CUSTOMERS' REPURCHASE INTENTION OF SOUTH KOREAN BEAUTY PRODUCTS

A RESEARCH JOURNAL

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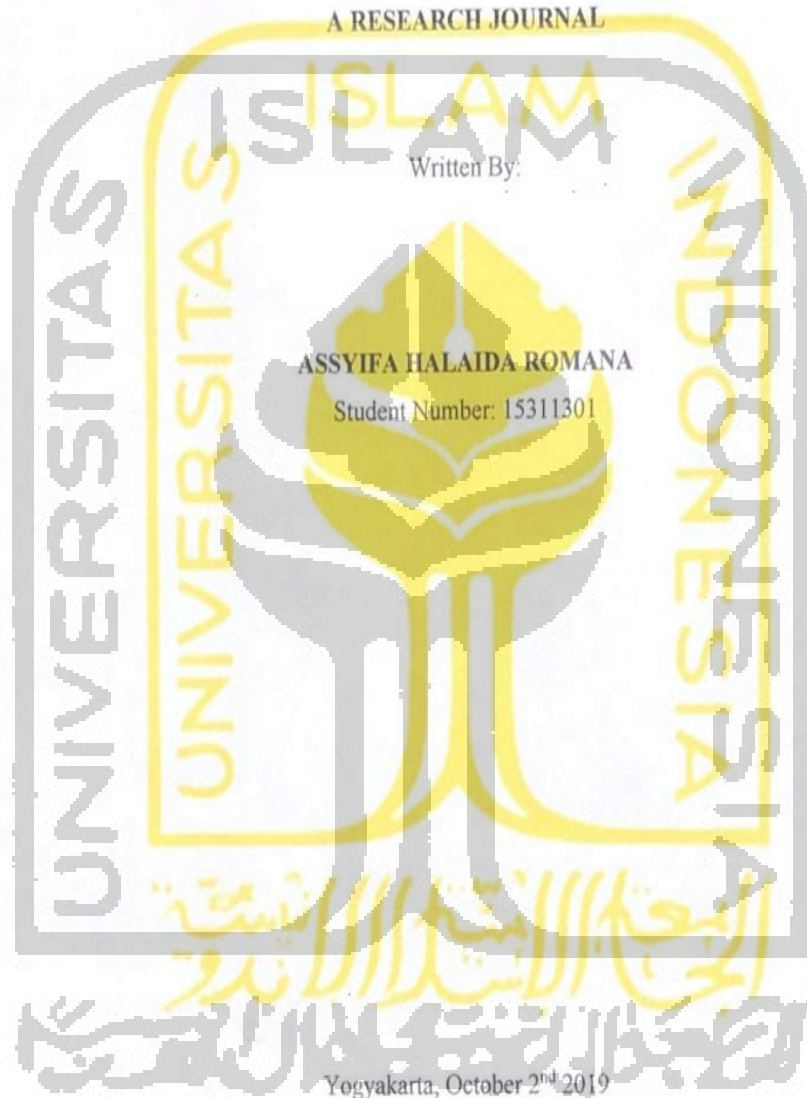to Obtain the Bachelor's Degree in Management Department

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Abstract

The aim of this research is to examine the key factors that influence Indonesian customers to repurchase South Korean beauty products. This study intents to verify the relationships between four variables namely perceived price, country of origin, customer satisfaction, and repurchase intention. This study applies structural equation modelling (SEM) by using software AMOS version 24 and software SPSS version 16 in order to examine the proposed model, examine the hypotheses, and determine the relationships between the four marketing variables. In total, there were 166 valid respondents that were gathered through primary data collection method analysed in this study. Results show that perceived price significantly influences customer satisfaction, country of origin significantly influences perceived price and customer satisfaction, and customer satisfaction significantly influences repurchase intention. However, the results also show that perceived price does not influence repurchase intention and country of origin does not influence repurchase intention.

