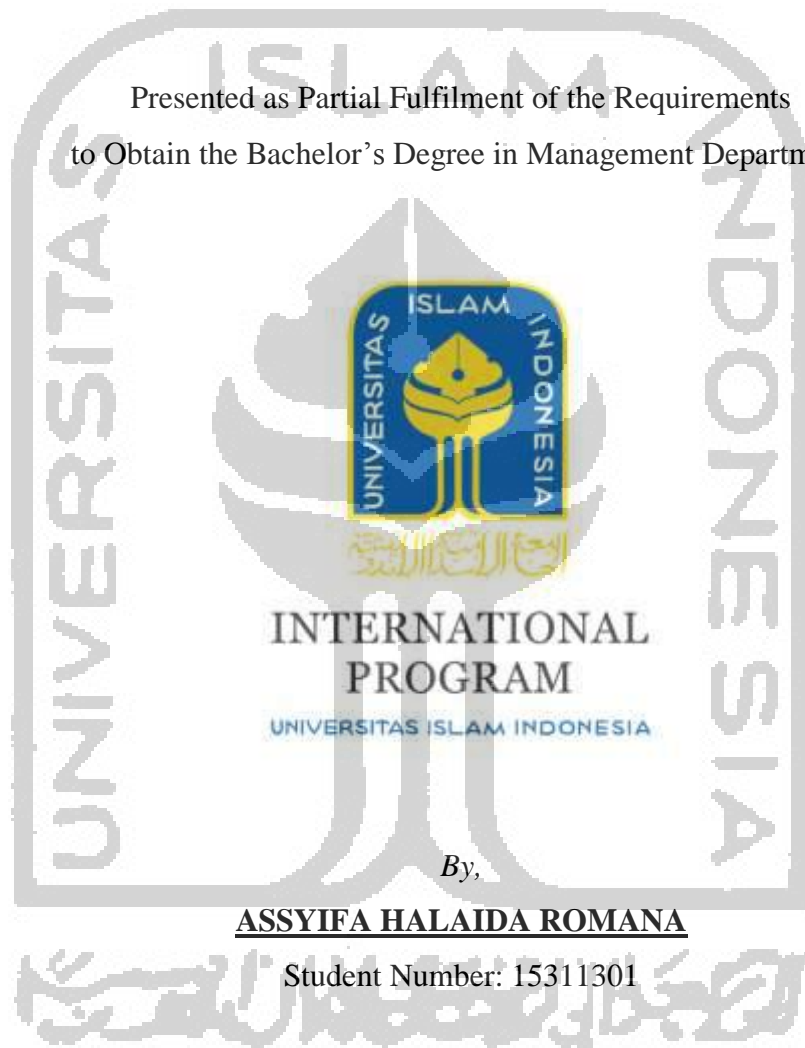


**CUSTOMERS' REPURCHASE INTENTION OF SOUTH KOREAN  
BEAUTY PRODUCTS**

**A BACHELOR'S DEGREE THESIS**

Presented as Partial Fulfilment of the Requirements  
to Obtain the Bachelor's Degree in Management Department



*By,*

**ASSYIFA HALAIDA ROMANA**

Student Number: 15311301

**DEPARTMENT OF MANAGEMENT  
INTERNATIONAL PROGRAM  
FACULTY OF ECONOMICS  
UNIVERSITAS ISLAM INDONESIA  
YOGYAKARTA**

**2019**

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BEAUTY PRODUCTS**

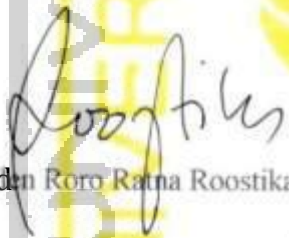
Written By:

ASSVIFA HALAIDA ROMANA

Student Number: 15311301

Approved by

Content Advisor,



Raden Roro Ratna Roostika S.E., MAC., Ph.D.

9<sup>th</sup> September 2019

Language Advisor,



Annida Asni, S.Pd.

9<sup>th</sup> September 2019

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Defended before the Board of Examiners  
On September 24<sup>th</sup>, 2019 and Declared Acceptable

Board of Examiners

Examiner I

Anas Hidayat Drs., M.B.A., Ph.D.

September 24, 2019

Examiner II

RR Ratna Roostika, S.E., MAC., Ph.D.

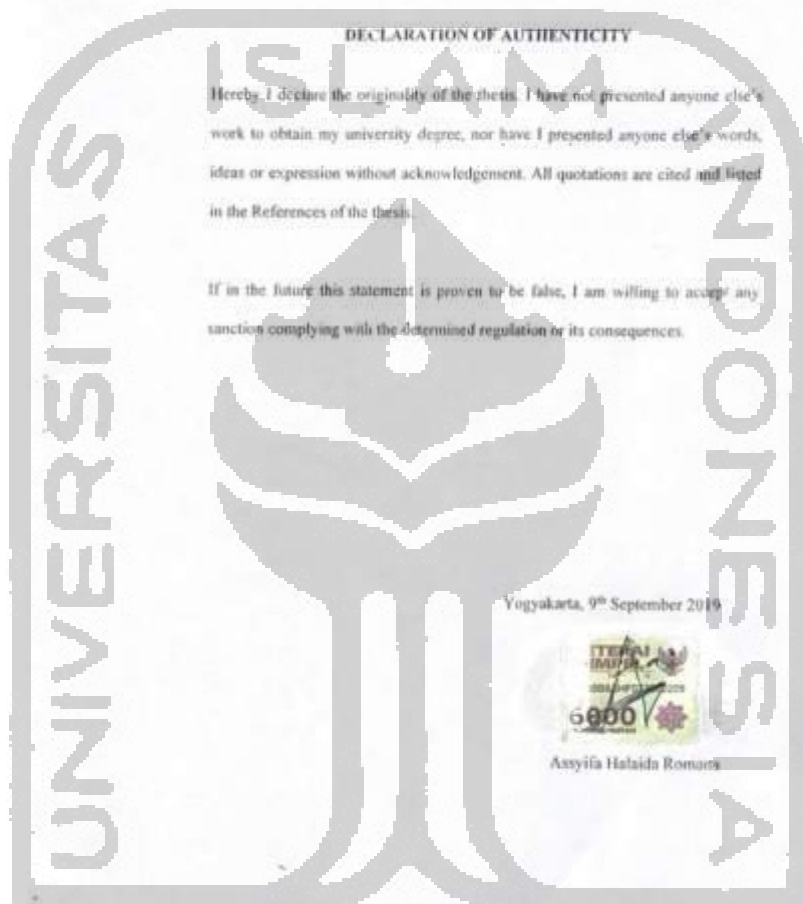
September 24, 2019

Yogyakarta, September 24<sup>th</sup>  
2019

International Program  
Faculty of Economics  
Universitas Islam Indonesia  
Dean



Jaka Striyana, Dr., S.E., M.Si.



DECLARATION OF AUTHENTICITY

Hereby I declare the originality of the thesis. I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgement. All quotations are cited and listed in the References of the thesis.

If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequences.

Yogyakarta, 9<sup>th</sup> September 2019



Assyifa Halaida Romani

لَا إِلَهَ إِلَّا اللَّهُ مُحَمَّدٌ رَسُوْلُهُ

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Assyifa Halaida Romana

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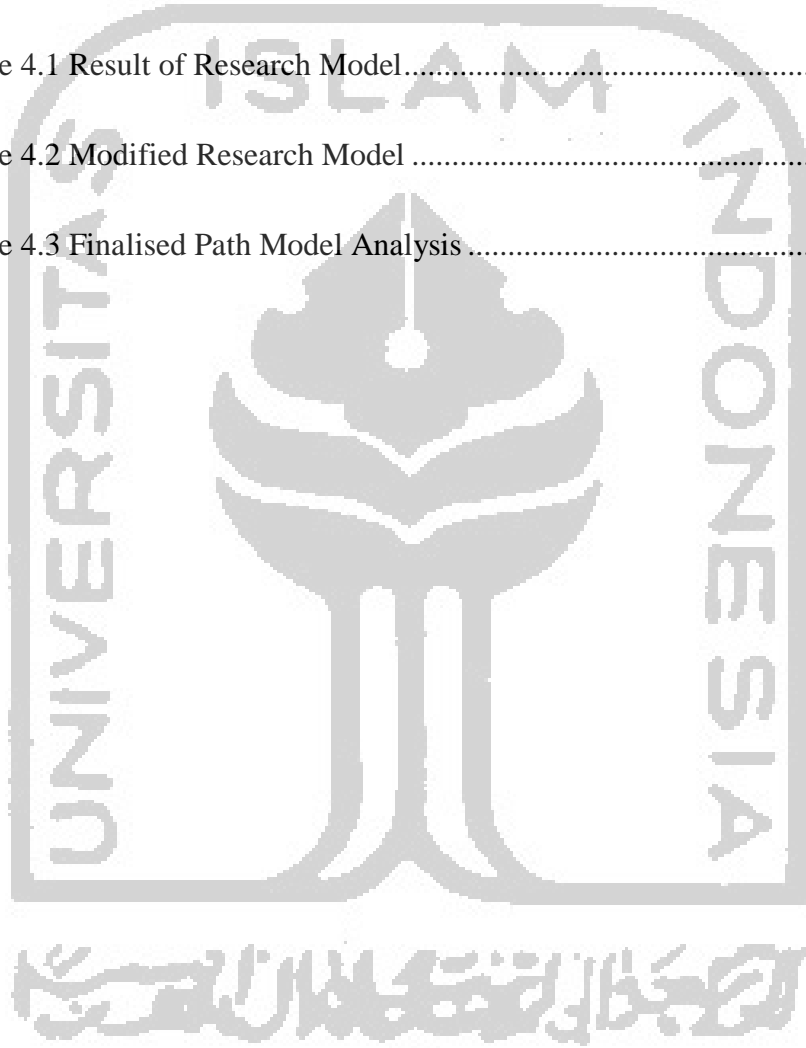
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## **Repurchase Intention of South Korean Beauty Products**

Assyifa Halaida Romana

Faculty of Economics, Universitas Islam Indonesia

assyifahalaida@gmail.com

### **ABSTRACT**

The aim of this research is to examine the key factors that influence Indonesian customers to repurchase South Korean beauty products. This study intends to verify the relationships between four variables namely perceived price, country of origin, customer satisfaction, and repurchase intention. The researcher developed a framework model in which perceived price and country of origin act as independent variables, repurchase intention acts as dependent variable, and customer satisfaction acts as mediating variable. 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. Not many studies examined a general construct of repurchase intention related to beauty products. This study helps to recognise what factors become basic consideration for Indonesian consumers in repurchasing South Korean beauty products. This study also helps marketing managers in beauty industry in Indonesia to know more about Indonesian consumers preferences when it comes to beauty products.

