

# CHAPTER I

## INTRODUCTION

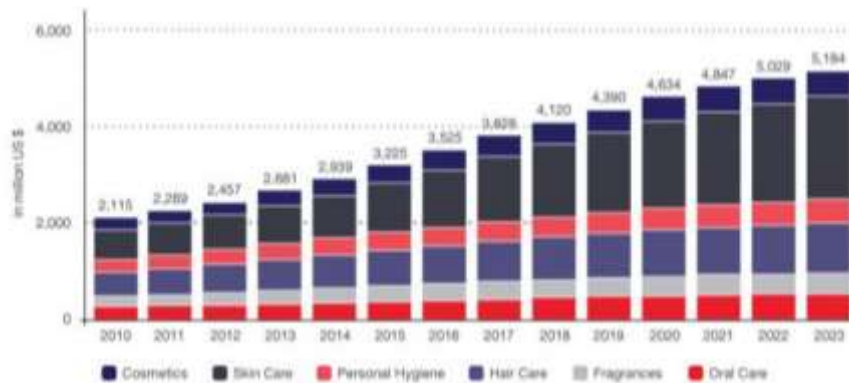
### 1.1 Background

The development of the cosmetic industry is currently growing up so fast. Now, there are many beauty products with new brands that compete both abroad and domestically. Beauty is something that all women really want and dream. Because people who have beautiful faces and healthy skin will be the center of attention, every woman makes cosmetics to support their beauty. So that cosmetic products such as skin whitening are now increasingly being traded in Indonesia. This is because Southeast Asians, who generally have physical characteristics of brown skin, now prefer brightening skin tones.

The Ministry of Industry recorded that in 2017 the cosmetics industry in Indonesia reached more than 760 companies. From this data, 95% of the national cosmetic industry is the Small and Medium Industry sector and only 5% are large-scale industries. Based on data, the number of markets in Indonesia is very tempting because there are around 267 million people with a female demographic population of 130 million people and around 68% are productive women. According to the Directorate Chemical, Pharmaceutical and Textile Industry *Kementrian Perindustrian Republik Indonesia* (Kemenperin) the Ministry of Industry said that this growth was based on domestic market demand which continues to increase every year. The Ministry of Industry targets the growth of the cosmetics industry in 2019 to reach 9%, an increase compared to 2018's growth of around 7.3%.

*Persatuan Perusahaan Kosmetika Indonesia* (Perkosmi) assessed that the beauty business opportunity in Indonesia in 2019 will be even greater to work on. Chairman Perkosmi's said that if according to the ministry of health the total growth in the cosmetics sector in 2019 is projected to increase by 9% above market growth food moving consumer good (FMCG), According to him, there are

several indicators that underlie the growth rate. One of them is the growing number of Indonesia's population in the middle segment. Below is a diagram of the growth of the cosmetics industry and its forecast for the next few years.



**Figure 1.1 Cosmetics Industry Growth Diagram in Indonesia**

*Source: pelakubisnis.com*

The diagram above shows that from 2010 until 2019 beauty products such as cosmetics, skin care, personal hygiene, hair care, fragrances and oral care have increased every year. This proves that the market demand for beauty products is increasing every year. And for 2020 to 2023, there is an estimated increase that might occur because the growth of the beauty industry is always increasing.

After recording the growth of the cosmetics industry throughout 2010 until 2019, the Ministry of Industry is retargeting the growth of the cosmetics industry to increasing 9% by 2020. This growth is based on expanding the range of cosmetics and personal care. Chief Executive Officer (CEO) Social Bella John Marco Rasjid is optimistic that the beauty product industry has the potential to grow, the beauty and personal care market in Indonesia is estimated to reach \$ 6.03 billion in 2019 and this figure is expected to reach \$ 8.46 billion in 2022. One of the fundamental things that will encourage the growth of the beauty industry in Indonesia is because it has a very large young population. In addition, advances in technology, social media and digital platforms will make cosmetic products more diverse and have affordable access for consumers. Until last year, the government recorded that there were 797 large cosmetic industries and small and medium industries (IKM) in Indonesia. This figure is up from 760 companies

in the previous year. And from 797 national cosmetic industries, there are 294 registered industries in *Badan Koordinasi Penanaman Modal* (BKPM).

