

# CHAPTER I

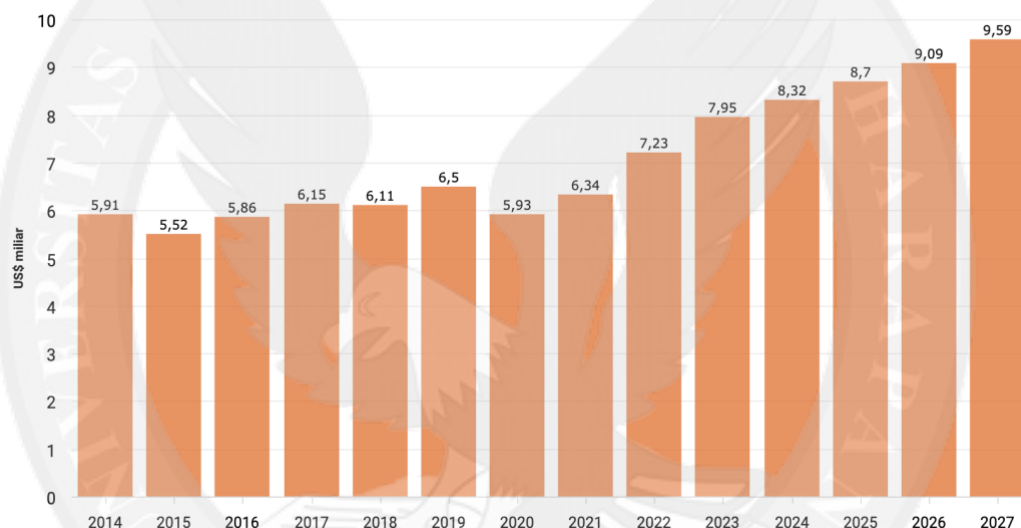
## INTRODUCTION

### 1.1 Background of the Study

The cosmetics industry has been vastly emerging in both production and consumption of beauty related products, such as color cosmetics, skincare products, hair products, fragrances, and toiletries. The growth of exposure towards the world of beauty has indicated that the Asia-Pacific region has claimed the most involved region in the cosmetics market which includes South Korea, China, Japan, Indonesia, Malaysia, and Thailand as the dominant influential countries with innovative beauty products, claiming 43% of the global cosmetics market. Therefore, the Asia-Pacific region has a dominant role and activity in the beauty world where revenue and expenditures on cosmetics are vivid, while having some of the most well-known beauty brands established. Some examples of innovative cosmetics market products can be the combination of SPF with skin moisturizers plus the elasticity of skin into skincare products by South Korea and halal beauty products by Indonesia and Malaysia (Ganbold, 2022).

Data shows that interest towards personal care and beauty products will continue to increase annually in Indonesia. Distinctly, during the Covid-19 period in late 2019 and throughout the year of 2020, there has been a major decrease compared with the other years. Nevertheless, the data includes personal care which generates more revenue as people need personal care for cleansing the physical body, such as bathing products, hair wash products, shaving products,

oral hygiene products, toiletries, etc. (Care Information Scotland, 2020). Observing through the year of 2022, 43.98% of revenue is through the segment of personal care, followed by 28.35% of revenue through the segment of skin care, 22.27% on cosmetics and 5.39% of revenue on fragrances (Mutia, 2022). Hence, calculating the total of segments in the beauty industry which induces skin care, cosmetics and fragrances, around 56% of the total annual revenue is generated through the constantly increasing demand of the beauty market in Indonesia.



**Figure 1.1 Estimated Personal Care and Beauty Product Revenue in Indonesia from 2014 – 2027**

Source: <https://databoks.katadata.co.id/> (2022)

In general, Generation Z is the generation that prominently differs from any other existing generations. Generation Z are known to have a major intention to purchase items/services for themselves. The tendency for purchasing a product or services of Generation Z is likely to be influenced by certain factors which one part of them includes emotional relationship towards the brand. Other than to gain the tangible and functional benefit of the product, this is to fulfill the thought of

perceiving a special emotional value when the product is utilized (Veloustsou & Delgado-Ballester, 2018, as cited in Andhini & Andanawarih, 2022).

