

CHAPTER I

INTRODUCTION

1.1. Background Information

In this modern era, skincare has become increasingly important due to increasing attention to health and appearance. In addition, skincare is also an important part of the beauty and self-care routine for many people because it can help improve self-confidence and psychological well-being. Therefore, it can be said that skin care is no longer just a desire, but a basic need for modern society in order to maintain optimal health and appearance.

Skincare refers as a series of activities that improve skin health, improve appearance and soothe the condition of the skin on the face. Mahri et al. (2024) stated that with the current market development, many local skincare brands are emerging in the skincare industry every day. Several of these brands compete by presenting quality products with international standards. This is in line with the increase in sales of skincare products from year to year. Based on the Statista report, sales obtained in the personal care and beauty marketplace reaching US\$7.23 billion or IDR 111.83 trillion in 2022. In this case, the market expectation is increasing about 5.81% every year, until 2027. Currently, the most important of the marketplace section is considered to be the personal care, in which market quantity is with approximately US\$3.18 billion in 2022. This is followed by using skincare products at US\$2.05 billion, cosmetics reaching US\$1.61 billion, while perfume at US\$39 million.

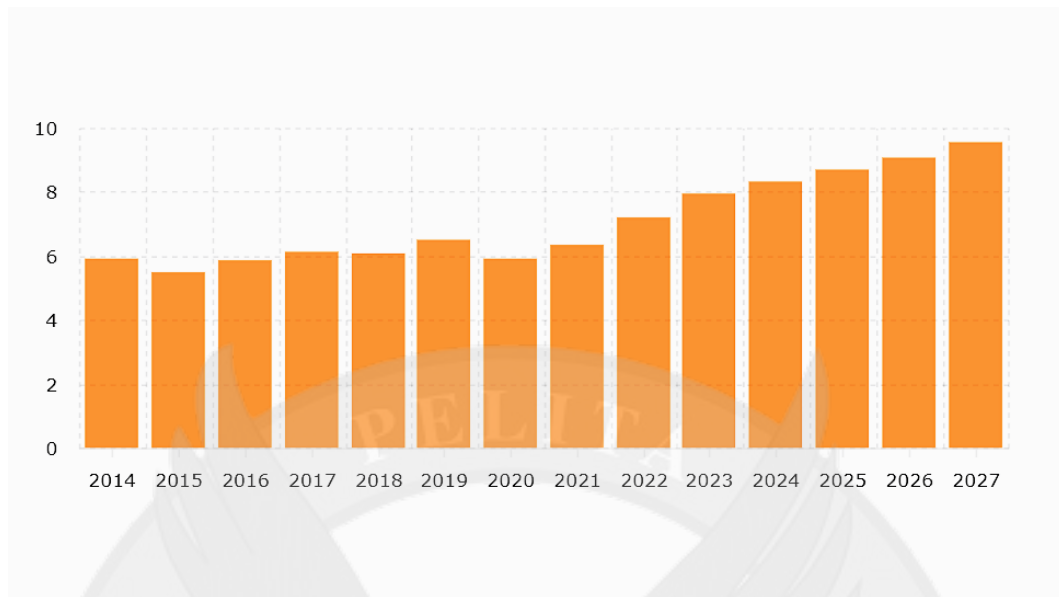


Figure 1.1 Estimated Personal Care and Beauty Product Revenue in Indonesia

Source: Databoks.katadata.co.id (2022)

One of the companies offering personal care and beauty products is Revlon. Revlon is an American multinational company that operates in the fields of cosmetics. They have their head office in New York City, but now sell their products to various countries, including Indonesia. Due to be able to compete with other cosmetic brands in Indonesia, Revlon need to determine factors which able to boost brand loyalty.

Generally, brand loyalty refers as the consumer loyalty level or affiliation to a certain brand (Watson et al., 2024). Loyalty also reflects consumers' tendency to choose consistently and buy products from a brand, as well as to recommend that brand to others (Kristianto & Wahyudi, 2020). Meanwhile, there is problem regarding Revlon brand loyalty. Based on the data obtained from Databoks (2022), In 2020, Revlon experienced a significant decline in global sales performance, from

US\$ 2.42 billion in 2019, to US\$ 1.90 billion in 2020. Although it experienced another increase in 2021 to US\$ 2.08 billion, this amount is still lower than sales in the years before the pandemic. This is due to failure to compete with various new and long-established local and international brands.

