

CHAPTER I

INTRODUCTION

1.1. Background of the Study

The cosmetics industry is undeniably one of the most fiercely competitive sectors globally. Characterized by a constant influx of new trends, products, and brands, competition in this industry is multifaceted. Established beauty conglomerates vie for market share alongside innovative startups, all seeking to capture the ever-evolving preferences of consumers. The competitive landscape is intensified by the influence of social media, where trends can rapidly gain momentum, and consumer expectations for product quality, diversity, and sustainability are higher than ever (Ikbar, et al., 2024).

Indonesia is one of the potential cosmetic product markets so that this business can be promising for our manufacturers who want to develop it, said Director General of textile and various chemical industries (IKTA) of the Ministry of Industry, Dwiwahjono (2024) in Jakarta.

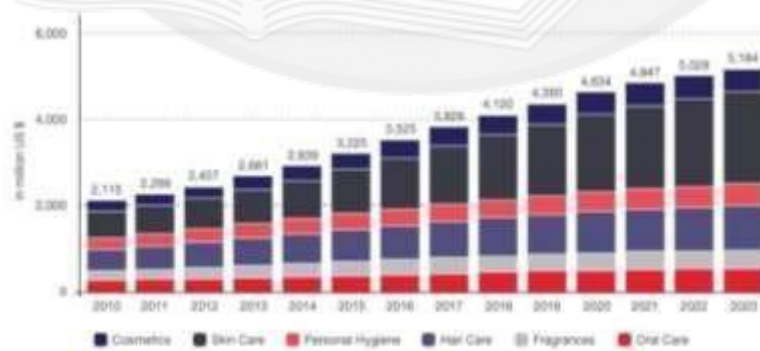


Figure 1. 1. Beauty and Personal Care
Sources: Pelaku Bisnis (2024)

Sociolla was founded in 2015 to provide better experience of beauty online shopping nationally. Our founders believes that women should feel confident and convenient in their pursue of various beauty products. Sociolla now carries more than 150 beauty brands and more than 5,000 product selections, curated to serve you better.

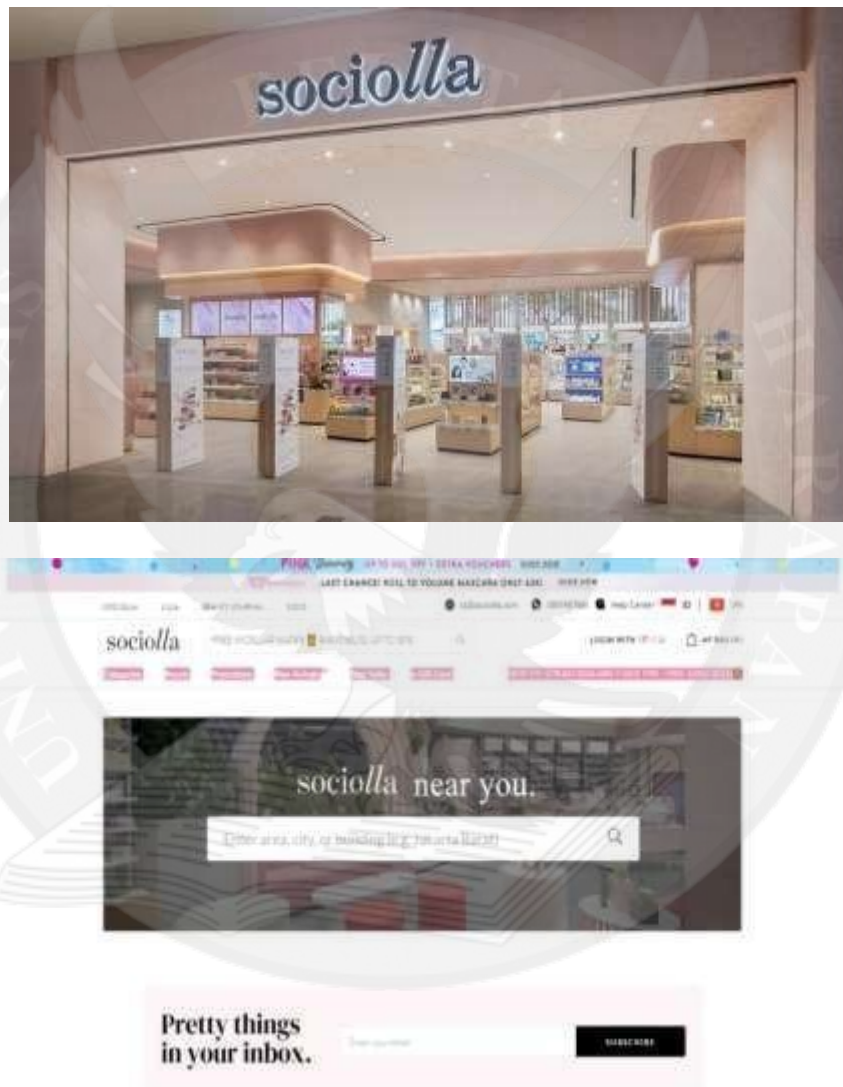


Figure 1.2. Sociolla
Sources: Sociolla (2024)