According to UN environment programmed in March 2022 (Visual Feature | Beat Plastic Pollution), around 400 (four hundred) million tons of plastic waste have been produced every year. 36% (thirty-six percent) of plastic are produced for the purposes of packaging and single-use plastic products. Single-use plastic products can be found in daily lives such as through water bottle containers, shampoo bottles, plastic bags, microwavable containers, plastic cutleries, cups, and many more. 85% (eighty five percent) of those plastic waste goes straight to landfills. Moreover, with the base of fossil fuel processes, the process of plastic production, use and disposal has been contributing major negative effects towards the world's greenhouse gas emission and is estimated to spring up to 19% (nineteen percent) of the global carbon budget by the year 2040 (From Pollution to Solution: A Global Assessment of Marine Litter and Plastic Pollution, 2021).

The research is focused based on the study of customers' purchase intentions towards The Body Shop in Medan, a company operating in the beauty industry, specifically manufacturing skincare, haircare, and toiletry products. The Body Shop is established in 1976 in Brighton, England, founded by Dame Anita Roddick who has a main passion in having a revolutionary business which would be a force for good. The early years of the business establishment makes the brand differ from mainstream top beauty businesses, having natural-based ingredients, reusable packaging, and products made for all body and skin types and

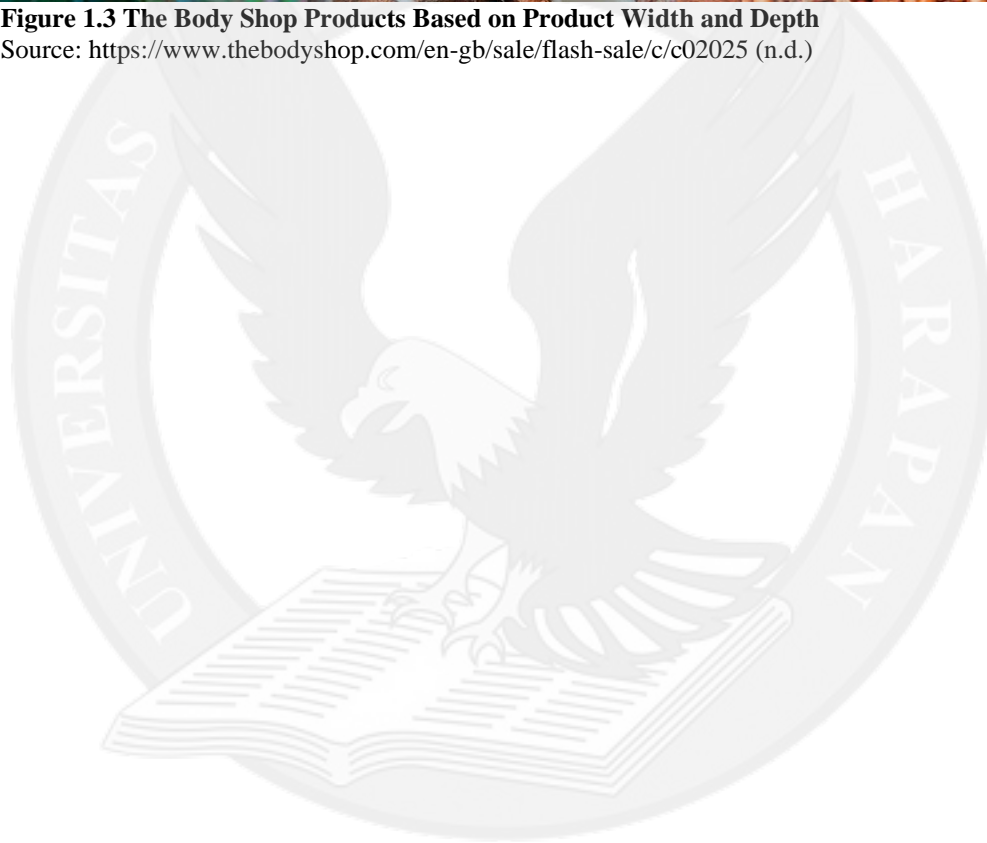
encourages the focus for women to feel good in their own skin and be the best version of themselves regardless the world's unwritten beauty standards. Roddick, the founder of The Body Shop has a main purpose of being socially and environmentally conscious in every ongoing step of what the company does. On that account, The Body Shop initiated 5 (five) core values which are empowering women and girls, hard-working natural ingredients, growing partnerships & supporting communities, championing sustainability, and vegetarian and vegan friendly (The Body Shop® Indonesia, n.d.).

