

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Beauty products include a wide range of items that are made to enhance and maintain a person's appearance. These beauty products spans from makeup to skincare products that come in different forms with different benefits, which include moisturizer to hydrate the skin, foundation to conceal skin imperfections, and lipstick to enhance the lip's appearance. Each product caters to the diverse needs and preferences of the user, ranging from enhancing a casual to a formal occasion appearance. Taking personal grooming and caring for self-appearance led a person to become more confident in themselves and allow themselves to express their identity more truthfully.

With a steadily increasing population of beauty-conscious individuals, there has been a demand for beauty products in Indonesia. Leading cosmetics in Indonesia span from foreign to local brands. Most widely known from foreign countries include Maybelline, Innisfree, The Body Shop, L'Oreal, Revlon and more. Meanwhile, local cosmetic brands known are Wardah, Emina, Mustika Ratu and Sari Ayu. Surprisingly, in recent years, local beauty products have become increasingly competitive with foreign brands. The trend of beauty enthusiasts now is leaning towards local products. Even when a popular beauty product trend is abroad, beauty enthusiast has already begun searching for substitutes in local beauty brand (Buana, 2021).

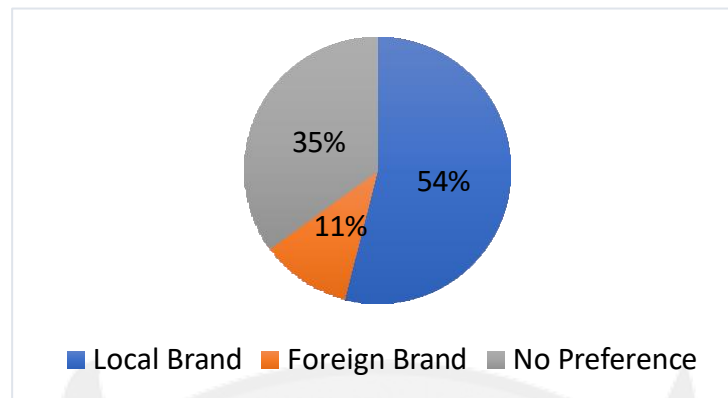


Figure 1.1 Respondent' Preferences in Choosing a Cosmetic Brand (July 2022)

Source: Populix (2022)

According to a Populix Survey in 2022, the majority of Indonesian consumers leaned towards local brands. Of the 500 women surveyed, 54% admitted preferring local brands for cosmetics products. While 11% of respondents prefer foreign brands, and 35% of respondents have no preference for the origin of the cosmetic brand (Populix, 2022). Moreover, in another survey regarding Indonesian consumer behaviour, 87.2% of respondents preferred local brands, while only 12.8% preferred foreign brands. Approximately 88.8% of respondents claimed to dominantly use local brands, while 11.2% claimed otherwise. Respondents opted for local brands mainly for food and drink, banking and finance, medication, multivitamins, clothing, facial and personal care and shoes. While respondents opted for foreign brands when it comes to gadgets and electronic devices (Ekarina, 2020).

Luxcrime stands as one of the notable local brands that have felt a significant shift in preference for local brands. Originating in 2015, the brand has rapidly gained popularity as one beloved local brand among Indonesian consumers. Luxcrime is a cosmetics company inspired by the beauty of

Indonesian women. The company is dedicated to delivering quality products from skincare to facial makeup to enhance the beauty and elegance of Indonesian women. The tagline “I, Makeup, Skin, Happy :)” appears on all of its campaigns and sales platforms indicating Luxcrime’s commitment to offering a complete range of products, spanning from skincare to cosmetics.

The brand aspires to ensure that all customers have joy and contentment when they see, touch and use Luxcrime products – from the packaging to high-quality and attractive formulas. In addition, Luxcrime takes a stand against animal testing (cruelty-free without experimenting on animals) and avoids hazardous chemicals (Luxcrime Official, 2023). Achmad Nurul Fajri, the founder of Luxcrime committed to improving the product to be innovative, as well as strengthening and widening the marketing and sales channels to maximize the product sales of Luxcrime (Catriana & Djumena, 2022).