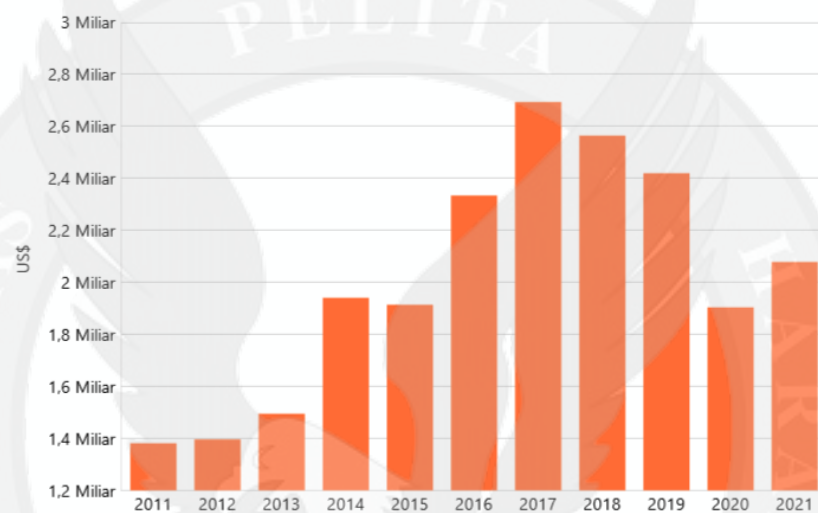


Figure 1.2 Sales Obtained by Revlon from year to year

Source: Databoks.katadata.co.id (2022)

Moreover, the low-loyalty rate is also caused by the disappointment of Revlon's customer towards the product, so that they don't show the intention to make purchase on the products again (Htike & Min, 2020). Here is shown the reviews delivered through the website of female daily:

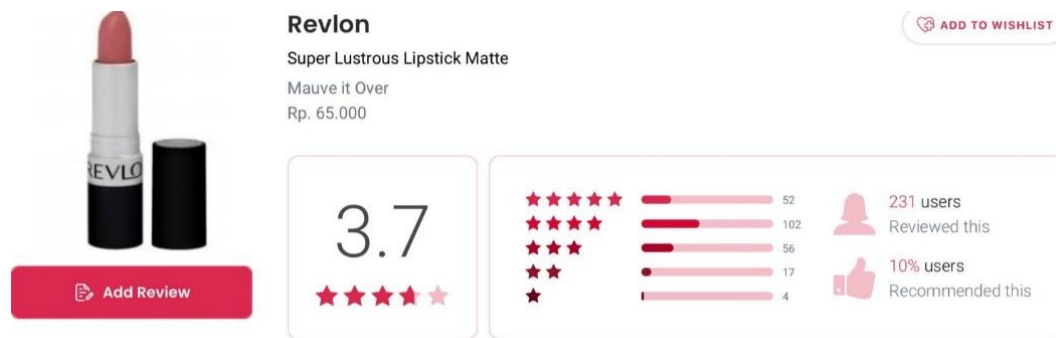


Figure 1.3 Reviews of Revlon

Source: Female Daily (2024)

The figure above represented that out of 231 users reviewed the product, there are 4 users rate 1 star and 17 users rate 2 stars. Moreover, only 10% users recommend its usage (Daily, 2024). There are some customers give a low star towards the product, and they have tendency to move to another brand. This means that brand loyalty is a problem which should be considered and addressed by Revlon.

In this case, one of the important factors affecting brand loyalty of Revlon is product quality. It is determined as a primary quality of the product that is perceived by the customer (Rai et al., 2023). It is paramount to a product, as customers want to purchase quality products to remain in the market (Farhat et al., 2020). Research has consistently shown that the quality of product offers positive effect on the satisfaction of customers (Gunawan, 2022). Product quality plays as a contributing aspect to the decision to purchase. Product quality can be seen from functional, physical and emotional aspects, as well as the extent in which such product achieve consumer expectations and needs (Farhat et al., 2020). In this case,

some customers argued that Revlon has a negative product quality, which is seen through their review in Female daily site, as stated in figure below:



Figure 1.4 Customer Reviews on Revlon Product Quality

Source: Female Daily (2024)

Based on the customer reviews shown above, it can be inferred that one of the customers of Revlon stated that almost all types of Revlon products that she tried on is failed (Daily, 2024). She stated that the products tend to bring a negative side effects towards their lips. It raised concerns over their chemical composition. In this context, their products contain a variety of chemicals and additives that could potentially irritate or sensitize the delicate skin of the lips. In addition, certain pigments, preservatives, and fragrances used in the products might trigger allergic reactions or dry out the lips over time (Daily, 2024). This makes the customer doesn't want to use Revlon products anymore. This also followed by some other customer who also argued that the ingredients contained in the lipstick, including the parabens, phthalates, or certain dyes able to be absorbed through the skin and may lead to discomfort and dryness (Daily, 2024). This indicates negative quality of the brand products.

The other potential factors contributing to the brand loyalty of Revlon is brand image. Brand image refers as a form of representation of the whole perception coming out from a brand, obtained through information and experience regarding the brand (Fatima et al., 2022). Brand image is related to attitudes which can include beliefs and preferences towards a company brand (Fu, 2023). In the context of Revlon, some of the customers have a negative brand image of Revlon, they face intense competition from both established players and newer, trendier brands which started to dominate Indonesian cosmetic market (Htike & Min, 2020). If they fail to innovate or keep up with consumer preferences, they would be perceived as an outdated or irrelevant cosmetic brand (Mutya Afisa & Muhajirin Muhajirin, 2024). When the brand is perceived irrelevant, it would erode the customer satisfaction and intention to purchase the products (Zia & Mirza, 2021).