Doing business in beauty care or body care products is considered profitable because almost all women think that looking beautiful and having well-groomed skin is a primary need. The development of products in the beauty or body care sector is also influenced by various factors such as increasing consumer demand, increasing economic standards, and the lifestyle of people who currently attention to appearance. To get bright and fresh skin, of course, requires treatment. Currently, many career women appear in front of many people and must always maintain their appearance and beauty. Not only career women, even now there are a lot of beauty bloggers and teenagers who almost all prioritize appearance to look beautiful and have well-groomed skin. Thus, many skin care products are now emerging in Indonesia with the category of body care products.

According to Kismono (2011), Products in marketing terms are the physical form of goods offered with a set of images and services used to meet needs. In offering products to the general public, of course, requires a marketing process. According to Kismono (2011), marketing is a group of interrelated activities designed to identify consumer needs and develop distribution, promotion, and pricing and services to satisfy consumer needs at a certain profit level. Marketing of a product can be done through advertisements on television, magazines, and social media (such as Instagram, Facebook, YouTube, etc.) using Brand Ambassador, Brand Image, and price bidding. These generally have a good role in influencing consumers to make purchasing decisions for a product.

For some people who have trusted the brand of a product, it will also influence purchasing decisions. According to Hasan (2014), Brand Image is a series of tangible and intangible characteristics such as ideas, beliefs, values, interests, and features that make it unique. Visually and collectively, a brand image must represent all internal and external characteristics that can influence how a brand is perceived by the target market or customers.

Not only brand image can influence consumers to make purchasing decisions, but it is not uncommon that some people make purchasing decisions

because they are influenced by a Brand Ambassador. According to Greenwood (2012) in Putra, et al (2014) said that a brand ambassador is a tool used by companies to communicate and connect with the public, regarding how they actually enhances sales. In addition to the two factors above, price is also one of the factors that almost everyone makes purchasing decisions because of the price of a product that is considered feasible for purchase by consumers or customers. According to Kotler and Armsrong (2014) in Sari Thesis (2018), said that the price is a value that is exchanged in the form of money to obtain or can have the benefits of the product.

Now not only from old product brands that develop their products in the beauty sector, but there are several body care products with new brands that are produced in Indonesia, such as those produced by PT. Motto Beringin Abadi (MBA Corp Worldwide) and distributed by CV. Berkat Anugerah Sejahtera, located in Jakarta. To develop its business, the company collaborates with an Indonesian artist, Feliscya Angelista, and her as a Brand Ambassador for this product. This product began to be promoted on Instagram in 2017.



**Figure 1.2 Brand Ambassador Scarlett Whitening**  
*Source: Instagram Scarlett Whitening*

Felicya Angelista from Indonesia and trusted by Scarlett Whitening to become a brand ambassador for its products. According to Shimp (2014) in Sari

Thesis (2018), celebrities have attractiveness in various ways so that people make purchase decisions that can be seen from attractiveness, intelligence, characteristics and achievements, not just physical attractiveness.

Scarlett is a local product that has been tested and registered with the BPOM. Scarlett Whitening has a wide range of collections for Body Care and recently she developed a product for Skin Care. For body care products, there are Body Scrubs, Brightening Shower Scrubs, Fragrance Brightening Body Lotion, Shampoo, Fragrance Conditioners, and for skin care there are Facial Wash, and serum. However, in this research only focuses of body care products from Scarlett. All Scarlett products can be seen in Figure 1.3 below



**Figure 1.3 Scarlett Whitening Product**  
*Source: Instagram Scarlett Whitening*

This business that has been running for almost 4<sup>th</sup> years in Indonesia, Even though this product doesn't have a big website like Citra, Wardah, etc. that explains in detail about its product, it has managed to gain the trust of its consumers. Scarlett Whitening can compete with similar products that have been around for a long time in the market. This product Therefore I want to do research in Riau Province about **“The Influence of Brand Image, Brand Ambassador, and Price on Purchasing Decisions for Scarlett Whitening Product in Riau”**.