Sociolla is Indonesia's trusted and most complete online shopping destination offering authentic beauty products e.g. make up, skin care, hair care,

fragrance and beauty tools serving women across Indonesia. This has prompted Sociolla to collaborate directly with authorized national distributors and brand owners in Indonesia to ensure that every product you purchase from Sociolla are original and authentic, with the certification from *Badan Pengawas Obat dan Makanan* (BPOM). Quality assurance of product storage is performed directly by Sociolla's own operations management with compliance to international standards and storage guideline by the brand owners.

Customers purchase intention at Sociolla has decreased over the past 3 months (May-July) at 2024.



Figure 1.3. Purchase Intention at Sociolla
Sources: Prepared by writer (Similar Web, 2024)

Figure 1.3. shows that only 494.8 thousand customer visits at Sociolla have decreased compared to several months since 2024. This shows that there is a problem with customers purchase intention at Sociolla.

According to Aradatin, et al. (2021), online reviews are often used for beauty products since it can be tricky to understand how they should be used or applied. As a result, these reviews function as skincare advice to clients. It is also a low-cost approach to developing client trust. Because this is two-way

communication, it is possible that it will reach the appropriate recipient. It is worth mentioning that people pay attention to online third-party reviews, whether bad, regarding a product. Consumers post comments on the internet based on their various opinions of the brands. In addition to recognizing that the cosmetics industry is experiencing an increase in demand (Bahari and Dermawan, 2022), it is worthwhile to investigate how third-party online comments influence the persuasion during product purchases. Ultimately, consumers are using their spending power to ensure their voice is heard and to support brands.

Online review at sociolla that there are negative things that can be seen in the figure below:

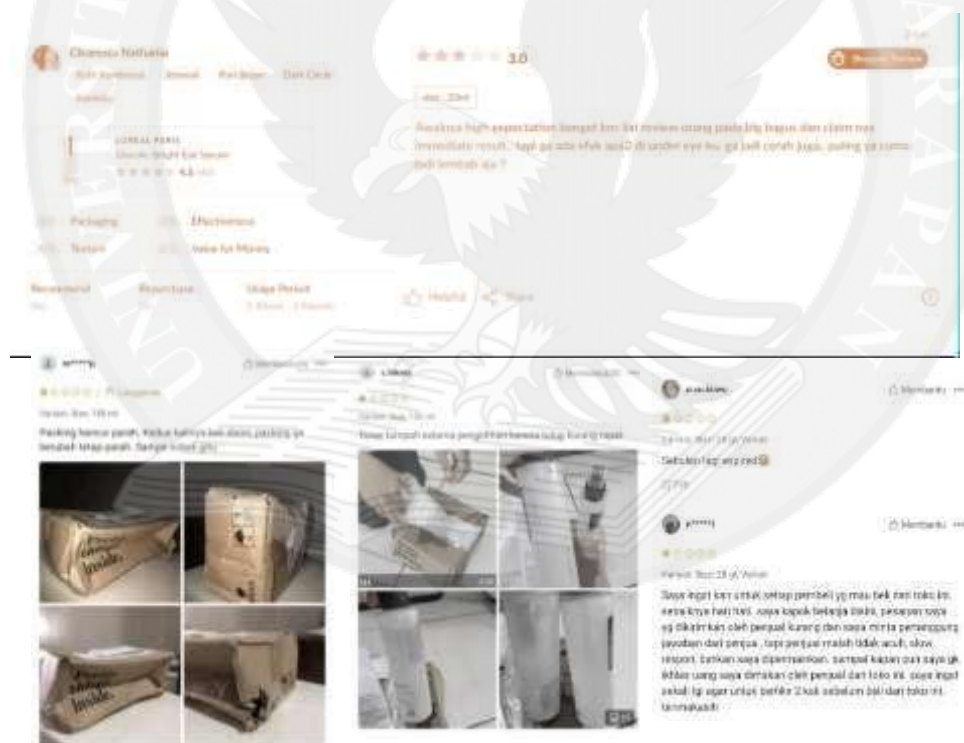


Figure 1. 4. Online Review at Sociolla

Sources: Prepared by writer (Sociolla, 2024)

From the figure above it can be concluded that a variety of negative reviews related to the packing is still not good so damaging cosmetic products that

ultimately customers obtain cosmetic products are damaged, the authenticity of the product, expired information is not appropriate, product delivery errors but no effort from the Sociolla in resolving customers complaints. Problems with online reviews include consumer fraud through fake or manipulated reviews, as well as negative impacts on business reputation and purchasing decisions. Fake reviews can mislead potential buyers, while dishonest negative reviews can damage a company's reputation.