Keywords: beauty products, repurchase intention, perceived price, country of origin, customer satisfaction

Abstrak

Tujuan dari penelitian ini adalah untuk menguji factor-faktor kunci yang dapat mempengaruhi pelanggan Indonesia untuk kembali membeli produk-produk kecantikan Korea Selatan. Penelitian ini juga bermaksud untuk memverifikasi hubungan antara empat variabel yaitu persepsi pelanggan akan harga, negara asal suatu produk, kepuasan pelanggan, dan niat membeli ulang. Penelitian ini menggunakan SEM (structural equation modelling) melalui software AMOS versi 24 dan software SPSS versi 16 untuk menguji model yang diajukan, hipotesis, dan menetukan hubungan antara keempat variabel pemasaran. Secara total, ada 166 responden yang valid yang dikumpulkan melalui metode pengumpulan data primer yang yang telah dianalisis dalam penelitian ini. Hasil analisis menunjukan bahwa persepsi harga secara signifikan mempengaruhi kepuasa pelanggan, negara asal suatu produk secara signifikan mempengaruhi persepsi harga dan kepuasan pelanggan, dan kepuasan pelanggan secara signifikan mempengaruhi niat membeli ulang. Namun, hasil analisis juga menunjukan bahwa persepsi harga tidak mempengaruhi niat membeli ulang dan negara asal suatu produk tidak mempengaruhi niat membeli ulang.

Keywords: produk kecantikan, niat membeli ulang, persepsi harga, negara asal suatu produk, kepuasan pelanggan.

1. INTRODUCTION

Physical attractiveness and beauty are nowadays constantly being highlighted to be desirable and admirable characteristics (Ibáñez, Hartmann, Diehl, and Terlutter, 2010). Often, people try to improve their appearance since being attractive usually offers more benefit to an individual. There are several ways that can improve someone's appearance to be more attractive. Guthrie, Kim, and Jung (2008) stated that cosmetics and apparel are two of many ways to improve and manage someone's appearance. Kumar, Massie, and Dumonceaux (2006) stated that cosmetics are not only used for beautifying purposes such as cleaning body parts, enhancing features, and changing skin tones and colours; but cosmetics also cover a wide range of products including makeup, perfume, toothpaste, shampoo, deodorant, powders, and body makeup.

The cosmetics industry itself is a very lucrative, innovative fast paced industry. A number of cosmetic companies around the world are competing against one another to capture a share of the multi-billion-dollar cosmetic market (Kumar et al., 2006). The International Trade Administration of the United States reported in their Asia Personal Care & Cosmetics Market Guide 2016 that analysts predicted Indonesia, as Southeast Asia's largest economy, with a GDP of US$ 888.5 billion, a population of 250 million people and rising incomes, would likely emerge to become one of the top five markets for cosmetic in the next 10 or 15 years.

The intention of capturing a share of the cosmetic market including Indonesia's market can now easily be achieved due to globalization. As a result of globalization, there are several advantages that can be gained by business practitioners such as being able to access new and more customers all around the world and new capital useful in global marketing (Shulyn and Yazdanifard, 2015). Moreover, globalization also plays an increasingly critical role in every aspect of life, society, and culture (Lee, 2015). Lee then continued to explain that the cultural impact of globalization could be seen from how The Korean Wave (or 'Hallyu' in Korean language) is now becoming a very popular cultural phenomenon among Asian consumers today.

Indonesia, just like any other countries, is also impacted by this Korean Wave phenomenon. The Korean Wave phenomenon not only brings more people to know about Korean culture, but this new cultural trend also has a significant impact on the Korean economy through exports of its product and increased tourism (Lee, 2015; Hogarth, 2013; cited in Lee, 2015). A study on whether the rise of the Korean wave leads to cosmetic import, which was conducted by Park (2015), revealed that from 2005 to 2013, the export of Korean cosmetics to Thailand increased 23 times, to the Philippines increased 11.3 times, to Indonesia 10.7 times, and to Malaysia 5 times.

In business world, repurchase intention is very important, as customer's intention to repurchase products from the same company can mean that the company does the right thing to keep their customers interested. However, not all companies succeed in engaging with their customers after the customers have bought or used the products that they offer, and this becomes a challenge and objective for these companies to not only getting new buyers and audiences, but also to keep their customers on continuing to be interested and willing to buy and use their products in the future.

In Indonesia, there are a lot of brands from overseas that start to open their stores in Indonesia or start to distribute their products in Indonesia through several channels, unexceptionally South Korean cosmetic companies. Indonesian consumers now have a lot of choices on which brand they could buy from. Hence, it may be harder for companies to get their customers to repurchase their products due to a lot of alternatives given by other brands from the same industry including South Korean cosmetic companies.