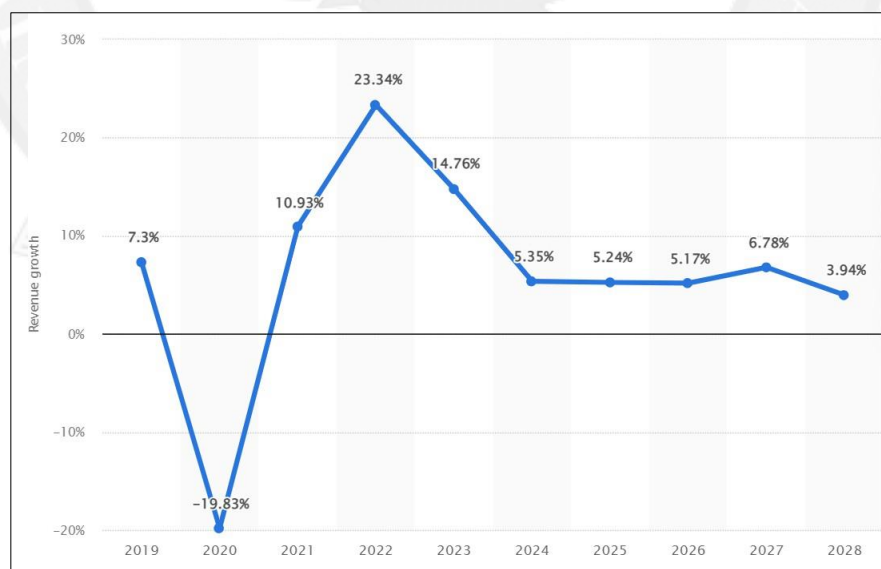


Figure 1.2 Estimated Revenue of Cosmetics Market in Indonesia (2019 - 2028)

Source: Statista (2023)

However, the beauty industry, which has shown a continuous evolution from 2021 to 2022 would face a challenging forecast. Figure 1.2 shows the cosmetics segment of the beauty and personal care market in Indonesia was forecasted to decrease between 2023 and 2028 with a total of 10.8% (Statista, 2023). This anticipated slowdown in the market could have a notable impact on beauty brands, including Luxcrime which just had gained popularity.

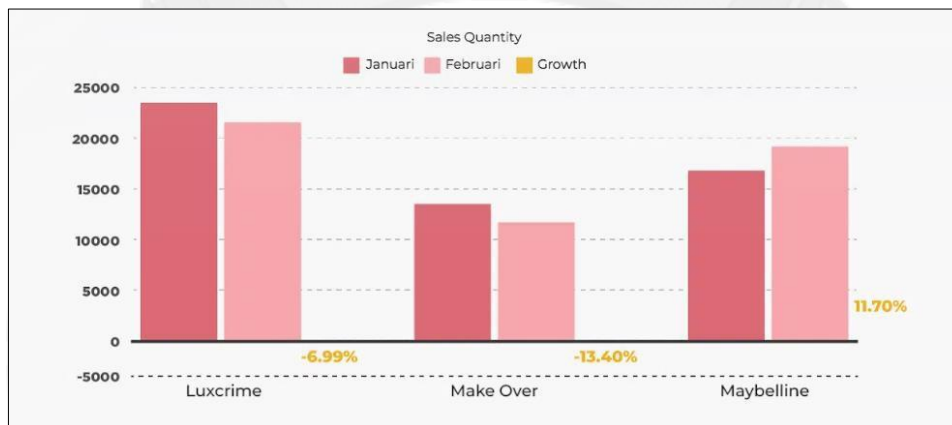


Figure 1.3 Luxcrime Face Powder Sales Quantity in January – February 2023

Source: Kompas (2023)

One of Luxcrime's best-selling products is Blur & Cover Two Way Cake, a face powder that has been loved by customers. Yet recent data has shown that their beloved product has been declining in sales. Figure 1.3 exhibits Luxcrime's face powder sales quantity from January to February of 2023 taken from Kompas (2023). In January, Luxcrime recorded 23.4 thousand units sold generating approximately Rp1.96 billion in revenue. Meanwhile, in February 2023, 21.7 thousand products were sold, generating approximately Rp1.77 billion. The decline in sales by 6.99% can be seen to align with the early forecast which

predicts the cosmetics industry to slow down, and the purchase decision made in favour of the brand to slowly decrease.