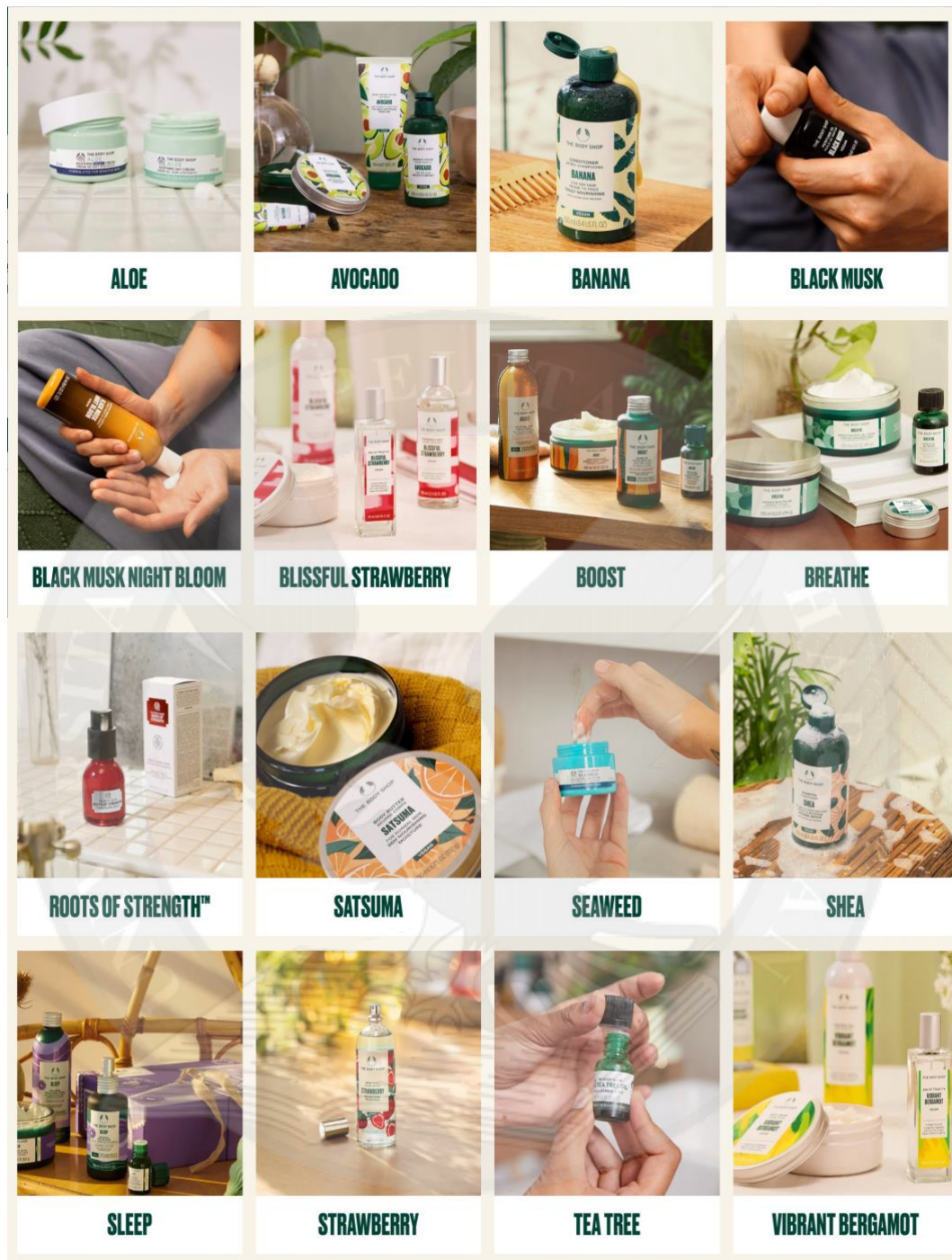


**Figure 1.2 The Body Shop Logo**  
Source: TBS Group (The Body Shop Indonesia). (n.d.)



**Figure 1.3 The Body Shop Products Based on Product Width and Depth**  
Source: <https://www.thebodyshop.com/en-gb/sale/flash-sale/c/c02025> (n.d.)