There are numerous studies that show the reasons why the people in Indonesia would buy Korean cosmetic products. However, there is still very little amount to none of studies that talk about repurchase intention of Indonesian customers towards South Korean beauty products/cosmetics. Especially when the repurchase intention is affected by country of origin, perceived price, and customer satisfaction. Thus, the researcher conducted this research to find what factors can influence

Indonesian customers repurchase intention in buying beauty products, specifically South Korean beauty products.

2. LITERATURE REVIEW
Perceived Price

According to Zeithaml (1988), from the consumers' perspective, price is what is given up or sacrificed in order to obtain a product, and that price consists of three components, which are objective price (also known as the actual price of a product), perceived nonmonetary price (also known as the price as encoded consumers), and sacrifice.

Price and price perception or perceived price, however, slightly hold different meanings. While price is seen more as an objective price, perceived price is seen as a price of a product that is set by the consumer (Zeithaml, 1988). Lichtenstein, Bloch, & Black (1988) referred price perception as the process by which consumers translate price into meaningful cognitions. Geçti (2014) described price perception as the process of price interpretation and evaluation of products or services by consumers. Li (2017) defined perceived price as the price of a product codified by the consumer.

In a study conducted by Moslehpour, Wong, Pham, and Aulia (2017) about repurchase intention of Korean beauty products among Taiwanese consumers, perceived price was found to significantly influence repurchase intention in the beauty product industry, which implies that perceived price is one of the most important factors for consumers to consider in buying the same product.

Ha et al., (2010) found that worthy price is one of the marketing mixes that influence both customer satisfaction and repurchase intention regarding online shopping (cited in Suhaily and Soelasih, 2017). Additionally, Herrmann et al., (2007) stated that price perceptions or perceived price directly influence satisfaction judgements as well as indirectly through perception of fairness. Based on stated theoretical background above, the hypotheses are presented as shown below:

H1: Perceive Price positively influences Repurchase Intention

H2: Perceived Price positively influences Customer Satisfaction

Country of Origin

According to Saeed (1994), country of origin can be defined as the home country that is usually linked with a manufacturer's product or brand (cited in Murtaza, 2016). Nagashima (1970) identified country of origin by looking at the "made in" or "manufactured in" labels attached to a product or a brand. Abdi (2014) stated that country of origin is an identity in product attributes that affects consumer evaluations when it comes to identifying the origin of a product.

Country of origin and country image are not the same but quite related to one another. Country of Image is frequently used to describe effects caused by country of origin on product evaluations (Ayyildiz and Cengiz, 2007). Han and Terpstra (1988) referred the term country of origin effect to a consumer's dependency upon country of origin when forming opinion on quality of a product.

There are several previous researches regarding country of origin's effect on price perception, customer satisfaction, and repurchase intention. Guttmann, Yvetz, and Rosenbaum (2017) conducted a research on customer's country of origin. Their study implied that consumers' country of origins may affect the way they assess products that they would like to use and that it is possible for the consumers to have bias towards either products that are made locally or products made in other countries.

Akhter (2010) stated that consumers who have positive purchase intention will intend to purchase more of the same product in the future. Reportedly, Yu et al., (2013) found that country of origin has significantly positive influence toward customers' intention to repurchase.

Additionally, a research conducted by Drozdenko and Jensen (2009) showed that US consumers are willing to pay more for US-made products compared to paying more for Chinese products. The result also indicated that consumers are more willing to pay a premium for a product from USA, Germany, or India over those from China. Implying that country of origin has an effect on perceived price. In agreement, a research conducted by Brookshire and Yoon (2012) reveal that country of origin has a negative effect on perceived price when the apparel is made in China from their textile

industry. Thus, the researcher proposed these hypotheses:

H3: Country of Origin positively influences Customer Satisfaction

H4: Country of Origin positively influences Repurchase Intention

H5: Country of Origin positively influences Perceived Price

Customer Satisfaction

Customer satisfaction is defined as an evaluation rendered that the product experience was at least as good as it was supposed to be (Hunt, 1977: 459; cited in Ryu, Han, Kim, 2008). Ilieska (2013) described customer satisfaction as the customer's feelings of pleasure or disappointment which is a result from comparing a product's perceived performance (outcome) in relation to his or her expectation. Customer satisfaction is said to be resulted from the measurement of products and service to meet one's desires, expectations, and demands, and it was the overall level of customer pleasures and contentment (Hellier, Geursen, Carr, and Rickard, 2003). Razak, Nirwanto, and Triatmanto (2016) stated that customer satisfaction is a feedback from a customer after purchasing some goods or services compared with customer expectations in the form of evaluation.