Figure 1.4 Pre-Survey Results Regarding Luxcrime as the Main Choice for Beauty Products

Source: Processed by writer (2023)

The research study would mainly revolve around Luxcrime customers in Medan. A preliminary survey was also conducted to support the previous phenomenon. The pre-survey was conducted on September 15, 2023, with 36 Luxcrime customers in Medan participating as respondents. Figure 1.4 exhibits the results of the question “*Apakah anda menjadikan Luxcrime sebagai tujuan utama ketika ingin membeli produk kosmetik?*” shows that 66,7% (24 respondents) answered no or didn’t agree, while 33,3% (12 respondents) answered yes or agreed. The above pre-survey results suggest that there is some level of variation in the purchase decision of Luxcrime as a primary choice in beauty products among the respondents, yet there’s a significant portion of respondents not choosing Luxcrime as their main choice implying less favourable purchase decisions.

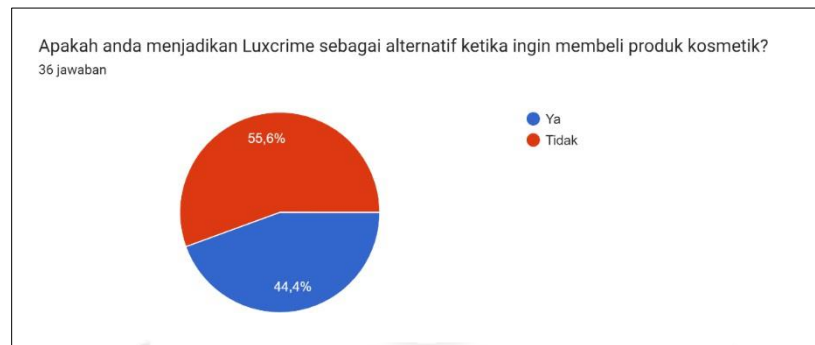


Figure 1.5 Pre-Survey Results Regarding Luxcrime as an Alternative Choice for Beauty Products

Source: Processed by writer (2023)

While from figure 1.5 exhibits the results of the question “*Apakah anda menjadikan Luxcrime sebagai alternatif ketika ingin membeli produk kosmetik?*” shows that 55,6% (19 respondents) answered no or didn’t agree, while 47,2% (17 respondents) answered yes or agreed. Similar to the previous results, there’s a variation of answers coming from the respondents and the majority of respondents didn’t consider Luxcrime as an alternative when purchasing beauty products. Considering the beauty industry slowing down and less favourable purchase decisions made in favour of Luxcrime, realigning marketing strategies to maintain its market position in this shifting landscape would be needed. Luxcrime would need to comprehend and employ strategies that better align with consumers' preferences and encourage purchase. Purchase decision is defined as the process that consumers go through in evaluating a product to purchase. There are several factors influencing consumers during the purchase decision including product knowledge, brand ambassador and sales promotion.

Due to the convenience of extensive information availability and low-cost alternative searching, consumers have become more selective in choosing products/brands and careful in making purchases to prevent losses. Before engaging in purchases, customers should have familiarity with the features, use or relevant details of the product. Having the ability to address consumer concerns while providing precise information regarding the product is pivotal in understanding consumer behaviour. Thus, businesses are urged to make additional efforts to provide consumers with accurate product knowledge (KANDEMİR et al., 2019). Luxcrime has been making efforts to provide adequate product information to consumers, a commitment seen across the brand's social media platforms including Instagram. Figure 1.6 exhibits Luxcrime's detailed information on its product formula, usability and benefits.