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

## Niat Membeli Ulang Produk-Produk Kecantikan dari Korea Selatan

Assyifa Halaida Romana

Faculty of Economics, Universitas Islam Indonesia

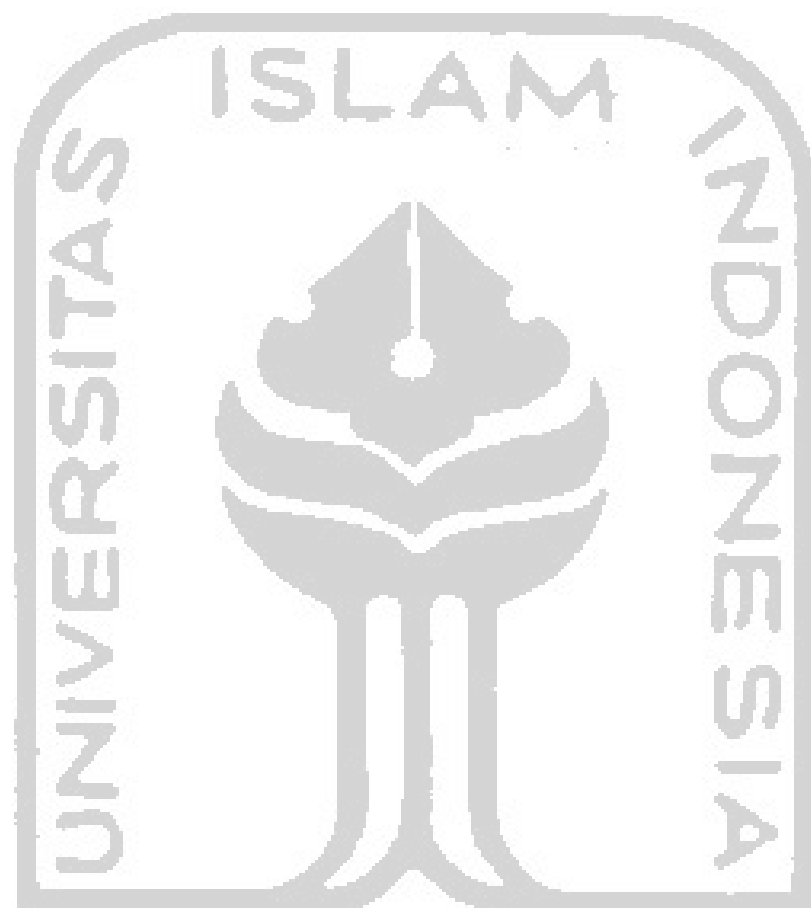
assyifahalaida@gmail.com

### 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. Peneliti mengembangkan model kerangka kerja di mana persepsi harga dan negara asal bertindak sebagai variabel independen (bebas), niat membeli ulang sebagai variabel dependen (terikat), dan kepuasan pelanggan sebagai variabel mediasi (perantara). Penelitian ini menggunakan SEM (structural equation modelling) melalui software AMOS versi 24 dan software SPSS versi 16 untuk menguji model yang diajukan, hipotesis, dan menentukan hubungan antara keempat variabel pemasaran. Secara total, ada 166 responden yang valid yang dikumpulkan melalui metode pengumpulan data primer yang telah dianalisis dalam penelitian ini. Hasil analisis menunjukkan bahwa persepsi harga secara signifikan mempengaruhi kepuasan 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 menunjukkan bahwa persepsi harga tidak mempengaruhi niat membeli ulang dan negara asal suatu produk tidak mempengaruhi niat membeli ulang. Tidak banyak penelitian yang meneliti konstruk umum niat membeli ulang terhadap produk-produk kecantikan. Penelitian ini membantu untuk mengenali factor-faktor apa saja yang menjadi pertimbangan dasar bagi konsumen Indonesia dalam membeli kembali produk-produk kecantikan Korea Selatan. Studi ini juga membantu para manajer pemasaran dalam industry kecantikan di Indonesia untuk mengetahui lebih banyak tentang preferensi konsumen Indonesia dalam hal produk kecantikan.

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





جامعة الإسلام في إندونيسيا

# CHAPTER I

## INTRODUCTION

### 1.1. Background

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. Several studies shown that people usually treat attractive people better than unattractive people in the society (Ibáñez et al., 2010). Not only in term of the social treatment, but attractive people also get more benefit such as they are more likely to be hired, promoted, and to earn higher salaries than those who are unattractive (Marlowe et al., 1996; Frieze et al., 1990, 1991; Hamermesh and Biddle, 1994; Schwer and Daneshvary, 2000; cited in Ibáñez et al., 2010). Being attractive is deemed as very important that even American men are said to rank physical attractiveness at or near the top among the qualities they desire in women (Elder, 1969).

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. Cosmetic products are usually applied to enhance one's appearance, used to communicate one's style or aesthetic preference, and used to complement the use of clothing to develop and complete a look (Guthrie et al., 2008). The use of cosmetics itself is not new, as the

history of cosmetics usage spans at least 6,000 years of human history and almost every society on earth (Khraim, 2011). 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 U.S Food and Drug Administration (FDA) identified cosmetics as products that are intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance without affecting the body's structure or functions (Khraim, 2011).

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. Due to the increase in income levels in Indonesia, the demand for personal care and cosmetics, and particularly skin, make-up and hair care products, witnessed rapid growth of 10-15% per annum. Furthermore, the International Trade Administration of the United States reported that in the middle and low-end market segments, domestic manufacturing comprises over 50% of the market and is dominated by

international brands including Unilever L'Oreal and Procter and Gamble. There is however, a growing demand for imported niche and premium brands. The report made by the United States' International Trade Administration gave an insight on how profitable it can be for cosmetic companies to distribute and sell their products in Indonesia, as it will benefit them in the future.

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. One of them is being able to facilitate business practitioners to access new and more customers all around the world and new capital useful in global marketing (Shulyn and Yazdanifard, 2015). Not only that, 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. The Korean Wave itself is defined as the rapid expansion of the Korean contemporary culture and cultural products throughout East Asia since the mid-1990s. In addition, Hong and Kim (2013) stated that the Korean popular culture has increasingly gained enormous recognition in both East and Southeast Asian countries, including but not limited to China, Taiwan, Hong Kong, and Japan and now even the popularity of the culture has extended to the Middle East, former Soviet Union countries in Central Asia, and some European countries. The Korean wave primarily started with a few well-made television dramas that were popular in East Asia, and the

local cultural industries have advanced several cultural forms such as popular music (K-pop, or Korean-pop), animation, and digital games, which all have gradually penetrated our global markets (Jin and Yoon, 2017). Other Korean cultural items also involve television dramas, shows, K-pop music, movies, fashion, and trends set by celebrities (Hong and Kim, 2013).

Indonesia, just like any other countries mentioned above is also impacted by this Korean Wave phenomenon. Simbar (2016) stated that not only western culture, but also the culture of developed countries in Asia today have crowded in consumption by Indonesia, including the culture of South Korea. Hallyu or Korean Wave is quickly and surely come and stay into the Indonesian community life especially in the heart of youngsters (Simbar, 2016). A research conducted by Jeong, Lee, and Lee in 2017 regarding how Indonesian fans interpret, appropriate, and integrate Hallyu in everyday lives showed that the consumption of Korean popular culture has increased continuously in Indonesia since the early 2000s and that Hallyu is becoming an ever more significant cultural phenomenon in Indonesia, especially with the rise of K-pop music. The research was a follow up to their work in 2006, conducted by doing interviews with 12 Indonesian supporters who had participated in the prior qualitative research on the Indonesian reception of the Korean television drama *Dae Jang Geum* (Jewel in the Palace). The study also found that participants continue their consumption of Korean content starting with dramas in 2006 followed by the consumption of lifestyle consumer items such as food, cosmetics, fashion, and travel in 2013.

Another study conducted by Simbar (2016) about the consumption of Korean culture in Manado, Indonesia exhibited that the consumption is massive, and it can be seen through the youngsters who are eager to watch Korean television dramas either by watching those dramas in television or by downloading the drama episodes on the Internet. They, or the subjects also try to copy Korean celebrities' hairstyles, learn their dances, and try to dress up like Korean celebrities.

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). It is said that the export of Korean cultural products between 1998 and 2015 increased 21.4 times, from U.S. \$189 million in 1998 to U.S. \$4 billion in 2014 (Ministry of Culture, Sports and Tourism, 2015; cited in Jin and Yoon, 2017). Cosmetic products are also included in the rising of the Korean products export. A study on whether the rise of the Korean wave leads to cosmetic import, which was conducted by Park (2015), revealed that in a span of 8 years (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. Which were all considered as remarkable increases.

