

CHAPTER I

INTRODUCTION

1.1 Background

The Covid-19 pandemic brings bad risks to the economy in Indonesia, one of the sectors affected by the Covid-19 pandemic is the economic sector. On the other hand, not all sectors are negatively impacted. There are also business sectors that show growth in 2021. The cosmetics industry continues to show its existence amidst the Covid-19 pandemic (Sarasa, 2021).

The Indonesian population that uses cosmetic products is 60 percent of the 250 million people. The number of cosmetic users has increased in line with the implementation of social distancing policies during the Covid-19 pandemic. The pandemic has not necessarily reduced the use of cosmetics in the country (Hasibuan, 2022). The pandemic requires people to spend more time at home, so the trend of caring for skin health and beauty is increasing. Currently, beauty and body care products have become a necessity for society. These desires and needs cause this product to grow day by day. This shows that there are opportunities and potential in the cosmetics industry in Indonesia.

The cosmetics industry grew 9.61% in 2021. In addition, there is an increase in the number of cosmetics business players in Indonesia. In 2021 to July 2022, BPOM RI noted that there was an increase in the number of cosmetic industries from 819 to 913 with a growth percentage of 20.6% (Febrinastri, 2022). The

growing number of cosmetic industries can encourage intense competition for both small and large companies.

The growth of the cosmetics industry shows an increasing trend and is able to adapt quickly in utilising existing technological developments. The cosmetics industry is growing rapidly through digital platforms. Promotion is carried out using social media so that it can reach a wider market. Social media that are usually used are WhatsApp, Instagram, Facebook, Twitter, TikTok, and others.

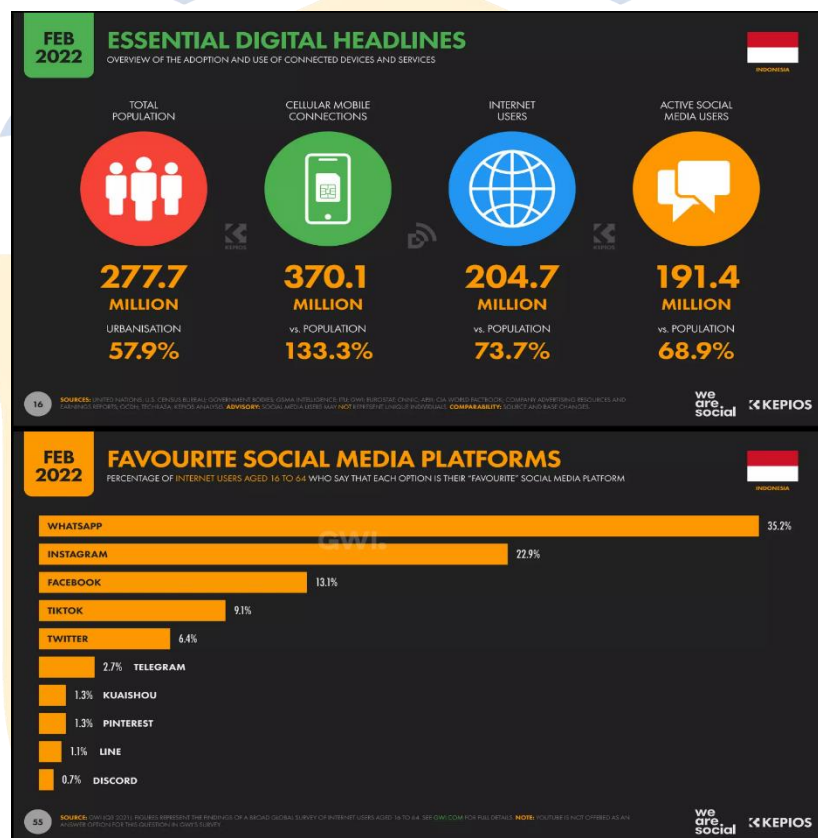


Figure 1. 1 Infographic of Social Media Platform Usage in Indonesia 2022

Source: datareportal.com (2022)

The active social media users in Indonesia in February 2022 were 191.4 million people with a total population of more than 277 million. In figure 1.1 shows that 68.9% of the population in Indonesia are active social media users. The report

also shows that the social media platform that is widely used by Indonesians is WhatsApp with a percentage of 88.7% of all social media users in Indonesia. This is followed by Instagram (84.8%), Facebook (81.3%), and TikTok (63.1%) (Riyanto, 2022). Today, many cosmetic brands are competing to use social media to promote their products. One of these cosmetic brands is Azarine Cosmetic, which likes to do promotions on several social media.