A lot of studies have found empirical evidence of a positive relationship between customer satisfaction and behavioural intention such as repurchase of a product or service and word-of mouth intention (Ryu, Han, and Kim, 2008). It is found that high level of customer satisfaction decreases the perceived benefits of service provider switches, thus increasing repurchase intentions of customers (Anderson and Sullivan, 1993). A study conducted by Getty and Thompson (1994) about investigating the relationship between service quality, satisfaction, and behavioural intentions, implied that customer behavioural intentions to recommend and repurchase a product or service are positive functions of their perception of satisfaction and service quality. Thus, the researcher created a hypothesis regarding customer satisfaction's effect on repurchase intention as shown below:

H6: Customer Satisfaction positively influences Repurchase Intention

Repurchase Intention

Zeithaml, Berry, and Parasuraman (1996) identified two forms of repurchase, the first is the intention to re-buy (repurchase) and the second one is the intention to engage in ways such as doing word-of-mouth and recommending the products customers are satisfied with (referral). Repurchase intention is said to be the derivative behavior of customer loyalty (Jones and Sasser, 1995). One definition of repurchase intention, is that repurchase intention is said to be the individual's decision or judgment in term of buying again a designated service from the same company by considering his or her current situation and likely circumstances (Hellier, Geursen, and Carr, 2003). Repurchase intention represents customer's commitment in term of purchasing more goods and services from the organization, and also to promote word-of mouth recommendations (Khan, Naumann, and Williams, 2012).

Figure 1 Research Framework
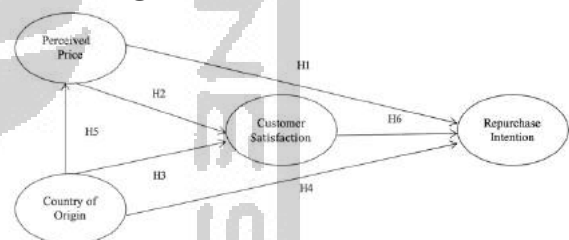
3. RESEARCH METHOD

This research used quantitative method to examine the influence of perceived price and country of origin on repurchase intention, with customer satisfaction as the mediating variable. The type of source of information used in this research are primary data. The researcher used questionnaire to obtain primary data and used Five-Point Likert scale as the itemized rating scale in order to measure data from the respondents. More specifically, online questionnaire by using Google Form.

The population of this research is Indonesian people who are customers of South Korean beauty products. The sampling technique chosen for this research was convenience sampling, which is said to be the best way of getting some basic information quickly and efficiently. The sample of this research is Indonesian Korean beauty products customers

who were available at the time this researcher was conducted.

The initial number of respondents in this research was 235 respondents, however, the total valid respondents that can be used in this research is 166. The reason is because those 166 respondents have actually purchased South Korean beauty products before. The researcher used SPSS version 16, AMOS version 24, and SEM analysis technique to analyse the data obtained in this research.

The researcher conducted a pilot test to test the reliability and validity of the variables and the indicators used in this research. The pilot test was conducted by spreading 30 questionnaires to 30 respondents, and then the data was analysed by using SPSS version 16. The result showed that the Pearson Correlation Sig of the indicators are higher than 0.05, meaning that all the indicators are deemed as valid. As for the reliability test of the variables, all the variables have the values of *Cronbach's Alpha* higher than 0.60. Which means, all four variables are deemed as reliable.