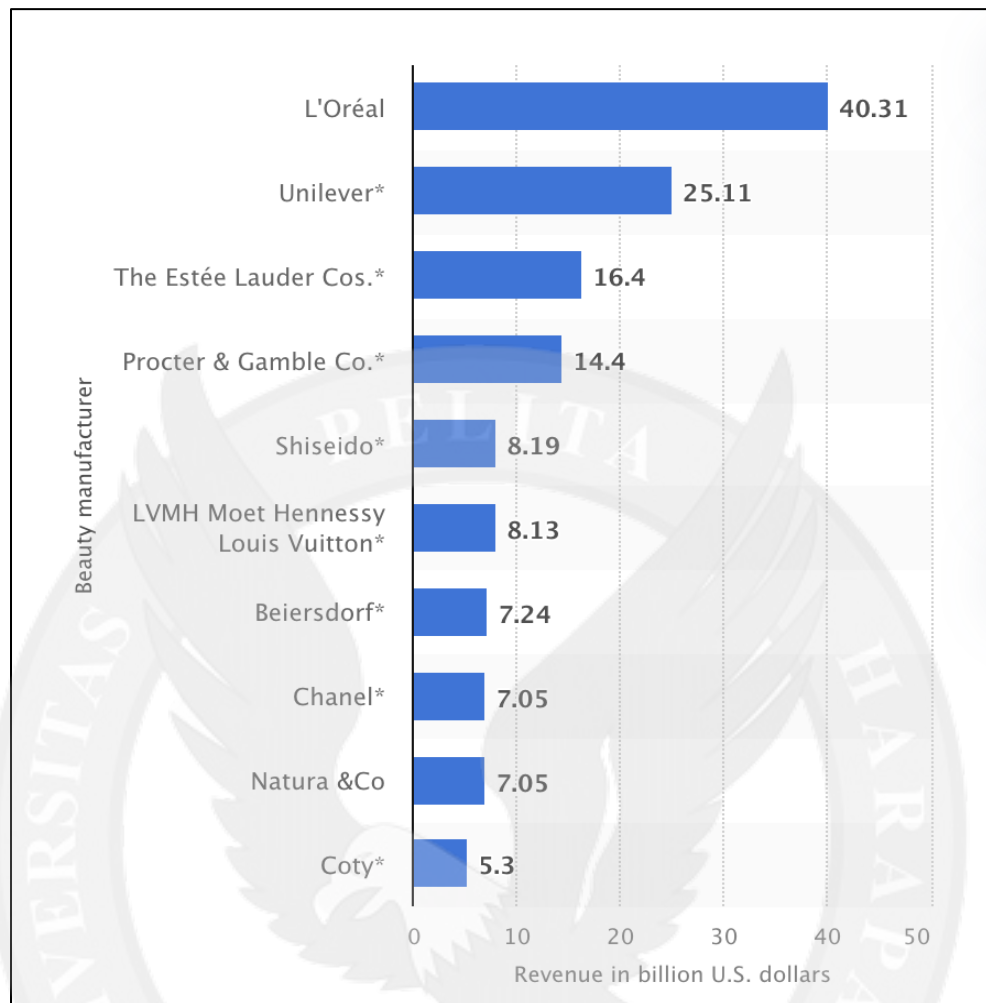




**Figure 1.4 The Body Shop Products Based on Range of Fragrances**

Source: <https://www.thebodyshop.co.id/range> (n.d.)

As of 2022, statistics shows that Natura &Co, the parent company of The Body Shop claims a position in the top 10 (ten) leading beauty manufacturing companies with an annual revenue of 7.05 billion U.S. dollars (*Statista*, 2023).