There are numerous studies that show the reasons why the people in Indonesia would buy Korean cosmetic products. A study on the effect of Korean Wave on consumer's purchase intention of Korean cosmetic products in Indonesia, with a total of 227 respondents from Indonesian consumers was conducted by Tjoe and Kim (2016). That particular study includes several variables such as Korean

wave, ethnocentrism, and country of origin image to find out whether those variables affecting the purchase intention of Indonesian consumers. The result was Korean wave, ethnocentrism, and country of origin image affected consumer purchase intention towards Korean products in Indonesia, while country image was not that significant in affecting the purchase intention.

Similar research was conducted by Ghaizani, Pangestuti, and Devita (2018) about the effect of country of origin towards brand image and the effect of country of origin towards purchase decision. The brand used in this particular research was Etude House, which is a famous Korean cosmetic brand and has several pop-up stores in Indonesia. 169 questionnaire results were used in order to conduct the research. It turned out that there was a significant influence of country of origin towards purchase intention and there was also a significant influence of brand image towards purchase decision. Those results lead to the conclusion that country of origin could show an image of a brand that could affect the purchase decision.

Though there are several studies that are similar to two studies mentioned above, unfortunately 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. There are studies that talk about repurchase intention, which is also affected by country of origin, perceived price and customer satisfaction. However, those studies are mostly conducted in other countries and not in Indonesia. Hence, this research is going to be conducted to find out the repurchase intention of Indonesian customers towards Korean beauty

products. This research argues that the examination of repurchase intention of Indonesian customers on South Korean beauty products is important as it can give us insights on what factors that can contribute to the repurchase intention of Indonesian customers when it comes to brands that come from a particular country. This research aims to examine whether country of origin, perceived price, and customer satisfaction affect Indonesian customers repurchase intention of South Korean beauty products.

## **1.2. Problem Identification**

Nowadays, cosmetic industry becomes more and more oversaturated as new brands of cosmetics starting to come up and enter the industry. All of them have the same goal, which is to attract and get a lot of customers. However, getting a lot and new customers are not enough, since it does not guarantee that those customers will come back to buy products from the same brand due to a lot of alternatives available. In Indonesia itself, the citizens already have a lot of cosmetic brands distributed to the citizens' country, both from domestic brands and overseas brands. Indonesia, according to The International Trade Administration of the United States reported in their Asia Personal Care & Cosmetics Market Guide 2016, is predicted by the analysts to be one of the top five markets for cosmetic in the next 10 or 15 years. Despite those tempting predictions and the fact that Indonesia has more cosmetic brands available in the country, however only few researches have been conducted on cosmetic industry in Indonesia. Especially in terms of repurchase intention of cosmetic products in Indonesia and of South Korean cosmetic products.



### **1.3. Problem Formulation**

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. Usually, the main objective of companies who are doing business is to sell the products such as goods and services that they offer, and that companies try to get as many buyers as they can, even the buyers that live outside of where those companies are operating. Mainly because the more customers they have, the more money they will get. 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 start to open their stores in Indonesia or start to distribute their products in Indonesia through several channels, unexceptionally South Korean cosmetic companies. These South Korean cosmetic companies gained more exposure in the recent years in Indonesia due to globalization and several other factors. As a result, more and more brands are being available in Indonesia. 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.

Korean cosmetic products have entered Indonesian cosmetic market and gained more recognition by Indonesian consumers for a few years now due to Korean Wave that is brought by Korean dramas, movies, idols, and globalization.

Previous researchers have studied on the purchase intention on South Korean cosmetic products. However, there are still not a lot of researches regarding the repurchase intention of South Korean beauty products. Through this research, the researcher wanted to know whether factors such as country of origin, perceived price, and customer satisfaction influence Indonesian customers repurchase intention of Korean beauty products.

#### **1.4. Research Questions**

- a. Does country of origin influence Indonesian customers repurchase intention of South Korean beauty products?
- b. Does perceived price influence Indonesian customers repurchase intention of Korean beauty products?
- c. Does customer satisfaction mediate the relationship between country of origin and Indonesian customers repurchase intention of South Korean beauty products?
- d. Does customer satisfaction mediate the relationship between perceived price and Indonesian customers repurchase intention of South Korean beauty products?

### **1.5. Research Objective**

a. To examine the influence of country of origin on Indonesian customers repurchase intention of South Korean beauty products.

b. To examine the influence of perceived price on Indonesian customers repurchase intention of South Korean beauty products.

c. To examine the mediation effect of customer satisfaction on the relationship between country of origin and Indonesian customers repurchase intention of South Korean beauty products.

d. To examine the mediation effect of customer satisfaction on the relationship between Indonesian customers' perceived price and repurchase intention of South Korean beauty products.

### **1.6. Problem Limitation**

This study might have several limitations caused by some reasons such as: the sample size might not be the best to create a generalization regarding the topic, there were not much of available data and prior research studies conducted on the same or similar topic, and the result of the study is dependent on the respondents' willingness to complete and submit the questionnaire regarding this study, hence the study's result may become subjective.

## **1.7. Research Contribution**

### **1.7.1. Theoretical Contribution**

This research is conducted to scientifically prove the relationship between perceived price, country of origin, customer satisfaction, and repurchase intention in Indonesia, especially in the context of South Korean beauty products. This research may provide more knowledge of country of origin, perceived price, customer satisfaction, and repurchase intention in in Indonesia, especially in the context of South Korean beauty products. The findings of this research might also be used as references for other researchers whose topic is similar to this research.

### **1.7.2. Practical Contribution**

This research could produce some new knowledge and understandings for cosmetic companies especially South Korean beauty companies of what factors can influence the repurchase intention of their customers. As this research scientifically shows the factors that contribute to repurchase intention of customers, cosmetic companies can use our findings to understand more about Indonesian consumers. This research may also help companies to get clues on what they should do in the future in order to increase their customers repurchase intention.

## **1.8. Systematics of Writing**

Below is the systematics of writing that is used in this study in order to provide a clearer and better understanding of the study contexts:

Chapter I: Introduction

In this first chapter, the researcher describes the background of study, problem identification, problem formulation, research questions, research questions, research objectives, research contributions, and systematics of writing.

#### Chapter II: Literature Review

In this second chapter, researcher describes and discusses theories from previous researchers that are relevant to perceived price, country of origin, customer satisfaction and repurchase intention. In this chapter, the researcher also describes the theoretical framework and the hypotheses formulation of this study.

#### Chapter III: Research Method

In this third chapter, the researcher describes the type of study of this research, the population and sample of this research, data collection method used in this research, variables of this research, and the technique of this research's analysis.

#### Chapter IV: Data Analysis and Discussions

In this fourth chapter, the researcher talked about the descriptive analysis, the result of the reliability and validity test, the result of the hypothesis testing, and discussion regarding the findings from the data that have been analyzed.

#### Chapter V: Conclusions and Recommendations

In this fifth chapter, the researcher presented the conclusions of the research and the limitation of the research. The researcher also gave recommendations in regard to future researchers.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1. Theoretical Review**

##### **2.1.1. 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. Parvin and Chowdury (2006) stated that consumers sacrifice their money and benefit from other competitive brands in order to get the highest utility from a brand whose products they purchased. Geçti (2014) mentioned that there are several variables that could affect consumers' decision making including price. Price is seen as one of many important marketplace cues that consumers usually use in term of making a decision. As a lot of people know, consumers often have different reactions to price.

Price and price perception or perceived price, however, slightly hold different meanings. While price is seen more as an objective price, which means the actual price of a product, perceived price is seen as a price of a product that is set by the consumer (Zeithaml, 1988). There are a lot of definitions or descriptions associated with price perception or perceived price. For example, 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. Additionally, based on consumer's point of view, the definition of perceived price is the price that consumer perceived and that perceived price is more meaningful than monetary price (Bei and Chiao, 2001).

Customers usually go through a process called encoding when they try to perceive a price of a product. Since it is common for customers to have difficulty in remembering the exact price that he or she paid for a particular product or service, customers often encode prices in meaningful ways (Kashyap and Bojanic, 2000). Consumers usually encode the price of a product as "expensive" or "cheap" rather than remembering or knowing the actual price of a product (Zeithaml, 1988). Berkowitz and Walton (1980) indicated that the encoding process is very important to someone's price perception. They then continued to explain that the encoding process is important to someone's price perception because at the encoding stage, the consumer interprets and evaluates the price cue. According to Herrmann, Xia, Monro, and Huber (2007) buyers' price perception will be favourable when buyers perceive the quality or performance is consistent with the price. Furthermore, when a price meets one's expectation, the evaluation is likely to be positive.

Throughout the years, perceived price theory and its roles have been included and been studied by a lot of researchers in their studies. For an instance Geçti (2014) conducted a research on the relationship among perceived price's dimensions via structural equation modeling that was tested on Turkish consumers. His study's findings showed that price perception's dimensions change according

to the positive or negative roles that price plays on consumer's buying behavior. For example, if an increase in price causes the probability of consumers' purchasing, then we can mention the positive role of price. Additionally, some relationships among price perceptions were significant, while some were not. It was also revealed that the most exploratory dimensions of price perception were value consciousness and price consciousness. His research gave us understanding about price perceptions and its dimensions. In addition, in comparison with other countries, Chinese consumers are not "ethnocentric", while Japanese and Korean consumers tend to be more ethnocentric.

There are also several researches proving that price perception and customer satisfaction are related. Price is undoubtedly an important factor in term of consumer satisfaction, as whenever consumers evaluate the value of an acquired service, they usually think of the price (Anderson, Fornell, & Lehmann, 1994; cited in Parvin & Chowdurry, 2006). According to Moslehpour et al., (2017), consumers could be satisfied when they feel the price and the quality are reasonable and they also can judge whether the product is offering a good value of price based on the performance or benefit of the products. Additionally, Khan, Naumann, & Williams (2012) stated that the price perception of customers could also be seen as the final expected key driver of repurchase intentions. Therefore, perceived price is important as price is seen as a form of a sacrifice in a lot of previous research.