## **1.2 Formulation of the Problem**

Based on the background description above, this is formulations of the problem that the author wants to examine are:

1. How the influence and how much the influence of Brand Image on purchasing decisions Scarlett Whitening products?
2. How the influence and how much the influence of Brand Ambassador on purchasing decisions Scarlett Whitening products?
3. How the influence and how much the influence of Price on purchasing decisions Scarlett Whitening products?
4. How the influence and how much the influence of Brand Image, Brand Ambassador, and Price of the purchase decision for Scarlett Whitening product?

## **1.3 Purpose of the Study**

This study aims to determine and obtain more detailed information about the influence of brand image, brand ambassador, and price on purchasing decisions(Case Study on The Scarlett Whitening Consumers in Riau), as follows:

1. To determine the influence and how much the influence of Brand Image on purchasing decisions Scarlett Whitening products.
2. To determine the influence and how much the influence of Brand Ambassador on purchasing decisions Scarlett Whitening products.
3. To determine the influence and how much the influence of Price on purchasing decisions Scarlett Whitening products.
4. To determine the influence and how much the influence of Brand Image, Brand Ambassador, and Price simultaneously on the purchase decision for Scarlett Whitening products.

## **1.4 Significance of the Study**

Research conducted by researchers will provide several benefits and uses for various parties, including:

1. Benefit for company

Researchers hope that this research can be useful in making alternative decisions to the company PT. Beringin Abadi's motto is to continue to improve the brand image of Scarlett, set more affordable prices and continue to collaborate with other brand ambassadors so that their products can continue to survive in the market and compete with other competing products.

2. Benefit for customers/community

Provide information and consideration for customers in making purchasing decisions related to brand image, brand ambassador, and price.

3. Benefits for researcher or writer

This research is useful as a deepening of knowledge about Marketing Management as well as practice in the application of knowledge gained during the study at State Polytechnic of Bengkalis.

4. Benefits for other parties

The results of this study can be used as a source of information to increase knowledge and as additional reference material for conducting scientific research on the same topic with different object.

### **1.5 Scope and Limitation of the Problem**

Based on the background of the problem and existing identification, it can be seen that the problem associated with the research topic are very broad. Therefore, it is necessary to limit the problem. For this reason, this study focuses more on the Scarlett Whitening consumers in Riau.

And the scope of this study was limited to the influence of brand image, brand ambassador and price on the purchase decision of Scarlett whitening products. In the dependent variable, namely purchasing decisions, researchers only use 5 indicators, namely problem recognition, information search, evaluation of alternatives, purchase decisions, and post-purchase behavior. In fact, we know that there are many other indicators that can be investigated in relation to purchasing decisions for a product.



## **1.6 Writing System**

Systematic of writing on the study “The Influence of Brand Image, Brand Ambassador, and Price on Purchasing Decisions” as follows:

### **CHAPTER I : INTRODUCTION**

In Chapter I describe the background of the problem, the formulation of the problem, the study objectives, the benefits of the study, the scope of the study and the limitations of the problem as well as the systematic writing of reports.

### **CHAPTER II : LITERATURE REVIEW**

In Chapter II describes the literature review and the basis of the previous theory that will be used in the completion of the study.

### **CHAPTER III : METHODS AND ACCOMPLISHMENT PROCESS**

In Chapter III the author describes the method and accomplishment process of completion, which consists of location and object of the study, types and sources of data, population and samples, sampling techniques, data collection techniques, data processing techniques, measurement scale, validity and reliability testing, data analysis methods, research hypothesis, research model, type of research, concept definition and operational variable

### **CHAPTER IV : RESULT AND DISCUSSION**

At this point, the author explains or outlines the results and discusses after the author conducted research based on data obtained through questionnaires, and case studies.

### **CHAPTER V : CONCLUSION AND SUGGESTION**

At this point the researcher explains the conclusions of the results and discussion which is done in a conclusion and suggestions as recommendation for improvement on the related study in the future.