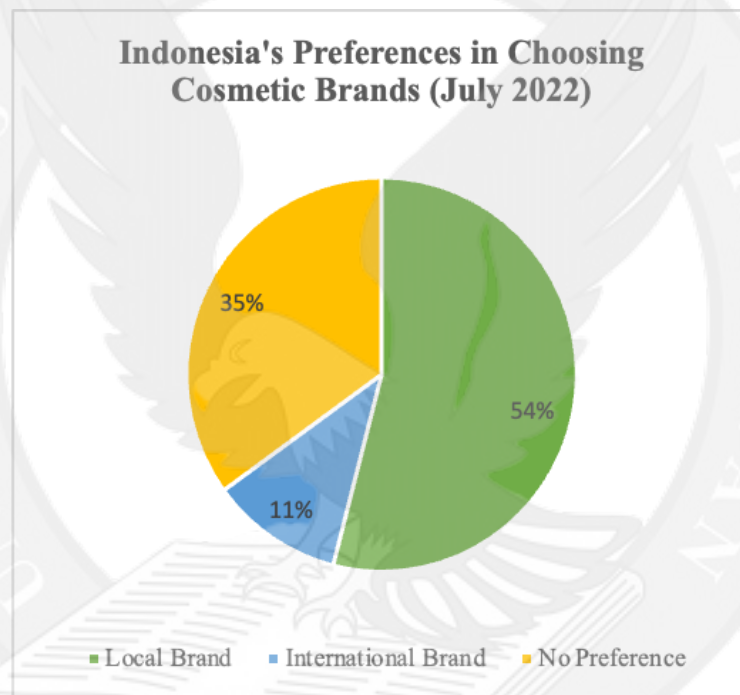


**Figure 1.5 Revenue of the leading 10 beauty manufacturers worldwide in 2022**

Source: Statista (2023)

According to InvestinAsia (2023), The Body Shop ranks the 4th (fourth) position in the beauty industry leader in Indonesia, having Wardah, Mustika Ratu, and Innisfree as the top 3 (three) brands preferred by the nation based on market share and social acceptance. This implies that out of the mix of local and international cosmetics brands distributed in Indonesia, The Body Shop is not the top preference for beauty product buyers in the country. In Indonesia, there is a notably significant growth in the interest towards the beauty industry. Indonesia has played a role by producing local beauty brands that are impactful towards the

purchasing decision of domestic customers. Research has found that the total revenue from the top 10 (ten) emerging local companies operating in the beauty industry claims up to 292.4 billion Rupiah for the second quartile year of 2022 (Compas, 2022). In comparison to The Body Shop's revenue in Indonesia taken from the year of 2021, the company has an annual revenue of 8 million USD or equal to 120.5 billion Rupiah (Rocket Reach, n.d.).



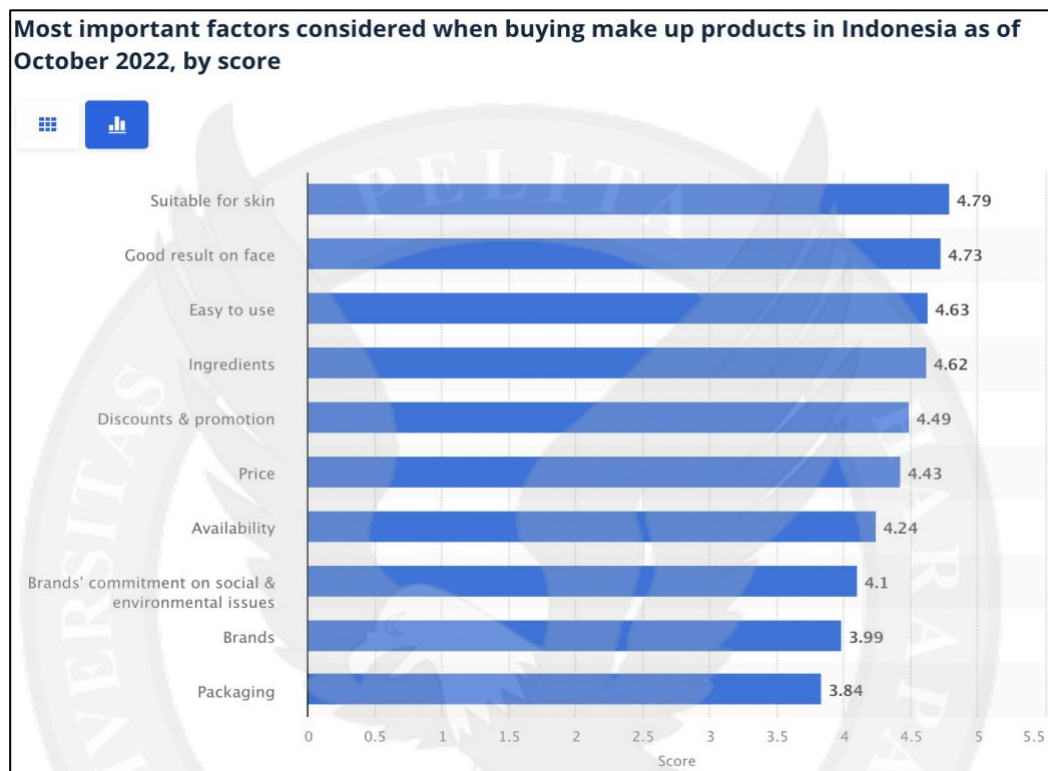
**Figure 1.6 Indonesia's Preferences in Choosing Cosmetic Brands (July 2022)**