### **2.1.2. 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 itself began during the World War 1, when defeated countries were forced to put the symbol of country of origin on their products (Cai, 2002; cited in Rezvani, Dehkordi, Rahman, Fouladivanda, Habibi, and Eghtebasi, 2012).

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.

According to Hong and Wyer (1989) the effects of country of origin in consumers' cognitive process they are presented with the country of origin cue along with other cues such as price and brand, can be observed in two ways. Those two ways are the halo effect and the summary construct. As for the halo effect, it directly affects consumers' beliefs about products of a country they are not familiar with and indirectly affects the overall evaluation of them through these beliefs. For example, when a particular country is mentioned, it triggers feelings in consumers' minds, be it positive or negative. On the other hand, the summary constructs work

when a consumer is familiar with a country's product and the consumer concludes a country's image from its product information.

Citra and Syahlani (2008) reported that consumers often associate a particular company or brand with a particular country, which is generated from the effect of country of origin. Generally, a lot of consumers associate the country of French with wine, Italian country with pasta, and the country of Japan with electronic goods (Citra and Syahlani, 2008).

The fact that consumers pervasively use country of origin information as an indicator of quality has constantly being supported by studies' findings (Kotler and Gertner, 2002). Kotler and Gertner (2002) identified that country of origin has become an integral part of the repertory of extrinsic cues to product evaluations, along with price, brand name, packaging and seller, as opposed to the study of the role of intrinsic qualities of the product such as materials, design, style, workmanship, color, and smell. Consumers often use information cue as a factor or as help in term of evaluating products or brands. A research conducted by Schooler (1965) regarding the effect of country of origin on consumer evaluations showed that those consumer evaluations utilize country of origin as one of their information cues (cited in Katsumata and Song, 2016).

Kotler and Gertner (2002) revealed that a lot of studies regarding country of origin have been developed on behalf of a variety of durable and non-durable consumer products including cars, electronics, apparel, smoke detectors, and pickles. In a study of country of origin effect on automobiles industry, which was tested on three Asian countries (China, Japan, and South Korea) and the US,

Katsumata and Song (2016) found that Japanese and South Korean consumers tend to prefer products from their own countries. On the contrary, Chinese and US consumers do not care whether products originate from their home country. Another study about country of origin by Citra and Syahlani (2008) revealed that effect of foreign branding, which was English branding showed its positive effect better on consumer perceptions and attitudes of processed milk product. Foreign country of origin showed higher positive Indonesian consumers' attitudes than domestic country of origin.

### **2.1.3. 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. Varga, Dlačić, and Vujičić (2014) mentioned that satisfaction is created through adjustment of the supply that is adapting the marketing mix according to expectations, needs and wishes of the

consumers. According to Razak et al., (2016), we can measure customer satisfaction by using the expectations of customers with the performance of the goods or services that could meet not only the needs but also desires of the customers. Illieska (2013) stated that consumer satisfaction may relate to a particular feature or characteristic of a product or service, or alternatively it may relate to the product or service a whole. From a lot of researchers' explanations regarding customer satisfaction, it can be seen that customer satisfaction is influenced heavily by how the customers expect the products and services to perform or to be and see whether the products and services truly meet their expectations or not.

Customer satisfaction is said to have a significant role in one's business and gives advantages for a company since customer satisfaction can create a lot of positive outcomes for them and can also influence customers' buying behavior. Illieska (2013) believes that the satisfaction about the product or service as a whole merit attention, since satisfaction influences consumers' future buying and consuming behavior. Razak et al., (2016) indicated that a satisfied customer means that there are similarities between the performance of a product or service with customers' hope, which will encourage customers to re-purchase products that they are satisfied with. While a disappointed customer would be more likely to persuade others to not re-purchase, resulting others to move to another brand competitor. Improving customer satisfaction could really help business to make profits since customer satisfaction both builds relationships with the old customers and also fighting for new customers in a cost-saving way (Feng and Yanru, 2013).

Additionally, firms can achieve higher retention rate, positive word of mouth and increase their profits by increasing customers' satisfaction (Zeithaml, 2000; cited in Pappas, Pateli, Giannakos, and Chrissikopoulos, 2014). Since the first time it was introduced into marketing in 1965, customer satisfaction has become an important indicator of business performance and as an indicator to guide the development of new products and correction power of new services (Feng and Yanru, 2013). Because customers' satisfaction gives a lot of benefits and positive to business, it is important to know what satisfy customers both for researchers and practitioners.

Customer satisfaction is also said to be important as a lot of studies have examined its relationship with other marketing variables and found that it could impact and be impacted by other marketing variables such as brand repurchase intention, price perception, country of origin, and the like. A study conducted by Feng and Yanru (2013) on the subject of brand consumers of mobile communication service providers, that was tested on students of China University of Mining and Technology, Xuzhou Normal University, Pengcheng College; found that customer satisfaction was the key factor of improving repurchase intention. Furthermore, customer satisfaction, through multi-path, can directly or indirectly affected repurchase intention. Jiang and Rosenbloom (2005) studied the role of price and customer satisfaction at different stages on customers' intention to return in the e-retailing industry. Those different stages are at checkout and after delivery. The study was tested on 416 customers through Bizrate.com. Their study's findings indicate that after delivery satisfaction is more prominent to influence customer satisfaction and their intention to return and that price perception of the customers

has a direct and positive effect on their satisfaction and repurchase intention. Despite many researches done on customer satisfaction, there are still very little number of customer satisfaction study associated with beauty products, hence, researcher would like to conduct a research on customer satisfaction impact on repurchase intention of buying a Korean beauty product.

#### **2.1.4. Repurchase Intention**

Over the years, repurchase intentions has been identified and defined in various ways by scholars. 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). Zeithaml et al., (1996) also stated that repurchase intention represents the five behavioral intentions along with loyalty, willingness to pay, word-of-mouth, and complaining. 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). Implying that if customers see that a product or service is worthy enough, they would be more likely

to purchase that same exact product or service again in the future. In addition, customers may also help promote the product they are satisfied with through word-of-mouth. Ibazan, Balarabe, and Jakada (2016) stated that marketing managers can rely on repurchase intention when it comes to predicting sales in a variety of marketing activities such as new product introductions, effectiveness of advertising, service management, and demand forecasting for existing products. Moreover, repurchase intention can also be used as a proxy for purchase behavior and as an indicator of customer loyalty (Morwitz, Steckel & Gupta, 1977; Morgan and Rego, 2006). Jones and Sasser (1995) stated that intention to repurchase can be measured by asking consumers about their future intentions to repurchase a particular product or service. In addition, Jones and Sasser (1995) proposed that the information regarding intention to repurchase can be obtained by companies when they measure satisfaction, which makes it relatively easy to link intentions and satisfaction for analytical purposes; repurchase intention can also be measured at any time in the customer relationship make it especially valuable in industries with a long repurchase cycle; lastly, repurchase intention is a strong indicator of future behavior.

There are numerous studies regarding repurchase intention and its relationships with other marketing variables such as customer satisfaction, perceived quality, brand preference, country of origin and the like, conducted throughout the years in several industries and sectors. Most of those studies found a valid relationship between repurchase intention and other marketing variables, which shows that understanding more about repurchase intention might bring a lot

of advantages for business practitioners. A study conducted by Shin, Chung, Oh, and Lee (2013) about site quality effect on repurchase intention in internet shopping found repurchase intention can be indirectly affected by customer satisfaction through customer trust and customer commitment. Pappas, Pateli, and Giannakos (2014) conducted a study regarding the moderating effects of online shopping experience (performance expectancy) on customer satisfaction and repurchase intention. Their study concluded that experience has moderating effects on the relationships between performance expectancy and satisfaction, and satisfaction and intention to repurchase. Ebrahim, Ghoneim, Irani, and Fan (2016) suggests that consumer decision to repurchase the brand and repeat their experiences will not occur unless it results in favorable predispositions towards a certain brand among the alternatives. In another word, repurchase intention can also be influenced by brand preferences. Sohaib, Rehman, and Akram (2016) studied the underlying effect of customer satisfaction on repurchase intention mediated by trust and commitment in Pakistan banking industry by distributing questionnaires to 225 customers of banks. They reported that there is a positive relationship between customer satisfaction and repurchase intention mediated by trust and commitment, in which satisfaction positively enhances the trust then trust fosters the commitment and this increase customers' intent of repurchase. Despite many studies have been conducted on behalf of examining repurchase intention relationship with other marketing variables in diverse type of industries, there is still very little studies about repurchase intention's relationship with marketing variables such as price