Makeup have been popularized for their versatility. More specifically, it gives people the ability to enhance facial features, or conceal imperfections. Makeup has also been used a tool for creative expression. Products like foundations, concealers, eyes shadow have been tied to a specific gender, women. However, in the more recent years, corporations have expanded their focus to improve diversity and inclusion, helping to grow their brand, their reputation, and target audience.

Brand cosmetic products in Sociolla which can be seen in the Figure 1.5 below:



Figure 1. 5. Brands of Cosmetic Products at Sociolla

Sources: Prepared by writer (Sociolla, 2024)

However, some problems related to product diversity, among others, many consumers assume that prices in sociolla have higher prices than their

competitors. Sociolla provides more high-end products, but little for local brands at affordable prices for customers. Then the product in sociolla is also dominant for the female sex, so it is less able to reach from all circles of customers.

Problems with online reviews include consumer fraud through fake or manipulated reviews, as well as negative impacts on business reputation and purchasing decisions. Fake reviews can mislead potential buyers, while dishonest negative reviews can damage a company's reputation.

Online customer rating is one of the forms of e-WOM, referring to the evaluations or ratings given by consumers to products or services online. As part of e-WOM, online customer rating plays a crucial role in influencing consumer purchasing decisions. The ratings and reviews provided by consumers can offer valuable insights to prospective buyers, influencing their perceptions of a product or service and ultimately affecting their purchase intention. Consumers tend to trust reviews from fellow consumers because customers are considered more objective and authentic than direct marketing messages from companies (Harli and Andrianto, 2021).

Online rating for some e-commerce in particular include Sociolla, Watsons and Sephora.

Table 1. 1 Rating Cosmetic

E-commerce	Company	Since	Rating
------------	---------	-------	--------

 Soco bySociolla	PT Social Bella Indonesia	2015	4.0
 Watsons ID	PT. Duta Intidaya Tbk	2005	4.5
 Sephora	PT Sephora Indonesia	2014	4.3

Sources: Prepared by writer (Sociolla, Watsons and Sephora, 2024)

Table 1.1 shows that Sociolla has a lower rating compared to its competitors. the number of bad ratings given is due to some customers having a bad experience related to the purchase that was canceled by Sociolla but not refunded to customers, various cosmetic products that are close to the expired date so that they are very disappointing customers because they do not match the information listed on the website, problems related to very long delivery times. Problems with online ratings for skincare products can include fake or inaccurate reviews, lack of specific information, and negative influences on purchasing decisions. Unclear reviews or ratings that are too high or too low can make potential buyers hesitant and make it difficult for them to make the right choice.

The writer relate the decrease of the Customers Purchase Intention might relate or is suspected to the lack of Online Review, Product Diversity and Brand Trust, therefore the writer is interested to form a research with the title **“The Influence of Online Review, Product Diversity and Online Rating on Customers Purchase Intention at Sociolla.”**

1.2. Problem Limitation

Due to the limited of time and fund, this research is conducted by focusing only to four variables. Those variables are Online Review, Product Diversity and Online Rating as independent variables and Customers Purchase Intention as dependent variable.

1.3. Problem Formulation

The problem formulations on this research are:

- a. Does Online Review has partial influence on Customers Purchase Intention at Sociolla?
- b. Does Product Diversity has partial influence on Customers Purchase Intention at Sociolla?
- c. Does Online Rating has partial influence on Customers Purchase Intention at Sociolla?
- d. Do Online Review, Product Diversity, and Online Rating have simultaneous influence on Customers Purchase Intention at Sociolla?

1.4. Objective of the Research

This research has the objectives as follow:

- a. To investigate whether Online Review has partial influence on Customers Purchase Intention at Sociolla.
- b. To investigate whether Product Diversity has partial influence on Customers Purchase Intention at Sociolla.
- c. To investigate whether Online Rating has partial influence on Customers Purchase Intention at Sociolla

- d. To investigate whether Online Review, Product Diversity, and Online Rating have simultaneous influence on Customers Purchase Intention at Sociolla.

1.5. Benefits of the Research

1.5.1. Theoretical Benefit

The results of this research are expected to contribute on development of existing theories that are relevant with the Online Review, Product Diversity, and Online Rating and the influence on the Customers Purchase Intention.

1.5.2. Practical Benefit

Here are some benefits that are practical:

a. For the Writer

This research will provide advantage for the writer to have deeper understanding in the subject of Online Review, Product Diversity, Online Rating and Customers Purchase Intention.

b. For the Sociolla

This research provides advantage to Sociolla to know and find out about its Online Review, Product Diversity, Online Rating and Customers Purchase Intention. It is also providing the advantage to Sociolla in form of suggestions so the company could form a better strategy to increase its Online Review, Product Diversity, Online Rating and Customers Purchase Intention.

c. For the other researcher

The research benefits the other researcher as source of reference about the studies regarding its variables of Online Review, Product Diversity, Online Rating and Customers Purchase Intention.