4. DATA ANALYSIS AND DISCUSSIONS
Confirmatory Analysis

Confirmatory analysis was used to test concepts that were built, by using several measurable indicators. In confirmatory analysis, a model was tested by using *Goodness of Fit* evaluation. Variable perceived price has six indicators, variable country of origin has seven indicators, variable customer satisfaction has six indicators, and variable repurchase intention has 8 indicators, which totalled 27 indicators. The result of all four variables and twenty-seven indicators that were analysed by using AMOS version 24 can be seen below:

Table 1 Goodness of Fit Analysis Before Modification

Goodness of Fit	Criteria	Cut-off Value	Category
Chi-Square (X²)	Expected to be small	678.393	*Not Fit*
Significance			
Probability	≥ 0.05	0.000	*Not Fit*
RMSEA	≤ 0.08	0.083	*Fit*
GFI	≥ 0.90	0.758	*Not Fit*
AGFI	≥ 0.90	0.712	*Not Fit*
CMN/DF	≤ 2.00	2.127	*Not Fit*
TLI	≥ 0.90	0.881	*Marginal Fit*
CFI	≥ 0.90	0.893	*Marginal Fit*

Source: Primary Data (Processed), 2019

Out of all the goodness of fit criteria, only RMSEA that met the minimum requirement of acceptable values and is deemed as fit. The rest of the criteria were deemed as not fit while TLI and CFI were deemed as marginal fit. Since only one out of all the criteria was categorised as fit, a model modification had to be done. The researcher did the model modification by referring to the modification indices, which require removing some indicators in order to obtain a new model. The new model was obtained as follows:

Figure 2 Modified Research Model
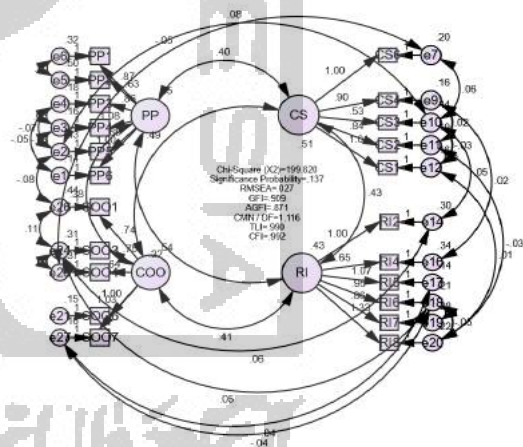
Source: Primary Data (Processed), 2019

In the new model, perceived price variable has six indicators, country of origin has five indicators, customer satisfaction variable has five variables, and repurchase intention variable has six indicators left. The researcher then conducted a goodness-of-fit evaluation on the new model to know whether the new model has fit the values of goodness-of-fit criteria or not. Below is the result of goodness-of-fit evaluation of the modified model:

Table 2 Goodness of Fit Analysis Result of the New Model

Goodness of Fit	Criteria	Cut-off Value	Category
Chi-Square (X²)	Expected to be small	199.820	*Fit*
Significance			
Probability	≥ 0.05	0.137	*Fit*
RMSEA	≤ 0.08	0.027	*Fit*
GFI	≥ 0.90	0.909	*Fit*
AGFI	≥ 0.90	0.871	*Marginal Fit*
CMN/DF	≤ 2.00	1.116	*Fit*
TLI	≥ 0.90	0.990	*Fit*
CFI	≥ 0.90	0.992	*Fit*

Sources: Primary Data (Processed), 2019

It shows that the modified model's cut-off values have met all the criteria of goodness-of-fit evaluation except for AGFI who was considered as marginal fit only. However, despite having one marginal fit, the new model was still accepted and thus the researcher could do a detailed analysis of the modified model that consists of normality analysis, outliers, and the like.

Reliability and Validity Test

Hair et al., (2013) stated that the minimum number of loading factor is ≥ 0.5 or ideally ≥ 0.7. The result concluded that all the indicators' loading factors are higher than 0.5. Thus, it can be concluded that all the indicators or questions used to measure the variables in this study are valid. As for the reliability test, a good construct reliability is the one whose construct reliability value is greater than 0.7 and whose extracted variance value is greater than 0.5 (Yamin and Kurniawan, 2009). After being analysed, the construct reliability of all variables are ≥ 0.7 and all of the extracted variance of each variable exceeded 0.5. Therefore, it can be concluded that the questionnaire that was used in this research was declared as reliable.

Normality Test

The normality testing was done by observing the value of skewness and kurtosis data would be used. If the value of CR on skewness and CR on kurtosis data are in the range of ± 2.58, then the research data can be said to be normal. Turned out that the values of the critical ratio (C.R.) and kurtosis that was obtained are in the range of -2.58 to 2.58. Moreover, the value of c.r. of the

multivariate was 2.136. Hence, the data in this study can be analysed by using Structural Equation Modelling (SEM).