The third one is about price sensitivity. Price sensitivity refers as a degree at which the product/service demand changes in respect to the price variation (Kauv & Blotnicky, 2020). This concept reflects the way on how consumers' purchasing decisions are influenced by price fluctuation and be significantly vary across different product categories and market segments (Pir & Derinözlü, 2020). In highly competitive markets or for non-essential goods, consumers may exhibit high price sensitivity, which means that even small adjustments in price can cause to huge changes in the quantity demanded (Bae et al., 2021). Meanwhile, essential goods or luxury items, price sensitivity may be lower, as consumers tend to be less responsive to the changes of price because of the necessity of the product (Pir & Derinözlü, 2020). In this case, for cosmetic products which is not essential for some

people, the price sensitivity is a crucial aspect to be determined as it may influence the customer satisfaction to the product, as well as their intention to purchase in the future.

In this context, there is a problem related to the price sensitivity of the product, as stated by iprice.co.id (2024), the price for Revlon products tend to fluctuate, since Revlon is a brand originated from the United States, and the price would be influenced by the currency rate and exporting fees. This would be the consideration for Revlon's customers to make purchase on their products. If the price is raising significantly, they would tend to choose another brand's product, which indicates lower satisfaction and loyalty rate among the customers.

Research performed by Bangun (2023) about the impact of brand image, product quality, and price perception towards the brand loyalty indicates that brand image, product quality, and price perception of drinking water brand positively impact brand loyalty among the customers. Meanwhile, it is different with this research which specified the price perception, in terms of price sensitivity of the cosmetic brand Revlon. Next, the research performed by Fu (2023) related to the impact of brand image and perceived value through brand loyalty. The findings suggested that brand image and perceived value partially shows a significant effect towards brand loyalty. Meanwhile, it differs since they don't discuss variables of product quality and price sensitivity. Hence, there is a need for research related to how product quality, brand image, and price sensitivity influence brand loyalty through the mediation of customer satisfaction.

Therefore, the author is motivated to perform a research entitled “**THE EFFECT OF PRODUCT QUALITY, BRAND IMAGE, AND PRICE SENSITIVITY TOWARDS BRAND LOYALTY OF REVLON WITH CUSTOMER SATISFACTION AS MEDIATING VARIABLE**”.

1.2. Problem Limitation

After determining background as well as identifying several problems, the problem limitation to be addressed in this research includes:

1. This research examines only the five variables, including the independent variables such as product quality, brand image, and price sensitivity, mediating variable of customer satisfaction, along with the dependent variable namely brand loyalty.
2. The research object is focused on Revlon brand.
3. The research will be conducted using a questionnaire sent to individuals aged 18-50 who used Revlon product.

1.3. Problem Formulation

Concerning the background stated above, the problem formulated in this research:

1. Does product quality significantly influence customer satisfaction of Revlon?
2. Does product quality significantly influence brand loyalty of Revlon?

3. Does brand image significantly influence the customer satisfaction of Revlon?
4. Does brand image significantly influence brand loyalty of Revlon?
5. Does price sensitivity significantly influence customer satisfaction of Revlon?
6. Does price sensitivity significantly influence brand loyalty of Revlon?
7. Does customer satisfaction significantly influence brand loyalty of Revlon?
8. Does customer satisfaction perform a mediation in between product quality and brand loyalty of Revlon?
9. Does customer satisfaction perform a mediation in between brand image and brand loyalty of Revlon?
10. Does customer satisfaction perform a mediation in between price sensitivity and brand loyalty of Revlon?

1.4. Objective of the Research

Concerning the stated problem formulation, the research objective includes:

1. To identify whether product quality significantly influence customer satisfaction of Revlon.
2. To identify whether product quality significantly influence brand loyalty of Revlon.
3. To identify whether brand image significantly influence customer satisfaction of Revlon.

4. To identify whether brand image significantly influence brand loyalty of Revlon.
5. To identify whether price sensitivity significantly influence customer satisfaction of Revlon.
6. To identify whether price sensitivity significantly influence brand loyalty of Revlon.
7. To identify whether customer satisfaction significantly influence brand loyalty of Revlon.
8. To identify whether customer satisfaction perform a mediation in between product quality and brand loyalty of Revlon.
9. To identify whether customer satisfaction perform a mediation in between brand image and brand loyalty of Revlon.
10. To identify whether customer satisfaction perform a mediation in between price sensitivity and brand loyalty of Revlon.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

The research delivers several theoretical benefits, including:

1. This research can become reference and reference material for further research which will carry out discussions regarding the factors that influence brand loyalty, by determining different research objects or research variables.

2. This research can be useful for further scientific development within the scope of management and marketing, especially regarding strategies to increase brand loyalty.

1.5.2. Practical Benefit

The practical benefits of this research are stated below:

1. The results of the study are expected to increase insight and understanding of business actors to be able to carry out strategies to increase brand loyalty by paying attention to aspects of product quality, brand image and price sensitivity.
2. This research is expected to increase insight and understanding of the researcher about the factors which able to influence brand loyalty.