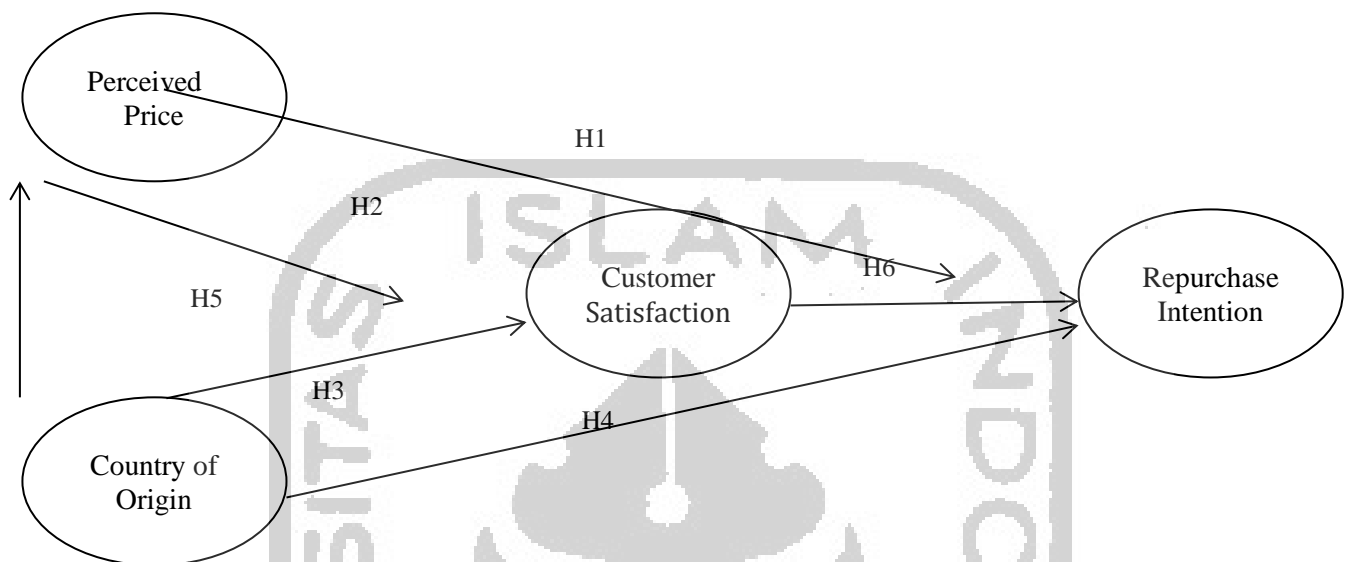
perception, country of origin, and customer satisfaction in Indonesia beauty industry.

## **2.2. Theoretical Framework**

The theoretical framework of this research consists of four variables: perceived price, country of origin, customer satisfaction, and repurchase intention. Previous similar research done by Moslehpour, Wong, Pham, and Aulia (2017) used the same variables as this research with the exception of the use of customer satisfaction variable. Instead, they used word of mouth variable as their mediator, meanwhile in this research the mediating variable is customer satisfaction. The reason for that is because Moslehpour et al., (2017) suggested to future research to change the mediator variable to other variables such as customer satisfaction since there is still very little research regarding the use of customer satisfaction as a mediating variable.

The researcher used a model used by Moslehpour et al., (2017) in their research to test consumer repurchase intention. Moslehpour et al., (2017) modified a general service sector model of repurchase intention developed by Hellier et al., (2003).

## Research Model



*Figure 2.1 Research Framework*

### 2.3. Hypotheses Formulation

#### 2.3.1. Interrelationship Between Perceived Price and Repurchase Intention

Perceived price is important to determine repurchase intention because customers' price perception is deemed as the final expected key driver of repurchase intention (Khan, Naumann, and Williams, 2012). According to Lee et al., (2011), if consumers feel the price of the product is reasonable, then they may continue to buy the particular product in the future again (Cited in Moslehpour et al., 2017). 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. However, a study conducted by Khan et al., (2012) found that perceived price has negative impact on repurchase intention on Japanese B2B services, which is very different from cosmetic business (market and industry). Since some researches' findings on perceived price influence on repurchase intention differ, it would be interesting to address this issue in the cosmetic business specifically in Indonesia, hence the researcher proposed the following hypothesis to find out the influence of perceived price on repurchase intention:

*H1: Perceive Price positively influences Repurchase Intention*

### **2.3.2. Interrelationship Between Perceived Price and Customer Satisfaction**

There is an indication that the extent of satisfaction was broader than just quality assessment and was subject to the factors of service quality, product quality, price, situation, and personal factors (Zeithaml and Bitner, 1996). Anderson, Fornell, & Lehmann, 1994) believed that price is undoubtedly and important factor in term of consumer satisfaction. According to Moslehpour (2017), consumers could be satisfied when they feel the price and the quality are reasonable and that consumers can also judge whether the product is offering a good value of price base on the performance or benefit of the products. Price perception is defined as an important factor for customer satisfaction in marketing literature since customer always refer to price when assessing product and service value (Fornell, 1992). 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 hypothesis is presented as show below:

*H2: Perceived Price positively influences Customer Satisfaction*

### **2.3.3. Interrelationship Between Country of Origin and Customer Satisfaction**

A research conducted by Hussein (2018) shows that brand of origin does moderate the effect of brand experience (local and international brands) on customer satisfaction. Both local and international brands have the same effect on customer satisfaction because when customers get satisfactory experiences in a casual dining restaurant, it will enhance their satisfaction notwithstanding the restaurant's brand of origin. Brand of origin itself is described as a country where a brand belongs to, based on customer perception (Koubaa, 2008; Thakor, 1996; cited in Huessein, 2018). Which means that brand of origin still has association to country of origin since country of origin is defined as a consumer's dependency upon country of origin when forming opinion on quality of a product (Han and Terpstra, 1988). Hilman and Hanysha (2015) indicated that country of origin has significant positive affect on brand trust, brand commitment, and brand satisfaction. Additionally, Guttman, Yvetz, and Rosenbaum (2017) conducted a research on customer's country of origin. Their study initiated that service managers can implement specific service recovery solutions based on the customer's culture, or at least understand how customer satisfaction scores may be influenced by

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. Unfortunately, there are not many of researchers that conduct a research on country of origin effect on customer satisfaction, especially in the sector of beauty industry. Nonetheless, the researcher, following Moslehpour et al., (2017) recommendation on incorporating customer satisfaction as a mediator, wants to incorporate the effect of country origin on customer satisfaction in the cosmetic/beauty industry. Hence the researcher included the following hypotheses:

*H3: Country of Origin positively influences Customer Satisfaction*

#### **2.3.4. Interrelationship Between Country of Origin and Repurchase Intention**

Though there are several researches examining influence of country of origin on purchase intention, it is still very rare to find researches that examine influence of country of origin on repurchase intention. However, there are various studies that found that purchase intention has a positive influence on repurchase intention including one study that was conducted by Akhter (2010). 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. One study conducted by Moslehpour et al., (2017) examines the

relationship between country of origin and repurchase intention mediated by word-of-mouth. Their analysis showed that country of origin significantly and positively influences repurchase intention. Therefore, the researcher includes the following hypotheses in their research:

*H4: Country of Origin positively influences Repurchase Intention*

### **2.3.5. Interrelationship Between Country of Origin and Perceived Price**

Veale and Quester (2009) discovered that studies found consumers use price as a predictor of quality, particularly when they have limited knowledge of product offerings (cited in Brookshire and Yoon, 2012). 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. 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). Their study concludes that country of origin has a significant influence on perceived price in the Philippines. Taking that into consideration, the researcher includes the following hypotheses to examine whether

country of origin has a significant impact on perceived price in the cosmetic business:

*H5: Country of Origin positively influences Perceived Price*

### **2.3.6. Interrelationship between Customer Satisfaction and Repurchase Intention**

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.

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). 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 intention (Westbrook, 1987). Illieska (2013) believed that the satisfaction about the product or service as a whole merit attention, since

satisfaction influences consumers' future buying and consuming behaviour. Razak et al., (2016) indicated that a satisfied customer means that there are similarities between the performance of a product or service with customers' hope, which will encourage customers to re-purchase products that they are satisfied with. Furthermore, Francken (1983) indicated that a concept is supposed to link the post-purchase evaluation, which can be positive (satisfied) or negative (unsatisfied), to repurchase behaviour. With that being said, the researcher would like to address the issue to study the impact of customer satisfaction on repurchase intention in the beauty/cosmetic industry. Thus, the researcher created a hypothesis regarding customer satisfaction on repurchase intention as shown below:

*H6: Customer Satisfaction positively influences Repurchase Intention*





## CHAPTER III

### RESEARCH METHOD

#### 3.1. Type of Study

This research aims to examine the influence of perceived price and country of origin on repurchase intention, with customer satisfaction as the mediating variable. The researcher used quantitative research method in examining the relationship between perceived price, country of origin, customer satisfaction, and repurchase intention. Quantitative method emphasizes objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys by manipulating pre-existing statistical data using computational techniques (Babbie, 2010). Quantitative method was also used to quantify attitudes, opinions, behaviours, and other defined variables and to generalize results from a larger sample population. The type of source of information used in this research are primary data. Primary data are information collected by the researcher directly through instruments such as surveys, interviews, focus groups or observation. Or in another word, primary data are observed and collected directly from first-hand experience. 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.

## **3.2. Population and Sample**

### **3.2.1. Population**

According to Sekaran and Bougie (2016), the population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. It is the group of people, events, or things of interest for which the researcher wants to make inferences (based on sample statistics). Since the research is regarding repurchase intention of South Korean beauty products in Indonesia, the population of this research is Indonesian people who are customers of South Korean beauty products.

### **3.2.2. Sample**

The sampling technique chosen for this research was convenience sampling, which is a part of non-probability sampling. Convenience sampling refers to the collection of the information from members of the population who are conveniently available to provide it (Sekaran and Bougie, 2016). The reason why researcher chose this sampling technique is because convenience sampling is said to be the best way of getting some basic information quickly and efficiently. As the researcher conducted this research for the thesis, it seemed appropriate to choose this sampling technique since it is easier to get access of the respondents in a limited time by choosing this sampling technique. By choosing this sample technique, the sample of this research would be Indonesian Korean beauty products customers who were available at the time this researcher was conducted. The information obtained from the samples becomes the basic data and trends regarding the problem

which is Indonesian customers repurchase intention of South Korean beauty products.