Outliers Test

The outliers can be evaluated using multivariate outliers' analysis seen from the Mahalanobis Distance value. The Mahalanobis Distance test was evaluated by using the Chi-Square value of the degree of freedom of 27 indicators at the level of $p < 0.001$, and by using the formula X_2 (27;0,001) = 43.820. From the data that has been processed, it was shown that there were no values of more than 43.820. Thus, it can be concluded that there were no data that was unusual.

Hypotheses Testing

To determine whether a hypothesis is supported or not supported is by observing its Critical ratio (CR) value and its Probability (P) value. If the hypothesis' CR value is greater than 1.96 and its probability value is lower than 0.05, it means that the hypothesis is supported.

Table 3 Hypotheses Testing Result

Hypothesis	Variable Relationship			Estimate	S.E.	C.R.	P-Value	Label
H1	Repurchase Intention	←	Perceived Price	-.079	.109	-.729	.466	Not Supported
H2	Customer Satisfaction	←	Perceived Price	.278	.089	3.139	.002	Supported
H3	Customer Satisfaction	←	Country of Origin	.705	.089	7.928	***	Supported
H4	Repurchase Intention	←	Country of Origin	-.055	.212	-.258	.797	Not Supported
H5	Perceived Price	←	Country of Origin	.707	.068	10.406	***	Supported
H6	Repurchase Intention	←	Customer Satisfaction	.955	.271	3.520	***	Supported

Source: Primary Data (Processed), 2019

Result Discussions

The Influence of Perceived Price on Repurchase Intention

In this research, there was no significant influence of perceived price on repurchase intention. More specifically, perceived price did not influence the repurchase intention of South Korean beauty products in Indonesia. There are some studies that studied the influence of price perception on repurchase intention. One example of those studies is a study conducted by Lee et al., (2015) about key determinants of online repurchase intentions which found that if the

consumers feel the price of the product is reasonable, then they are more likely to continue buying the particular product in the future again. Additionally, there was a study regarding perceived price's influence on repurchase intention that was conducted by Khan et al., (2012) which found that perceived price has negative impact on repurchase intention on Japanese B2B service.

The difference in findings between those previous researches and this research might be caused by the different types of industries that are being studied in each research. Other reasons why customers perceived price of South Korean beauty products did not influence customers' will to repurchase the products is because of preferences.

The Influence of Perceived Price on Customer Satisfaction

In this study, perceived price has a positive influence on customer satisfaction. That is saying that when the customers feel the price of a product is reasonable for what they offer, the likeliness of them being satisfied is high. This hypothesis was supported by several studies such as Herrmann et al., (2007) study that showed that perceived price directly influences satisfaction judgements as well as indirectly through perceptions of price fairness in the context of automobile purchases in major German car dealerships. Jiang and Rosenbloom (2005) conducted a study about several factors that can influence customer intention to return online. Price perception was included as one of the four factors that were used in their study. Their study found that price perception, when measured on a comparative basis, has a direct and positive effect on customer overall satisfaction.

The Influence of Country of Origin on Customer Satisfaction

The result implied that in this study, country of origin influence on customer satisfaction was significant, or in another word, customer satisfaction is positively influenced by country of origin. This study's finding of country of origin significant effect on customer satisfaction was supported by Hussein (2018) study that showed that brand of origin does moderate the effect of brand experience (both local and international brands) on customer satisfaction. Additionally, Hilman and Hanaysha (2015) conducted a research about the impact of country of origin on relationship quality in automotive industry in Norther region of Malaysia. Their finding indicated that country of origin has significant positive affect on brand trust, brand commitment, and brand satisfaction. Brand satisfaction can be included as customer satisfaction.

The Influence of Country of Origin on Repurchase Intention

The result of the fourth hypothesis analysis showed that there was no significant influence of country of origin on repurchase intention. The indication of the result of this study is that customers will not always consider country of origin as a factor to determine whether they want to repurchase a product or not. It is very likely that customers consider other factors more when they decide to repurchase a product. For example, a customer may feel that the country of origin of a product does not mean much as long as the product reacts well on her or his skin. Another reason being customer may not be nit-picky when it comes to the origins of beauty products as long as they like the products the first time they buy or try it, and find something that is unique enough in that beauty product that they do not care about where the product was made in. Thus, it can be concluded that there was no influence of country of origin on repurchase intention in this study.