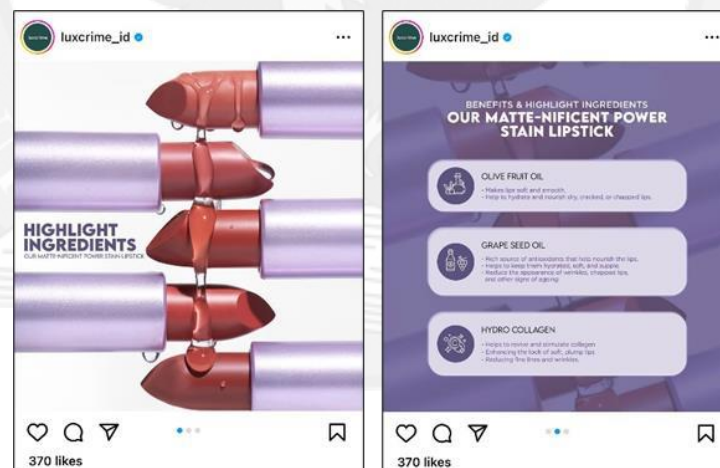


Figure 1.6 Example of Luxcrime's Product Knowledge in Instagram
Source: Instagram (2023)

However, there has been concern from customers regarding Luxcrime's role in providing accurate knowledge regarding their product to customers. Complaints include the lipstick colours advertised do not reflect its actual colour and the absence of an expiration date making customers feel unsure and less confident to use the product. Figure 1.7 exhibits several complaints from customers.

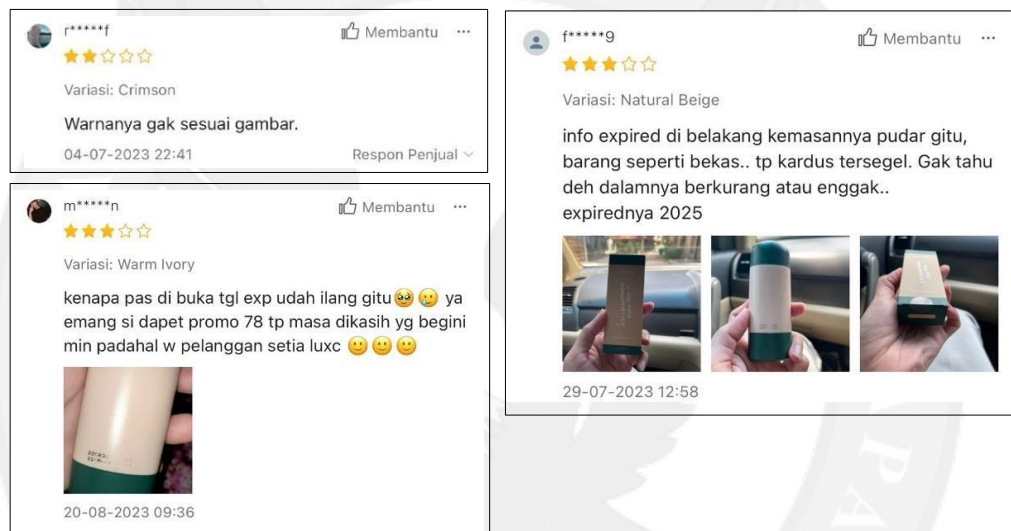


Figure 1.7 Example of Customer Complaints Related to Product Knowledge
Source: Shopee (2023)

In gaining wider public attention, marketers could attempt to have a widely known public figure to represent their brand. This particular practice is known as brand ambassador. Utilizing brand ambassadors could serve as an intermediary to market the product to the consumers as it draws more exposure to the products. Having a brand ambassador enhances the brand product's appeal, while the utilization of brand ambassadors encourages individuals to associate themselves with the ambassador. Alongside a strong popularity, a brand ambassador must exhibit a positive public image and personality, therefore

admiration would grow from the intended audience (Prasetio & Purnamawati, 2022). In August 2023, Luxcrime introduced Yuki Kato as the brand ambassador to promote their newest product named Matte-Nificent Power Stain Lipstick, with five variant colours. Ahmad Nurul Fajri, the founder of Luxcrime, describes Yuki Kato as an urban woman with a vibrant, cheerful and simple personality, yet has an elegance which certainly aligns with the brand persona (Sayekti, 2023). Figure 1.8 exhibits several posts of Yuki Kato as a brand ambassador in promoting Luxcrime's product.