Azarine Cosmetic is one of Indonesia's local beauty brands that focuses on skin and body care. Established in 2002, Azarine was originally known as a brand that provides various herbal spa treatment products and modern beauty salons. Azarine Cosmetic continues to develop to bring useful and convenient products for modern lifestyles. In 2017, Azarine Cosmetic products were registered by BPOM and produced at PT Wahana Kosmetika Indonesia which has been certified with Good Manufacturing Practices (GMP). Today, Azarine Cosmetic has been recognised as one of the local beauty brands with international quality (Azarine, 2022).



Figure 1. 2 Awards Achieved by Azarine Cosmetic in 2022

Source: azarinecosmetic.com (2023)

In 2022, Azarine Cosmetic won 12 awards in several categories and has come a long way in its journey as a beauty brand. Some of Azarine Cosmetic's products became the best products in various award shows and beat products from other beauty brands. One of the awards won by Azarine Cosmetic is being the "Best Sunscreen" in several award shows. The awards that have been achieved make Azarine Cosmetic management excited to continue to innovate into a local beauty brand in an increasingly positive direction.

Innovations in beauty and body care products on the market influence consumers in making purchasing decisions. Tjiptono (2015:21) stated that purchasing decision is a process where consumers recognise their problems, seek information about certain products or brands and evaluate whether each of these alternatives can solve their problems, which then leads to a purchase decision. In the purchasing decision process, consumers cannot be separated from the factors

that influence and motivate consumers to make purchases. The purchasing decision process can be influenced by several factors, namely product factors or factors from within the consumer himself. So that purchasing decisions can generate references for companies in developing and expanding their products.

Purchasing decisions on beauty products cannot be separated from the brand image factor. Kotler & Armstrong (2014: 266) state that a brand is not just a name or symbol, but a brand is a key element in the relationship between a company and its customers. In the beginning, Azarine Cosmetic was better known as a brand that provides various spa and salon care products. But over time, Azarine Cosmetic rebranded with various breakthroughs, so that it is now one of the local beauty brands that are in demand by the public.



Figure 1. 3 10 Best Selling Skincare Brands on E-Commerce

Source: compas.co.id (2022)

The success that has been achieved by Azarine Cosmetic shows that Azarine Cosmetic always tries to compete with other competitors. Based on sales data in e-commerce in the April-June 2022 period, Azarine Cosmetic was able to enter the

top 10 top local skincare brands, namely at number 6 with total sales reaching Rp22.8 billion (Compas, 2022). This shows that Azarine Cosmetic has started to be in demand by the public. However, because it is still new in this industry, many people do not know about Azarine Cosmetic products. For this reason, Azarine Cosmetic must innovate more and improve the quality of marketing its products so that it can increase the brand image of Azarine Cosmetic.



Figure 1. 4 Brand Ambassador of Azarine Cosmetics

Source: azarinecosmetic.com (2023)

One of Azarine Cosmetic's strategies in introducing its products is to use brand ambassadors who attract public attention. Azarine Cosmetic has successfully collaborated nationally and internationally. In Indonesia, Azarine Cosmetic collaborates with Prilly Latuconsina as its brand ambassador. While on the international side, Lee Minho as one of the South Korean actors was made a brand ambassador by Azarine Cosmetic (Azarine, 2022).

A brand ambassador is defined as someone who has a love for a brand and can influence or invite consumers to buy or use a product (Firmansyah, 2019:137). One of the roles of brand ambassadors is to provide testimonials where they personally use the product to testify to the benefits and quality of the advertised product. In addition to strengthening the technical side, Azarine Cosmetic also continues to develop strategies, especially in terms of branding. It is hoped that the influence of this brand ambassador can provide a positive image and increase consumer purchasing decisions.

The branding strategy carried out by Azarine Cosmetic caused conversations on social media. Electronic word of mouth (E-WOM) is a component that has a considerable impact on product promotion, especially in this sophisticated era. Amin & Yanti (2021) state that E-WOM is a positive or negative opinion or expression about a product expressed via the internet by users of that product, which can influence other consumers' purchasing decisions (Iskandar & Argo, 2022). Product reviews are a hot topic of conversation because they can make some cosmetic brand products go viral. Apart from brand ambassadors, many beauty enthusiasts and influencers do product reviews and recommend Azarine Cosmetic products to their audience. In addition to positive reviews, Azarine Cosmetic also received some negative judgements from its consumers.

Azarine Cosmetic

Komplek Pergudangan Gedangan Permai A-20, Jl. Ahmad Yani No.214-A, Megersari, Gedangan, Sidoarjo Regency, East Java

[Write a review](#)

4.0 ★★★★★ 25 reviews ⓘ



resesa leonita

3 reviews

★★★★★ a year ago

Saya kasih bintang 1. Karena sy baru 2pakai produk ini. Ada bbrp yg ingin sy tnyakan. Apa ada produk azarine yg asli/palsu. Krn pertama sy beli produk(rangkaian c white)dg kedua kalinya knp bisa ada perbedaan ya. 1 di cream day&night knp disalah satu cream tdk ada penutup almuniumnya. 2 di body serumnya knp bisa berbeda aroma dan tdk ada bling"nya.