Source: Prepared by the writer (2022)

The chart above is an indication of Indonesia's variety of preferences towards choosing a cosmetic brand as per July 2022. The chart shows that out of 500 women across Indonesia, 54% (around 270 women) prefers local cosmetic brands, 11% (around 55 women) prefers international cosmetic brands and the remaining has no requirements on whether their cosmetic choice of brand has to



be local or international (Pahlevi, 2022). This indicates that the interest and purchase intention of local customers are dominated more towards the local brands from Indonesia instead of international brands such as The Body Shop.



**Figure 1.7 Most Important Factors Considered when Buying Make Up Products in Indonesia as of October 2022, by Score**

Source: Statista (2023)

Statistics shows that out of 1,207 respondents of a survey conducted towards Indonesian people around the ages of 15 - 44 years old, the factors in relevance with this research study has the points of “brand’s commitment on social & environmental issues” with an accumulated score of 4.1 (with the score 5 as very important) which lies in the green marketing variable, and “brands” with an accumulated score of 3.99 which lies in the brand identity variable (Indonesia: Factors Considered When Buying Makeup by Score 2022 | Statista, 2023). Nonetheless, the factors with the highest influence on purchase intentions are

“suitable for skin”, “good result on face”, “easy to use”, and “ingredients”, which simultaneously represents part of The Body Shop’s objectives (The Body Shop, n.d.).

Green marketing is another consideration that leads to generation Z’s purchase intention. Generation Z as part of the younger generation has a personality which associates with being environmentally conscious and issues concerning global warming (Chairani et al., 2022, as cited in Tobing et al., 2023). Hence, by purchasing products that are environmentally friendly is considered as an act of being an advocate of green products which shall leverage the act of responding on global warming issues as in the near future, generation Z will majorly bring impact towards the world’s economy (Tobing et al., 2023).

The research study focuses on the Body Shop’s offline/retail store locations in Medan. In this modern world, retail business has to capture consumer’s attention and create a comfortable environment for consumers to shop for items (Kertiana & Artini, 2019). This determines the first impression of customers when entering the offline store of a company, and whether it is captivating enough to create the intention for customers to purchase a brand’s product(s) or not. The more attractive the atmospheric experience of a store determines the likelihood for customers to enter the store and shop (Gilliani, 2012, as cited in Tansya, 2019). Accordingly, based on Hussain and Ali (2015) as cited in Effendy et al. (2019), store atmosphere is scored through the indicators of cleanliness, music, aroma, temperature, lighting, color, and display/layout.

An interview done by Dhikriyah & Sukresna (2021) shows customers' reviews which shares the concerns on high price and mismatch on the skin of customers. This indicates that The Body Shop customers is not experiencing the balance of price and the product's benefits being offered which has association on the brand's green marketing. Moreover, the mismatch on the product's unsuitability on customers' skins in proposes the notion of The Body Shop being unable to make some customers not confident in their own skin through the brand's identity in the brand's products.

In accordance with the review data presented below from the period of years 2019 - 2022, there are concerns on the store atmosphere focusing on the customer services, brand identity on how the staff do not portray the essence of the brand, and green marketing on the premium price.

**Table 1.1 Customer Review**

<b>Name (Initial)</b>	<b>Rating and Time</b>	<b>Statement</b>	<b>Indicator (s)</b>
KM	1 Star 22 November 2022	Came in to the store to be greeted by the most unwelcoming staff ever. Staff was responding to our question by asking back trivial and rude questions. Staff was also looking disgustingly unfriendly, impatient and cold throughout the entire time we were at the store. Overall VERY unpleasant shopping experience! Item bought: Travel size tea tree facial products	Store Atmosphere, Brand Identity
WVS	1 Star 15 September 2022	Good store I went to the shop at 13.30 if I'm not mistaken on September 15 2022 The staff are not friendly, a bit pushy and in a hurry, the items sold are premium, quality of the employees should be improved In these difficult times, customers need more service I recommend the shop because I already subscribe to the baby shop, but this is the first time I've received unfriendly service Fix it. Expensive prices services must be above average	Brand Identity, Green Marketing
MT	1 Star 2021	Very poor service. I asked, the one on guard laughed and didn't know why. Very unprofessional. Those who take care of 4 people, we are the only ones who buy, no one	Store Atmosphere