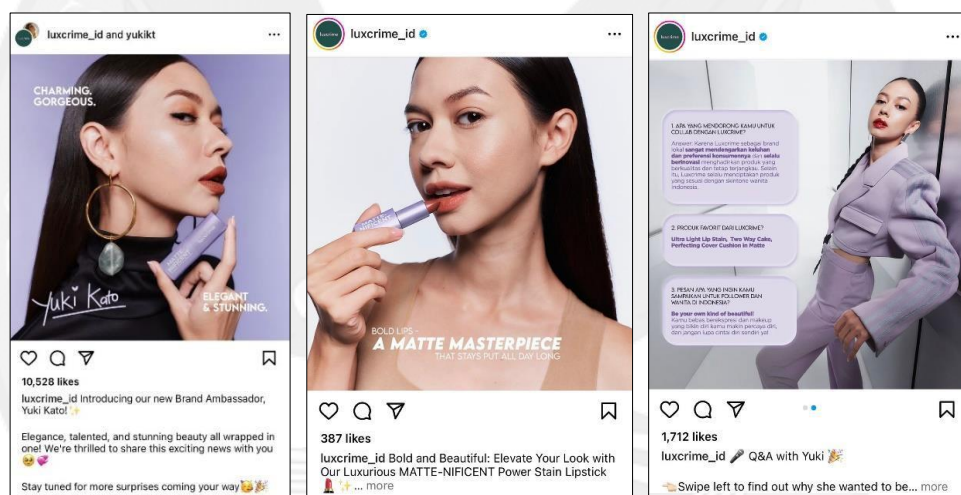


Figure 1.8 Example of Luxcrime's Brand Ambassador in Instagram

Source: Instagram (2023)

Several months after the announcement of Yuki Kato as Luxcrime's official brand ambassador, reports emerged linking her to an online gambling promotion. On Saturday, 23rd September of 2023, an investigation has been carried out on Yuki Kato regarding the alleged endorsement of a site suspected of being an online gambling website (Yolandha, 2023). The controversy surrounding Yuki Kato's action can directly impacts Luxcrime, as brand ambassador are expected to uphold the brand's value and reputation.

Moreover, the most common practice that has been conducted by brands to encourage purchase is through sales promotion. Sales promotion is related to short-term incentives that aim to encourage the purchase of a product or service. It's associated with rewarding returns in the form of discounts, guarantees or product samples (Fernanda, 2019). Due to its rewarding return, sales promotion became a favourable method for marketers to encourage consumers to make purchases by building excitement and boosting sales within a short time. The frequency of the promotion, promotional campaigns period and the effectiveness of promotional campaigns sparked the interest and encouraged consumers to make purchases (Widianingrum & Mani, 2021). Luxcrime has implemented sales promotion practices frequently through product discounts, giveaways, and vouchers for a limited time during special occasions.

Table 1.1 Sales Discount Comparison with other Brands

Product Type		Luxcrime		Focallure		Kaila	
Lipstick	Before	Rp109,000	18%	Rp88,000	60%	Rp119,000	50%
	After	Rp79,380		Rp37,900		Rp59,500	
Face Powder	Before	Rp129,000	35%	Rp89,000	55%	Rp60,000	33%
	After	Rp73.850		Rp39,900		Rp40,000	
Cushion	Before	Rp129,000	22%	Rp330,000	77%	Rp250,000	64%
	After	Rp90.620		Rp75,500		Rp89,000	

Source: Shopee (2023)

Table 1.1 show the sales promotion offered by beauty brands in 2023, source from Shopee, in the form of sales discounts. Focallure stands out for offering the most significant discounts on lipstick, face powder and cushion products. In contrast, Luxcrime's sales discount remain comparatively lower than those offered by other competitors.

