their consumers and how to create effective marketing through the variables such as perceived service quality, perceived product quality, celebrities endorsement, perceived value and customer satisfaction.

1.4.2.2 For the researcher

This study depends the researcher's knowledge about Marketing Strategy particularly in the sub-field of marketing strategy. It gives the researcher a much broader awareness of the intricacy of marketing and its elements to its marketing strategy.

1.5 Research Limitations

This study was conducted with Etude House Surabaya as the allowed research object. This research used perceived service quality, perceived product quality, celebrities endorsement, as the independent variables, and customer satisfaction, perceived value as intervening variables, and post-purchase behavior as the dependent variable. The researcher is limited in terms of location because the research will be done in Surabaya, Indonesia. The respondents will be limited to females who have experience with purchasing beauty products of Etude House.

1.6 Research Outlines

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

Chapter I

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter II

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter III

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV

This chapter organizes the logical presentation of all findings in the research questions, and focus on how these key findings relate back to the theory and prior research presented in the beginning of the study.

Chapter V

This chapter outlines the implications, conclusions, and recommendation supposed to advance the study of the research topics by its theoretical, methodological, or substantive contributions that may be necessary to overcome the limitations of existing empirical facts.