### **3.2.3. Sample Size**

Determining appropriate sample size is considered as a critical issue in SEM, regrettably, there is no consensus in the literature in terms of what would be the appropriate sample size for SEM (Wang and Wang, 2012). Wang and Wang (2012) however, stated that there is some evidence that prove simple SEM models could be meaningfully tested even if sample size is quite small, but commonly,  $N = 100-150$  is considered as the minimum sample size for conducting SEM. With that in mind, researcher concluded that 150 sample size is set to be the minimum size required for this research. The initial number of respondents in this research was 235 respondents, however, the total valid respondents that can be used in this research 166. The reason is because those 166 respondents have actually purchased South Korean beauty products before.

### **3.3. Data Collection Method**

The method to collect data used in this study was survey data collection method. Survey is a very well-known form of data collection, especially when gathering information from large groups, where standardization is important. Surveys consist of two components, the first one is questions and the second one is responses.

The type of questionnaire used by researcher was online questionnaire. The researcher used google form to create the questionnaire, spread questionnaire, and obtain responses. The researcher spread questions and obtained responses by distributing questionnaires on the internet and social media. The researcher managed to gather 166 respondents that are valid for this research.

The first part of the questionnaire consisted of demographics and other general information about the respondents such as gender, which part of Indonesia they are living in, age, education, how much money they spend in a month, and whether they have bought any South Korean beauty products before (be it offline or online).

In the second part, the respondents were asked to answer the questions by indicating their perceptions in accordance to the importance of each question based on a five-point Likert scale of 1 through 5. 1 acts as the lowest point meaning that the respondent “strongly disagrees”, 2 means the respondent “disagrees”, 3 means the respondent feels “neutral” about the question/statement, 4 means the respondent “agrees”, and 5 is indicated as the highest point meaning that the respondents “strongly agrees”. There were 27 questions in the questionnaire with 6 items intended to measure variable perceived price, 7 items intended to measure variable country of origin, 6 items intended to measure variable Customer Satisfaction, and 8 items intended to measure variable Repurchase Intention. The questionnaire was also in Bahasa Indonesia as the respondents needed by the researcher is Indonesians.

### 3.4. Operational Definition and Measurement of Variable

There are four variables in this research including perceived price, country of origin, customer satisfaction, and repurchase intention. In this research, perceived price act as an independent variable and country of origin is also used as an independent variable. Customer satisfaction act as a mediating variable, while repurchase intention act as the dependent variable. This research used a 5-point Likert scale to measure all variables.

#### a. Perceived Price

Zeithaml (1988) stated that 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, perceived nonmonetary price, and sacrifice. This variable is measured by using these items developed by Moslehpour et al., (2017) and Herrmann et al., (2007):

- a. South Korean beauty products charge a reasonable price for what they offer,
- b. South Korean beauty products provide products at competitive price.
- c. South Korean beauty products provide value for the money,
- d. South Korean beauty products provide quality for the price,
- e. The price of South Korean beauty products meets my expectation, and
- f. The price of South Korean beauty products is appropriate relative to its performance.

## b. Country of Origin

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. This variable is measured by using these items developed by Moslehpour et al., (2017) and Parvin et al., (2006):

- a. South Korea has excellent international reputation,
- b. South Korea is fashionable,
- c. South Korea offers products with reliable ingredients,
- d. South Korea is acceptable as International standard,
- e. You will get good results from using beauty products made in South Korea,
- f. Beauty products made in South Korea are very reliable, and
- g. You can depend on beauty products made in South Korea.

## c. Customer Satisfaction

Ilieska (2009) described customer satisfaction as the customer's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (outcome) in relation to his or her expectation. This variable is measured by using these items developed by Hellier et al., (2003); Herrmann et al., (2007); and Hussein et al., (2018):

- a. I feel good about my decision to purchase South Korean beauty products,
- b. I am pleased that I purchased beauty products from South Korea,

- c. There is no reason to complain when it comes to buying South Korean beauty products,
- d. I am satisfied with the purchase I made on South Korean beauty products,
- e. I have a satisfying experience with South Korean beauty products, and
- f. Commonly, I feel satisfied with the decision to buy South Korean beauty products.

d. Repurchase Intention

Repurchase intention is the individual's decision or judgment in term buying again a designated service from the same company by considering his or her current situation and likely circumstances (Hellier, Geursen, and Carr, 2003). This variable is measured by using these items developed by Moslehpour et al., (2017); Hsu et al., (2006), and Wu et al., (2014):

- a. I would buy South Korean beauty products again next time,
- b. I plan to use more South Korean beauty products in the future,
- c. I would not switch to other country beauty products,
- d. I would consider other country beauty products before buying them,
- e. I intend to continue buying Korean beauty products in the future,
- f. I will continue buying South Korean beauty products in the future,
- g. I will regularly buy South Korean beauty products in the future, and
- h. The probability that I will use South Korean beauty products again is high.

### **3.5. Validity and Reliability Test of Research Instruments**

The researcher performed a validity and reliability test called Pilot test in order to see whether the items in the instruments belong there or not. Reliability test is carried out to know how consistently a measuring instrument measures whatever concept it is measuring while validity test is carried out to find out how well an instrument that is developed measures the particular concept. The Pilot test was done by distributing the questionnaire to 30 respondents.

#### **3.5.1. Validity Test**

Validity test is a test that aims to show the validity of an instrument. An instrument can be titled valid if it is able to measure what is desired. The method used to conduct validity test in this research was Pearson's product-moment correlation coefficient or for short, Pearson's correlation. According to Pearson's correlation, if  $r$  is close to 0 it means there is no relationship between the variables, if the  $r$  is greater than  $r$  table and the value of  $r$  is positive, then the statement evidence is said to be valid (Ghozali, 2013). In this research, the data can be classified as valid if its Pearson Correlation Sig is 0.05 ( $\geq 0.05$ ).

Validity test result:



*Table 3.1 Validity Test Result*



<b>Indicators</b>	<b>Pearson Correlation</b>	<b>Pearson Correlation Sig</b>	<b>Status</b>
<b>Perceived Price</b>			
South Korean beauty products charge a reasonable price for what they offer	0,837	0,000	Valid
South Korean beauty products provide products at competitive price	0,703	0,000	Valid
South Korean beauty products provide value for the money	0,783	0,000	Valid
South Korean beauty products provide quality for the price	0,854	0,000	Valid
The price of South Korean beauty products meets my expectation	0,716	0,000	Valid
The price of South Korean beauty products is appropriate relative to its performance	0,844	0,000	Valid
<b>Country of Origin</b>			
South Korea has excellent international reputation	0,757	0,000	Valid
South Korea is fashionable	0,528	0,000	Valid
South Korea offers products with reliable ingredients	0,812	0,000	Valid
South Korea is acceptable as International standard	0,731	0,000	Valid
You will get good results from using beauty products made in South Korea	0,762	0,000	Valid
Beauty products made in South Korea are very reliable	0,857	0,000	Valid

You can depend on beauty products made in South Korea	0,847	0,000	Valid
<b>Customer Satisfaction</b>			
I feel good about my decision to purchase South Korean beauty products	0,868	0,000	Valid
I am pleased that I purchased beauty products from South Korea	0,854	0,000	Valid
There is no reason to complain when it comes to buying South Korean beauty products	0,642	0,000	Valid
I am satisfied with the purchase I made on South Korean beauty products	0,897	0,000	Valid
I have a satisfying experience with South Korean beauty products	0,878	0,000	Valid
Commonly, I feel satisfied with the decision to buy South Korean beauty products	0,894	0,000	Valid
<b>Repurchase Intention</b>			
I would buy South Korean beauty products again next time	0,687	0,000	Valid
I plan to use more South Korean beauty products in the future	0,815	0,000	Valid
I would not switch to other country beauty products	0,565	0,000	Valid
I would consider other country beauty products before buying them	0,641	0,000	Valid
I intend to continue buying South Korean beauty products in the future	0,856	0,000	Valid

I will continue buying South Korean beauty products in the future	0,820	0,000	Valid
I will regularly buy South Korean beauty products in the future	0,825	0,000	Valid
The probability that I will use South Korean beauty products again is high	0,826	0,000	Valid

Sources: *Primary Data (Processed), 2019*

### 3.5.2. Reliability Test

According to Sekaran and Bougie (2016), the reliability of a measure indicates the extent to which it is without bias or error free, and hence ensures consistent measurement across time and across the various items in the instrument. Reliable questionnaire is a questionnaire which, if tried repeatedly to the same group, will produce the same data, assuming that there is no psychological change in the respondents (Ghozali, 2013). The researcher used *Cronbach's Alpha*,  $\alpha$  (coefficient alpha) to measure the reliability of the instruments in this research. The instrument is classified as reliable if its *Cronbach's Alpha* is  $> 0.6$  ( $\geq 0.60$ ).

Reliability test result:

**Table 3.2 Reliability Test Result**

<b>Instrument/Variable</b>	<b>Cronbach's Alpha</b>	<b>Minimal Score</b>	<b>Status</b>
Perceived Price	0.877	0,6	Reliable
Country of Origin	0.878	0,6	Reliable
Customer Satisfaction	0.916	0,6	Reliable
Repurchase Intention	0.698	0,6	Reliable

*Sources: Primary Data (Processed), 2019*

Based on a summary of the reliability test results that is shown in the table above, it can be seen that the Cronbach's Alpha coefficient number for all variables/instruments is greater than 0.6. Thus, all the questions used to measure each instrument were declared reliable and can be used in further research.

### **3.6. Analysis Technique**

Several software programs were used in this research such as SPSS version 16 and AMOS (Analysis of Moment Structure) version 24. SPSS (Statistical Package for the social science) version 16 was used to conduct a Pilot test for the purpose of find out the validity of the instruments' indicators and the reliability of each of the instruments. Whereas AMOS version 23 was used to test hypotheses, outliers, normality, validity, reliability, confirmatory analysis, and to analyse model of fitness. AMOS was used also because it is said to be a powerful and easy-to-use

structural equation modelling (SEM) software. With Amos, a model is specified, estimated, assessed and presented in an intuitive path diagram to show hypothesised relationships amongst variables (Malhotra & Birks, 2007).