The Influence of Country of Origin on Perceived Price

The result showed that customers may associate a price with where the product is made in, determining whether the product is worth the price based on where the product comes from. This result is supported by several researches namelya research conducted by Drozdenko and Jensen (2009) which showed that US consumers are willing to pay more for US-made products compared to paying more for China-made products. The result also indicated that consumers are more willing to pay a premium for a product from USA, Germany, or India over those from China. In agreement, a research conducted by Brookshire and Yoon (2012)

revealed that country of origin has a negative effect on perceived price when the apparel is made in China from their textile industry. Additionally, consumers are willing to pay different premium prices for the same product and brand based on information from manufacturing country of origin of the product (Hulland, Todiño, and Lecraw, 1996).

The Influence of Customer Satisfaction on Repurchase Intention

This study showed that customer satisfaction has a significant influence on repurchase intention. This finding is supported by previous researches such as Anderson and Sullivan (1993) study which found that high level of customer satisfaction decreases the perceived benefits of service provider switches, thus increasing repurchase intentions of customers.

A study conducted by Getty and Thompson (1994) about investigating the relationship between service quality, satisfaction, and behavioural intentions, implied that customer behavioural intentions to recommend and repurchase a product or service are positive functions of their perception of satisfaction and service quality.

Kotler indicated if the customer was satisfied, it was more likely for them to have willingness to buy again, namely repeating to purchase or recommending others to buy (cited in Feng and Yanru, 2013). Additionally, satisfaction also often regarded as the mediating variable of post-purchase behaviour, which links the beliefs of prior selection of products to cognitive architecture, consumer communication, and repurchase intentions (Westbrook, 1987).

5. CONCLUSION & RECOMMENDATIONS
Conclusion

This study investigated the relationship between four variables namely perceived price, country of origin, customer satisfaction and repurchase intention. The researcher wanted to find out whether repurchase intention can be influenced by perceived price, country of origin, and customer satisfaction or not. The study was conducted in Indonesia, with the sample of Indonesian people who have bought or consume South Korean beauty products before. There

were 166 valid respondents in this study. The researcher used SPSS version 16 and AMOS version 24 to analyse the data obtained for this study.

Based on the data analysis, four out of the six proposed hypotheses in this study were accepted. From the observation, it can be concluded that repurchase intention of South Korean beauty products in Indonesia is positively influenced by customer satisfaction but is not influenced by country of origin and perceived price directly. However, country of origin of South Korean beauty products did influence Indonesian customers satisfaction, Indonesian customers' price perception of South Korean beauty products have direct influence on their satisfaction, and finally country of origin of South Korean beauty products influenced Indonesian customers price perception.
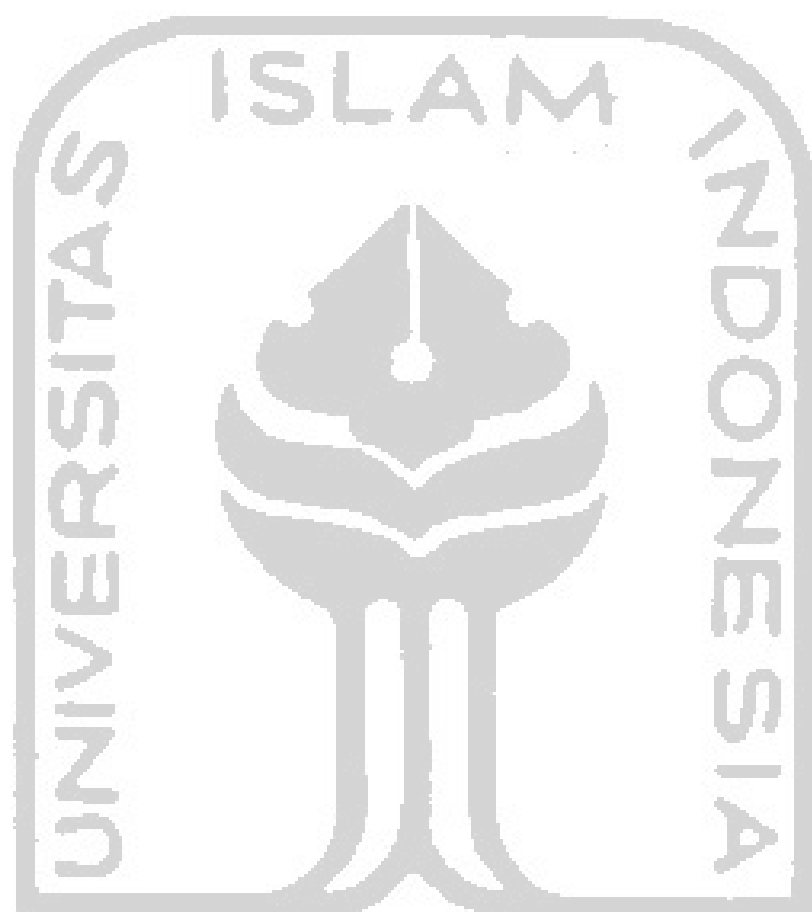
Recommendations