[See translation \(English\)](#)

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Sioux

4 reviews · 2 photos

★★★★★ 2 years ago

Azarine kosmetik, tegur tuh toko resminya di shopee. Beli azarine di official store di shopee, bayar tgl 1 Mei 2021 sampai hari ini 10 mei masih dikemas. Toko official nawarin barang tapi dibeli, udh bayar, gak dikirim². Dichat gak dijawab pdhl online. Admin shopee udh bantu chat toko jg gak dibalas. BUTUH 9 HARI MENGEMAS BARANG ????? PERCUMA PRODUK BAGUS KALO TOKO SEBAGAI REPRESENTASI PRODUK MENGECEWAKAN.

[See translation \(English\)](#)

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Figure 1. 5 Consumer Rating of Azarine Cosmetic Products

Source: Google Reviews (2023)

Based on figure 1.5, there are some consumers who give one-star ratings on Azarine Cosmetic products. Consumers give negative comments about Azarine Cosmetic products, where consumers feel uncertain about the authenticity of Azarine Cosmetic products and unsatisfactory service. This negative assessment can have an impact on the brand image of Azarine Cosmetic. This poor brand image can affect purchasing decisions.

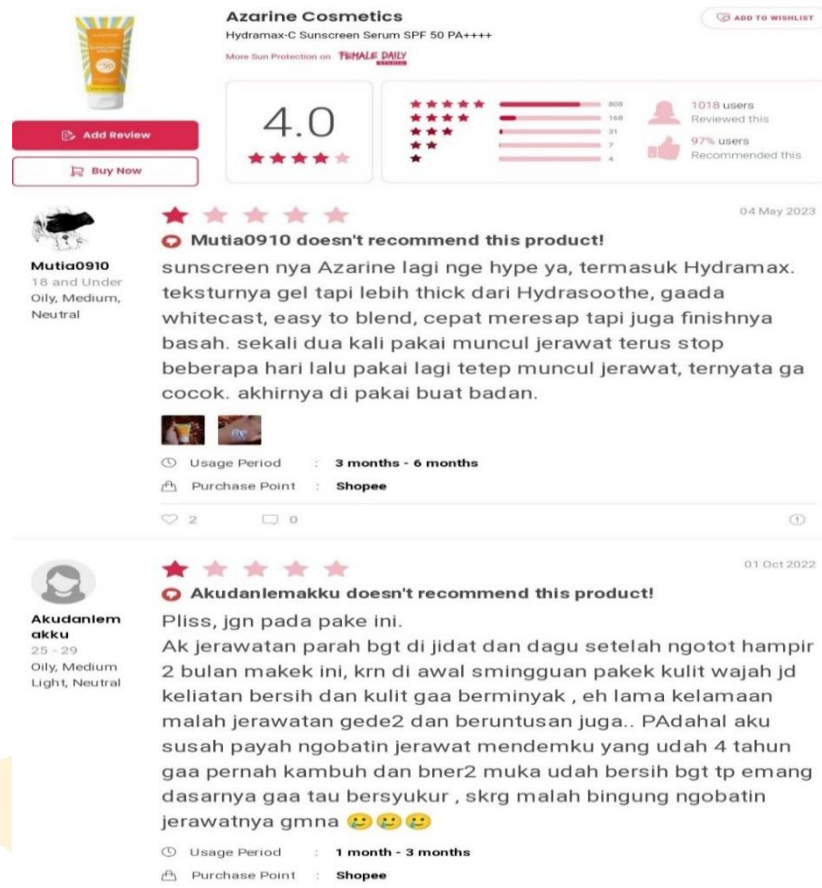


Figure 1. 6 Consumer Rating of Azarine Cosmetic Products

Source: reviews.femaledaily.com (2023)

Figure 1.6 shows that there is a negative assessment of the quality of Azarine Cosmetic products. Consumers feel that this product causes acne on the face after being used many times. One of the important factors that companies must pay attention to in order to achieve success is product quality. Product quality is very important because it can determine the brand image of a product itself. Kotler & Keller (2016:164) stated that product quality is the ability of an item to provide results or performance that matches or even exceeds what consumers want. Consumers are also more likely to stick with a brand if the products they buy are of high quality and get the results they expect. In this case, Azarine Cosmetic must be

able to improve the quality of its products in order to remain competitive with other cosmetic products.

There are research gap results found in research that examines the relationship between brand ambassadors and brand image. Research conducted by Satornsantikul & Nuangjamnong (2022) shows a positive and significant relationship between brand ambassadors and brand image. This research has differences with research conducted by Silmi et al. (2019) which found that brand ambassadors have a positive but not significant effect on brand image.