The researcher chose to use SEM (also known as Structural Equation Modelling) due to the construct of this research's conceptual model, which consists of two independent variables, one mediating variable, and one independent variable. SEM is a family of statistical models that seek to explain the relationships among multiple variables by examining the structure of interrelationships expressed in a series of equations, similar to a series of multiple regression equations (Hair, Black, Babin, and Anderson; 2013).

### **3.6.1. Respondents' Characteristics**

This segment was aimed to give a depiction of the characters of the respondents in this research regarding some things they have in common, their basic information and the like in order to know their attitude towards this research since characteristics of people are varied and may have different effect on how they feel about a product or service. In this segment the researcher would explain the demographic characteristics of the respondents. Some things that were included as demographic characteristics are gender, age, where do they live, education, and their monthly expenditures.

### **3.6.2. Descriptive Analysis**

Descriptive analysis was used to summarise and explain data that are able to represent the entire sample or population. It was also used to discover and describe each instrument and indicator's average responses in the questionnaire. In another word, descriptive analysis could be used to describe the basic features of a study's data.

### **3.6.3. SEM Analysis Technique**

The researcher used Hair et al.'s (1995) seven step stages of SEM to analyse the data obtained in this research. The seven stages of SEM consist of:

#### **3.6.3.1. Stage 1: Developing a theoretically based model**

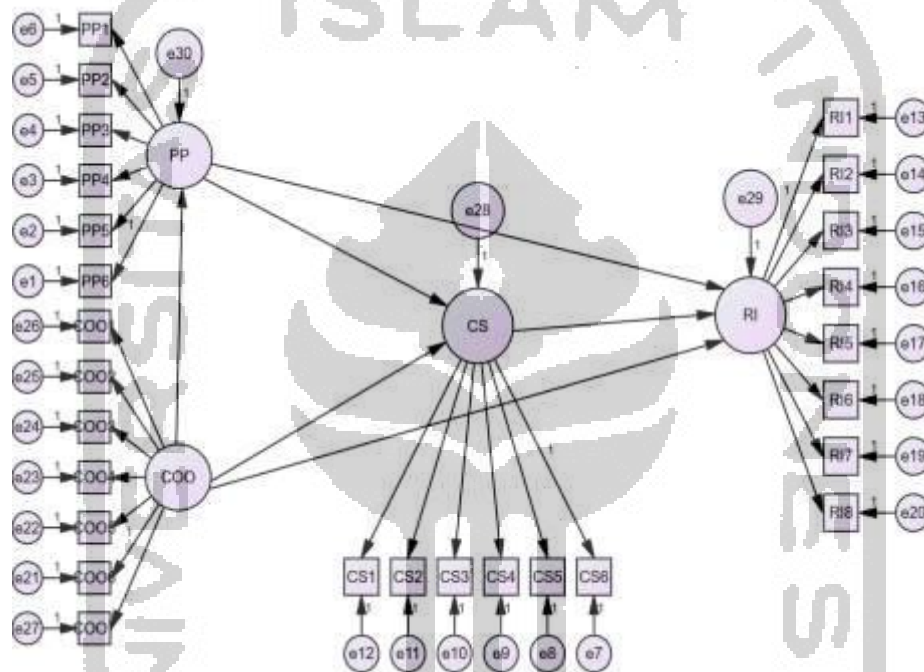
The development of the model in this study is based on the concept of data analysis, previous theoretical development, and prior experience that support the development of this study's model. Those data analysis, previous theoretical development and prior experience that are related to this study's model have all been explained on chapter two. Generally, the model consists of two exogenous variables namely perceived price and country of origin, and two endogenous variables namely customer satisfaction and repurchase intention.

#### **3.6.3.2. Stage 2 and 3: Constructing a path diagram of casual relationships and concerting the path diagram into a set of structural equations and measurement equation**

The next step was to assemble causality relationships with a path diagram and to arrange structural equations. There were two things that need to be done in

this step: the first is to construct a structural model by connecting between latent constructs, both endogenous and exogenous; and the second one is constructing and determining the model by connecting endogenous or exogenous latent constructs with indicator variable or manifest variable.

**Figure 3.1 Path Diagram and Structural Link**



Sources: *Primary Data (Processed), 2019*

### 3.6.3.3. Stage 4: choosing the input diagram type and estimating the proposed model of structural fit

Structural equation modelling (SEM) technique analysis is quite different from other multivariate technique analysis. SEM technique analysis only uses input data in the form of variance or covariance matrices or correlation metrics. The estimated model used is the maximum likelihood (ML) estimation that has been met with the following assumptions:



a. Sample Size

Sample size refers to the number of data samples that must be met in a study. As the researcher referred to Wang and Wang (2012) research regarding the normal sample size for a SEM technique analysis, which is  $N = 100-150$ , the researcher set the minimum sample size of 150. The researcher managed to obtain 166 respondents for this study.

b. Normality Test

According to Hair et al., (2013) normality is the degree to which the distribution of the sample data corresponds to a normal distribution. The normality of data must first be fulfilled so that the data can be further processed for SEM modelling. This normality testing through univariate 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  $\pm 2.58$ , then the research data can be said to be normal.

c. Outlier Test

Outliers are observations or data that have unique characteristics that look different from other observations and appear in the form of extreme numbers, both for a variable or for variable combinations. Another description of outlier is that it is an observation that is substantially different from the other observations (i.e., has an extreme value) on one or more characteristics (variables) (Hair et al., 2013). Outliers can be evaluated by using multivariate outliers analysis seen from the Mahalanobis Distance number.

#### d. 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. *Goodness of Fit* evaluation consists of Chi-Square ( $\chi^2$ ), probability, RMSEA, GFI, AGFI, CFI, TLI and CMIN/DF. All of the explanations regarding Goodness of Fit criteria below were derived from López, Abad, and Sousa (2013) study:

Chi-Square ( $\chi^2$ ) was used to test the hypotheses to evaluate the significance of a SEM. RMSEA or Root Mean Square Error of Approximation, displays the error approximation in the population. If the value is  $\leq 0.05$  it indicates good model fit whereas if the value is  $\leq 0.08$  it indicates adequate model. GFI or *Goodness of Fit Index* is the percent of explained observed covariance compared with the prediction of the covariance in the model. Value of  $\geq 0.90$  indicates good fit. AGFI or Adjusted Goodness-of-fit Index compares the hypothesized model with predicted model through adjusting the number of degrees of freedom in the specified model. Value of  $\geq 0.90$  indicates good fit. Comparative fit Index (CFI) is the comparison of hypothesized model to the predicted model which measures complete covariation in the data. Value of  $\geq 0.90$  indicates good fit. Tucker-Lewis Index (TLI) compares index between proposed and predicted models. Value of  $\geq 0.90$  indicates good fit. CMIN/DF measures the relationship of the goodness of fit

model and the number of estimated coefficients that are expected to reach a level of conformity. Value of  $\leq 2.00$  indicates good fit.

#### **3.6.3.4. Stage 5: validating the structural equations and measurement of equations of the proposed model**

Some ways to see whether there is an identification problem is by looking at the estimation results. SEM analysis can only be done if the model identification results show that the model is included in the over identified category. This identification is done by looking at the df value of the created model.

#### **3.5.3.5. Stage 6 and 7: evaluating the goodness-of-fit for the proposed model and making modifications to the proposed model**

In this step, the researcher assessed the overall model fit with one or more *Goodness of Fit* measures.

## **CHAPTER IV**

### **DATA ANALYSIS AND DISCUSSIONS**

The researcher used SPSS version 16 and AMOS version 24 in order to analyse the statistical data obtained in this study and used descriptive analysis to discuss the data obtained in this study. As explained in chapter 3, the researcher needed to collect at least 150 respondents for doing the analysis. There was a total of approximately 235 respondents, however only 166 of them could be used in this research because those 166 respondents have actually purchased any kind of South Korean beauty products and since the research was about repurchase intention of South Korean beauty products, only those (who have purchased or used South Korean beauty products) could be identified as usable respondents for this study.

#### **4.1. Statistics Descriptive**

In this section, the researcher explained the statistics descriptive of data obtained regarding respondents' characters and indicators that were used in this study.

##### **4.1.1. Respondents' Characteristics**

This section explained the characteristics of the respondents such as their genders, their residences, their ages, their latest education backgrounds, their monthly expenses, the frequency of them buying South Korean beauty products both offline and online.

#### 4.1.1.1. Respondents' Classification Based on Gender

In this section, the respondents were classified in accordance to their genders. Below is a table that shows how many women respondents and men respondents participated in this study.

*Table 4.1 Respondents' Classification Based on Gender*

No	Gender	Quantity	Percentage
1.	Men	22	13.3
2.	Women	144	86.7
<b>Total:</b>		<b>166</b>	<b>100</b>

*Sources: Primary Data (Processed), 2019*

The table shows that the majority respondents in this study are women with the percentage of 86.7%. There were men respondents but only 22 of them out of 166 respondents. There was a big different in number when it comes to men and women respondents in this study.

#### 4.1.1.2. Respondents' Classification Based on Age

This section showed how old most of the respondents in this study are. In the questionnaire, the question regarding the respondents' ages was in the style of an open question instead of a multiple-choice question. However, in order to make the data easier to be read, the researcher classified the respondents' ages into five age groups. The table below presented the classification of the respondents' ages.