For future researches, conducting similar research in other countries and conducting similar research about other products other than South Korean beauty products are suggested. Future empirical studies could also consider using this study's model to investigate the influence other mediating variables or to include other variables that could help develop more general construct of repurchase intention. Lastly, it is recommended for future researchers to conduct similar study in different times in order to investigate whether this study's result is still reliable from time to time.

As for managerial implications, marketing managers can use this research to find out what can increase and also maintain their products repurchase intention in emerging markets. For example, marketing manager should put customer satisfaction as the most important factor if they want the customers to repurchase their products. As of now, customers find the price of South Korean beauty products to be quite affordable, therefore, marketing managers should not meddle with the price. Instead, marketing managers should maintain the prices of South Korean beauty products so that they will not lose customers' satisfaction. Furthermore, since country of origin influenced customers' price perception, the image of where products are made in should be maintained.
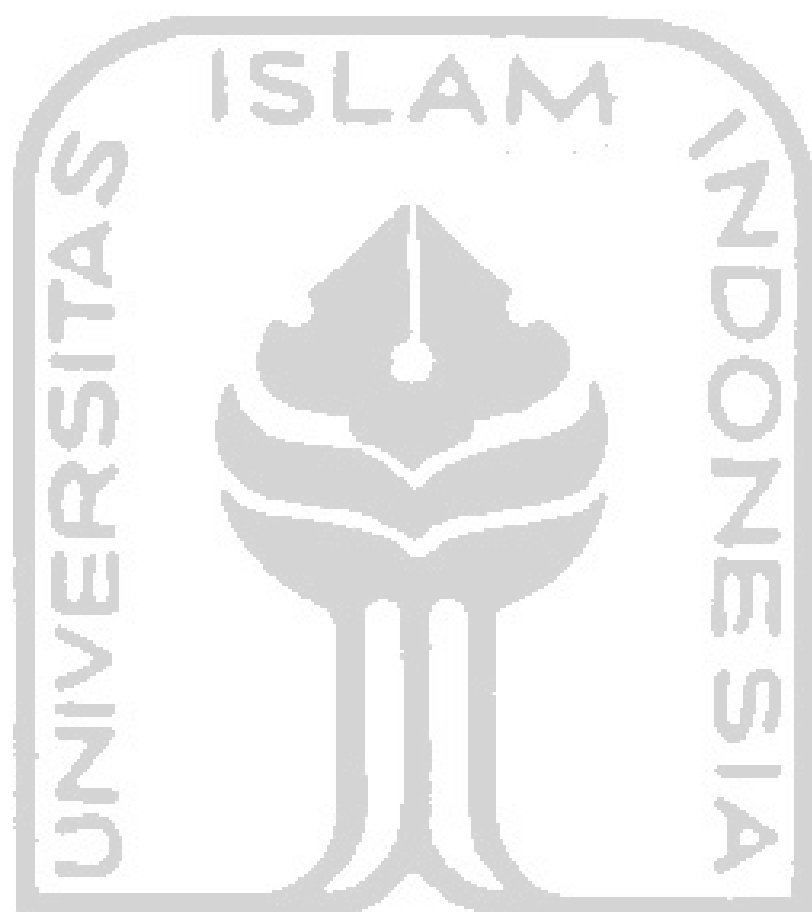
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