Table 1.2 Freebies Comparison with other Brands

Product Type	Luxcrime	Focallure	Kaila	O.TWO.O
Bundled Product	Makeup pouch	Cosmetics pad or face blush	Beauty blender or makeup brush set	Eyelash curler or folding cushion comb and mirror.

Source: Shopee (2023)

Table 1.2 show the sales promotion offered by beauty brands in 2023, source from Shopee, in the form of freebies. Most of the brand offered a bundled product gifted with freebies. Focallure, Kaila and O.TWO.O presented diverse range of freebies, whereas Luxcrime provided a single type of freebie which is a makeup pouch.

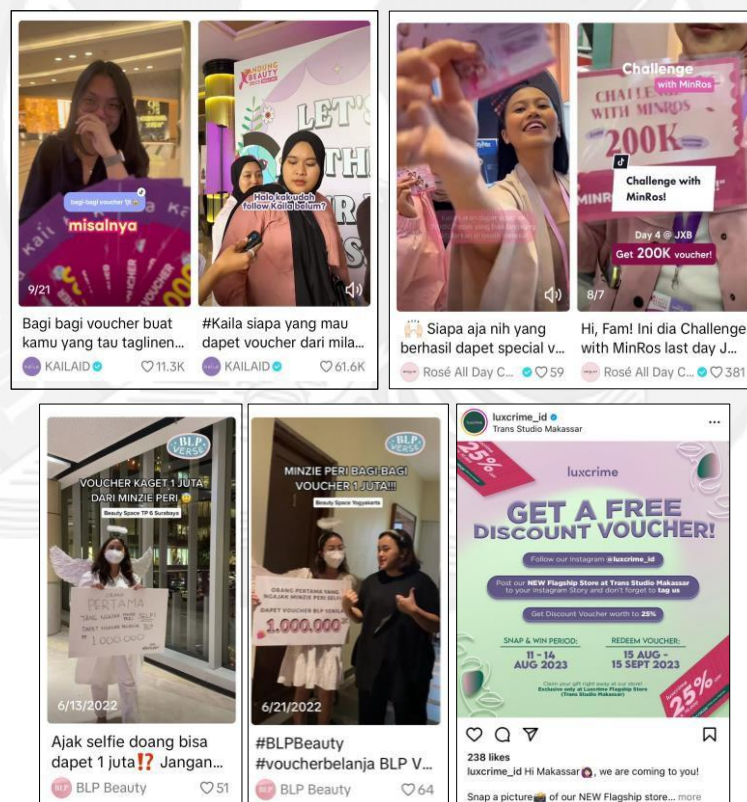


Figure 1.9 Vouchers Comparison with other Brands

Source: TikTok and Instagram (2023)

Figure 1.9 shows the sales promotions introduced by beauty brands in 2023, sourced from TikTok focusing on voucher offerings during a special occasion. Kaila and Rose All Day Cosmetics engaged customers through social media challenges, providing vouchers ranging from Rp200,000 to Rp1,000,000 during a beauty products festival. BLP Beauty, marking their store's grand opening, offered a Rp1,000,000 voucher through a selfie challenge. Conversely, figure 1.9 also shows Luxcrime, also celebrating a store launch, exclusively provided 25% discount vouchers. These vouchers were redeemable only upon customer participation in the associated social media challenges. Luxcrime's sales promotion only offered 25% discount vouchers, differ with other brands that offered vouchers with fixed monetary values. Fixed-value vouchers usually informed an immediate and clear perceived value, making them potentially more enticing to customers. Additionally, the 25% discount might seem less attractive as it has many rules that needed to be followed and less enticing for customers making smaller purchases compared to those engaging in larger transactions.