		serves. Do not want to go to this body shop. The guard is completely unprofessional!!!!	
FH	3 Stars 2019	I love the smell here. It's quite peaceful. However the products I bought didn't work on my pimples.	Brand Identity

Source: (Google Reviews, 2019 - 2022 ; *The Body Shop Center Point Medan*, 2022 ; *The Body Shop Sun Plaza Medan*, 2019 ; *The Body Shop Cambridge City Square Medan*, 2021)

Taking everything into account, The Body Shop in general has established the brand's identity and purposed to be conscious in both social and environmental aspects through all products the cosmetic company offers. However, with the vast and fast-moving world, and the constantly increasing interest in the beauty industry, many companies are being established with their own innovative products being offered based on the current demands and trends. Therefore, this research will be conducted which is entitled as "The Significance of Brand Identity, Green Marketing, and Store Atmosphere on Medan Generation Z's purchase intention: A Study on The Body Shop".

## 1.2 Problem Limitation

This research focuses mainly on the points of how brand identity, green marketing, and store atmosphere bring importance towards businesses these days in the factor of customers' purchase intentions. This study has a primary focus on generation Z's (ages 11 to 26 as of year 2023) purchase intentions who are based in Medan. Moreover, the scope of indicators per variables are limited based on the points to be researched. Brand identity as one of the independent variables will focus specifically on the Kapferer's Brand Identity Prism that consists of physique, personality, relationship, culture, reflection, and self- image. Green

marketing as the second independent variable will be based on the green marketing mix that consists of green place, green price, and green promotion. Store atmosphere as the third independent variable will be based on theory supported by previous research which consists of cleanliness, music, scent, temperature, lighting, color, display/layout. Purchase intention as the dependent variable will be based on theory supported by previous research which consists of transactional interest, referential interest, preferential interest, and explorative interest.

### **1.3 Problem Formulation**

The notion of Medan generation Z's purchase intention towards The Body Shop is impacted by brand identity, green marketing, and store atmosphere will be studied through the following questions:

1. Does brand identity influence Medan generation Z's purchase intention at The Body Shop significantly?
2. Does green marketing influence Medan generation Z's purchase intention at The Body Shop significantly?
3. Does store atmosphere influence Medan generation Z's purchase intention at The Body Shop significantly?
4. Do brand identity, green marketing, and store atmosphere have simultaneous influence on Medan Generation Z's purchase intention at The Body Shop significantly?

#### **1.4 Objective of the Research**

The objectives of the research to solve the problem that've been found are:

1. To identify whether brand identity influences Medan generation Z's purchase intention at The Body Shop significantly.
2. To identify whether green marketing influences Medan generation Z's purchase intention at The Body Shop significantly.
3. To identify whether store atmosphere influences Medan generation Z's purchase intention at The Body Shop significantly.
4. To identify if there are simultaneous influence between brand identity, green marketing, and store atmosphere on Medan generation Z's purchase intention at The Body Shop significantly.

#### **1.5 Benefit of the Research**

The study on “The Significance of Brand Identity, Green Marketing, and Store Atmosphere on Medan Generation Z's Purchase Intention: A Study on The Body Shop” has classified its benefits into 2 (two) categories, which are:

##### **1.5.1 Theoretical Benefit**

The research has a prospect to execute elaboration of supported theories of the study regarding brand identity, green marketing, store atmosphere, and purchasing intention of the generation Z domiciled in Medan, Indonesia to be used as information and reference for future research.

### **1.5.2 Practical Benefit**

This research anticipates the main purposes from this research, which is to see the positive or negative, major or minor significance, and implementation of brand identity, green marketing and store atmosphere on customers' buying intention towards The Body Shop, and other companies in the beauty industry. This study encourages the object of research on the considerations to increase customer's intention when purchasing their products and what action that could be taken upon based on their research.