Research conducted by Widyastuti & Hilmi (2022) shows a positive and significant relationship between E-WOM and brand image. This research has differences with research conducted by Karya et al. (2020) which found that E-WOM has a positive but not significant effect on brand image.

Research conducted by Akbar et al. (2020) shows a positive and significant relationship between product quality and brand image. This research has differences with research conducted by Jannah et al. (2022) which found that product quality has a positive but not significant effect on brand image.

Research conducted by Wardani & Nugraha (2022) shows a positive and significant relationship between brand ambassadors and purchasing decisions. This research has differences with research conducted by Hermanto et al. (2022) which found that brand ambassadors have a positive but not significant effect on purchasing decisions.

Research conducted by Iskandar & Argo (2022) shows a positive and significant relationship between E-WOM and purchasing decisions. This research

has differences with research conducted by Gunawan & Pertiwi (2022) which found that E-WOM has a positive but not significant effect on purchasing decisions.

Research conducted by Nata & Sudarwanto (2022) shows a positive and significant relationship between product quality and purchasing decisions. This research has differences with research conducted by Sholiha et al. (2022) which found that product quality have a positive but not significant effect on purchasing decisions.

Research conducted by Safika & Raflah (2021) shows a positive and significant relationship between brand image and purchasing decisions. This research has differences with research conducted by Sholiha et al. (2022) which found that brand image have a positive but not significant effect on purchasing decisions.

Based on the above background, it is necessary to make an effort to conduct thesis research entitled **“The Influence of Brand Ambassador, E-WOM, and Product Quality on Purchase Decision with Brand Image as Intervening Variable (Research On Azarine Cosmetic Consumers)”**.

1.2 Scope

The scope of this research is as follows:

1. Exogenous variables consist of brand ambassadors, E-WOM, and product quality. The endogenous variable is the purchase decision and the intervening variable is brand image.
2. The object of this research is Azarine Cosmetic produced by PT Wahana Kosmetika Indonesia.

3. Respondents in this research were consumers of Azarine Cosmetic products in Kudus City.
4. This research was conducted within a period of three months after the proposal was approved by the supervisor.

1.3 Research Problems

Based on the background described above, the following problems can be identified:

1. Azarine Cosmetic is still new in this industry and not very familiar compared to other cosmetic products, so data of purchasing decision show that Azarine Cosmetic still at number 6 of the list best selling skincare brands on E-Commerce (Figure 1.3).
2. The increasingly fierce competition in the cosmetics and body care business makes the Azarine Cosmetic brand continue to improve brand image to customers use brand ambassadors (Figure 1.4).
3. There is a low assessment by consumers who will give a negative review to Azarine Cosmetic products (Figure 1.5).
4. There are consumers who think that the quality of Azarine Cosmetic products is not as expected (Figure 1.6).

With the identification of these problems, the researchers formulated the problems in this research as follows:

1. How does brand ambassador influence the purchasing decision at Azarine Cosmetic?
2. How does E-WOM influence the purchasing decision at Azarine Cosmetic?

3. How does product quality influence the purchasing decision at Azarine Cosmetic?
4. How does brand ambassador influence the brand image at Azarine Cosmetic?
5. How does E-WOM influence the brand image at Azarine Cosmetic?
6. How does product quality influence the brand image at Azarine Cosmetic?
7. How does brand image influence the purchasing decisions at Azarine Cosmetic?

1.4 Research objectives

Based on the explanation of the problem formulation above, the objectives of this research are as follows:

1. Analyze the effect of brand ambassador on purchasing decisions at Azarine Cosmetic.
2. Analyze the effect of E-WOM on purchasing decisions at Azarine Cosmetic.
3. Analyze the effect of product quality on purchasing decisions at Azarine Cosmetic.
4. Analyze the effect of brand ambassador on brand image at Azarine Cosmetic.
5. Analyze the effect of E-WOM on brand image at Azarine Cosmetic.
6. Analyze the effect of product quality on brand image at Azarine Cosmetic.
7. Analyze the effect of brand image on purchasing decisions at Azarine Cosmetic.

1.5 Research Benefits

The existence of this research is expected to be able to obtain several benefits as follows:

1.5.1 Theoretical Benefits

The theoretical benefits of this research are to provide benefits for development, especially in the field of marketing, test the suitability of previous research theories, and the results of this research are expected to be used as reference material for further research.

1.5.2 Practical Benefits

This research is expected to provide information and as a consideration for what the company should do to be more optimal in dealing with product marketing problems including the influence of Brand Ambassadors, E-WOM, and Product Quality on Purchasing Decisions with Brand Image as an intervening variable on Azarine Cosmetic products.