Luxcrime needs to understand the most effective factors that influence the customer's purchase decision. A solid understanding of the factors of purchase decisions would allow Luxcrime to tailor marketing messages efficiently and increase customers' purchase decisions. Thus, this study will analyse the three factors that compromise product knowledge, brand ambassador and sales promotions in influencing consumer purchase decisions of Luxcrime products. Alongside this, this study will also analyse the three factors' simultaneous influence towards customers' purchase decisions of Luxcrime products. Based

upon recent phenomena and prior research insights, this study would conduct research titled “THE INFLUENCE OF PRODUCT KNOWLEDGE, BRAND AMBASSADOR, AND SALES PROMOTION ON PURCHASE DECISION AT PT LUXURY CANTIKA INDONESIA (LUXCRIME) IN MEDAN”.

1.2 Problem Limitation

In this research, limited resources have led the writer to limit the variable used to product knowledge (X1), brand ambassador (X2) and sales promotion (X3) as the independent variables, and purchase decision (Y) as the dependent variable. Then, the scope of the sample would only be taken from Medan, North Sumatra, Indonesia due to the limited knowledge and time the researcher has. While the main object of this research would be PT Luxury Cantika Indonesia or known as Luxcrime.

The indicator for product knowledge is product attributes, physical benefit, psychological benefit, and value (Prayoga & Artanti, 2021). Brand ambassador indicators include visibility, credibility, attraction, and power (Timpal et al., 2022). While indicators for sales promotion are sales promotion timing and sales promotion value (Fam et al., 2019). Last, the indicator for purchase decision is product choice, brand choice, supplier choice, time of purchase, purchase quantity and payment method (Helfi et al., 2019).

1.3 Problem Formulation

Upon observation and research, below are several problems that will be addressed in this study:

1. Does product knowledge have a partial influence on the purchase decisions of PT Luxury Cantika Indonesia (Luxcrime) customers in Medan?
2. Do brand ambassadors have a partial influence on the purchase decisions PT Luxury Cantika Indonesia (Luxcrime) customers in Medan?
3. Does sales promotion have a partial influence on the purchase decisions of PT Luxury Cantika Indonesia (Luxcrime) customers in Medan?
4. Do product knowledge, brand ambassador and sales promotion have a simultaneous influence on the purchase decision of PT Luxury Cantika Indonesia (Luxcrime) customers in Medan?

1.4 Objective of the Research

The objectives of the research include:

1. To examine whether product knowledge has a partial influence on the purchase decisions of PT Luxury Cantika Indonesia (Luxcrime) customers in Medan.
2. To examine whether brand ambassador has a partial influence on the purchase decisions of PT Luxury Cantika Indonesia (Luxcrime) customers in Medan.
3. To examine whether sales promotion has a partial influence on the purchase decisions of PT Luxury Cantika Indonesia (Luxcrime) customers in Medan.

4. To examine whether product knowledge, brand ambassador and sales promotion have a simultaneous influence on the purchase decisions of PT Luxury Cantika Indonesia (Luxcrime) customers in Medan.

1.5 Benefit of the Research

The outcome of the research titled "The Influence of Product Knowledge, Brand Ambassadors and Sales Promotion on Purchase Decision of Luxcrime Customers in Medan" is expected to provide in a theoretical and practical way as follows:

1.5.1 Theoretical Benefit

The research attempts to strengthen the theoretical comprehension regarding the influence of product knowledge, brand ambassador and sales promotion towards purchase decisions, along with the relationship between each variable. The outcome of this study is to broaden the writer's knowledge, support previous studies and assist future individuals who are interested in conducting similar or related studies.

1.5.2 Practical Benefit

- a. For the company

This research is expected to provide a comprehensive insight for Luxcrime to leverage the influence of product knowledge, brand ambassadors and sales promotion toward purchase decisions in marketing strategies.

- b. For readers/future researchers

This research would serve as a reference and assist readers/future researchers seeking information regarding the influence of product knowledge, brand ambassadors and sales promotion towards purchase decisions or conducting related research objectives. Furthermore, the results would aid future researchers in initiating a more in-depth discussion regarding the various factors that could influence purchase decisions.