**Table 4.2 Respondents' Classification Based on Age**

No	Age Group	Quantity (Person)	Percentage
1.	15 – 21 years old	68	40.964
2.	22 – 28 years old	75	45.181
3.	29 – 35 years old	17	10.241
4.	36 - 42 years old	4	2.410
5.	> 45 years old	2	1.204
<b>Total:</b>		<b>166</b>	<b>100</b>

*Sources: Primary Data (Processed), 2019*

From the table shown above, it can be concluded that the majority of this study's respondents are 22 – 28 years old, as this age group consists of 75 respondents (45.181%). The second place belonged to the age group of 15 – 21 years old with the total of 68 respondents. The third place belonged to the age group of 29 – 35 years old since there was 17 respondents who belong in this age group. There were several respondents that are older than 36 years old, however the amount was only 6 people.

#### **4.1.1.3. Respondents' Classification Based on Residence**

This section was intended to give the readers information about where this study's respondents live (as of when they filled up the questionnaire).

**Table 4.3 Respondents' Classification Based on Residence**

No	Residence Location	Quantity (Person)	Percentage
1.	Java	150	90.4
2.	Outside of Java	16	9.6
<b>Total:</b>		<b>166</b>	<b>100</b>

Sources: Primary Data (Processed), 2019

As shown in table 4.3 most of the respondents are residing in Java area. Only 16 of them reside outside of Java area. This, however, did not show where the respondents originated from or in another word, the question regarding where they live could not show the respondents' hometowns, which is quite important, as some people who are originated from outside of Java area move to Java and vice versa. Alas, most respondents came from Java area with the total of 90.4 % of the respondents.

#### **4.1.1.4. Respondents' Classification Based on Educational Background**

The educational background may or may not be affecting how the respondents react or answer the questions asked in the questionnaire. The researcher made a multiple-choice question in regards of asking the respondents' latest educational background/level. That being said, the respondents were classified into 4 groups of educational background as shown below:

**Table 4.4 Respondents' Classification Based on Educational Background**

No	Education Background/Level	Quantity (Person)	Percentage
1.	High School	111	66.9
2.	Bachelor	41	24.7
3.	Master	7	4.2
4.	Others (post-graduate, associate degree, etc.)	7	4.2
<b>Total:</b>		<b>166</b>	<b>100</b>

Sources: Primary Data (Processed), 2019

Most of the respondents, 111 out of 166 of them, chose high school as their latest educational level that they have finished. It implied that the respondents are either high school graduates or students in bachelor's degree who have not graduated yet as most of the respondents are 15 – 28 years old. 41 respondents have finished their bachelor's degree, 7 of them finished their master's degree, and finally 7 of them have finished other education levels (postgraduate, associate degree, etc.). It can be concluded that the highest educational level of most respondents was high school.

#### 4.1.1.5. Respondents' Classification Based on Monthly Expenses

In this section, respondents were classified into four groups, the first group is for those who spend less than Rp1.000.000 a month, the second group is for those who spend Rp1.100.000 – Rp3.000.000 a month, the third group is for those who



spend around Rp3.100.000 – Rp5.000.000 monthly, and the last or fourth group is for those whose monthly expenses exceeds Rp5.000.000.

**Table 4.5 Respondents' Classification Based on Monthly Expenses**

No	Monthly Expenses	Quantity (Person)	Percentage
1.	< Rp1.000.000	41	24.7
2.	Rp1.100.000 – Rp3.000.000	102	61.4
3.	Rp3.100.000 – Rp5.000.000	15	9.1
4.	> Rp5.000.000	8	4.8
<b>Total:</b>		<b>166</b>	<b>100</b>

Sources: Primary Data (Processed), 2019

Based on table 4.5, most of the respondents (around 102 of them), spend approximately Rp1.100.000 – Rp3.000.000 a month. The second place belonged to group 1 which is respondents whose monthly expenses is less than Rp1.000.000. There were 15 respondents whose monthly expenses is around Rp3.100.00 – Rp5.000.000, while for the group 4 or the group of respondents who spend more than Rp5.000.000 a month, there was only 8 people classified into that group.

#### 4.1.1.6. Respondents' Classification Based on The Frequency of Buying South Korean Beauty Products Offline

Since the research was about repurchase intention of South Korean beauty products, the researcher included two questions regarding how often the respondents buy South Korean beauty products. The questions were intended to know whether the respondents have bought South Korean beauty products before, if so, their answer would be used for this study. In this section, the researcher asked the respondents how often they buy South Korean beauty products offline, be it buying from the brand's official physical store, or stores like Sephora, Watsons, Guardian, and the like.

**Table 4.6 Respondents' Classification Based on The Frequency of Buying South Korean Beauty Products Offline**

No	Buying Frequency	Quantity (Person)	Percentage
1.	Never	37	22.3
2.	Rarely	60	36.1
3.	Sometimes	56	33.7
4.	Often	12	7.2
5.	Always	1	0.6
<b>Total:</b>		<b>166</b>	<b>100</b>

Sources: Primary Data (Processed), 2019

As shown in table 4.6, the most prominent buying frequency of South Korean beauty products through offline (official stores, stores such as Watsons, etc.) was rarely as 36.1% of the respondents chose that option. 33.7% of the respondents chose sometimes to describe their buying frequency of South Korean beauty products offline. 37 respondents have never bought South Korean beauty products through offline. 12 respondents often buy South Korean beauty products through offline. Lastly, only 1 respondent chose always to describe their buying frequency of South Korean beauty products through offline.

#### **4.1.1.7. Respondents' Classification Based on The Frequency of Buying South Korean Beauty Products Online**

Here, the respondents were classified into five groups depending on how often they buy South Korean beauty products through online (be it official site or marketplace such as Shopee, Tokopedia, etc.).

***Table 4.7 Respondents' Classification Based on The Frequency of Buying South Korean Beauty Products Online***

No	Buying Frequency	Quantity (Person)	Percentage
1.	Never	21	12.7
2.	Rarely	34	20.5
3.	Sometimes	52	31.3
4.	Often	50	30.1
5.	Always	9	5.4
<b>Total:</b>		<b>166</b>	<b>100</b>

Sources: Primary Data (Processed), 2019

As can be seen in table 4.7, most of the respondents (total of 52 respondents) chose sometimes as their buying frequency of buying South Korean beauty products through Online. Often came in the second place as the most used word to describe 50 respondents' buying frequency of South Korean beauty products Online. Meanwhile 34 respondents chose rarely, 21 respondents chose never, and 9 respondents chose always as their words to describe their buying frequency of South Korean beauty products through online.

#### 4.1.2. Statistics Descriptive of Variables and Indicators

As what has been mentioned on chapter 3, which is research methodology, this research used Five-Point Likert scale as the itemized rating scale in order to measure data from the respondents. If the respondents chose 1 it means that they

strongly agree with the statement about a variable or an indicator, if they chose 5 it means that they strongly agree with the statement. Other numbers such as 2 means disagree, 3 means neutral, and 4 means agree. In order to assess the questionnaire result based on the Five-Point Likert scale, there is a certain calculation as shown below:

The lowest perception point is 1

The highest perception point is 5

$$\text{Intervals} = \frac{5-1}{5} = 0.8$$

Therefore, the obtained perception limits are as follows:

1.00 – 1.79 = strongly disagree

1.80 – 2.59 = disagree

2.60 – 3.39 = fair (neutral)

3.40 – 4.19 = agree

4.20 – 5.00 = strongly agree

#### **4.1.2.1. Statistics Descriptive of Perceived Price**

The result of descriptive analysis of perceived price can be seen in Table 4.8 below:

***Table 4.8 Statistics Descriptive of Perceived Price***

No	Indicators of Perceived Price	Mean	Category
1.	South Korean beauty products charge a reasonable price for what they offer	3.596	Agree
2.	South Korean beauty products provide products at competitive price	3.566	Agree
3.	South Korean beauty products value for the money	4.030	Agree
4.	South Korean beauty products provide quality for the price	4.006	Agree
5.	The price of South Korean beauty products meets my expectation	3.367	Fair (neutral)
6.	The price of South Korean beauty products is appropriate relative to its performance	3.981	Agree
<b>Mean:</b>		<b>3.758</b>	<b>Agree</b>

Sources: Primary Data (Processed), 2019

As shown in Table 4.8 above, the average assessment of 166 respondents on perceived price variable was 3.758, which was considered good since 3.758 means agree. All of the indicators of perceived price variable were deemed as good since most of them (except one), categorised as agree, meaning that the respondents were agreeing with those indicators. The only indicator categorised as fair (neutral) was the fifth indicator: the price of South Korean beauty products meets my

expectation. The statistic description of perceived price variable and indicators were all considered as good as it did not show any disagreements from the respondents toward the variable and indicators.

#### 4.1.2.2. Statistics Descriptive of Country of Origin

The result of descriptive analysis of country of origin can be seen in Table 4.9 below:

**Table 4.9 Statistics Descriptive of Country of Origin**

No	Indicators of Country of Origin	Mean	Category
1.	South Korea has excellent international reputation	3.981	Agree
2.	South Korean is fashionable	4.120	Agree
3.	South Korea offers products with reliable ingredients	3.915	Agree
4.	South Korean is acceptable as international standard	3.855	Agree
5.	You will get good results from using beauty products made in South Korea	3.692	Agree
6.	Beauty products made in South Korea are very reliable	3.843	Agree
7.	You can depend on beauty products made in South Korea	3.783	Agree

<b>Mean:</b>	<b>3.884</b>	<b>Agree</b>
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Sources: Primary Data (Processed), 2019

Out of all indicators of country of origin variable, the second indicator – South Korean is fashionable – got the highest mean among all of the indicators, implying that most respondents agreed with that statement more than the other statements. The fifth indicator – you will get good results from using beauty products made in South Korea – got the lowest mean among other indicators. However, the overall mean of country of origin variable was 3.884, which makes it categorised as good since it means that the respondents agree with all the indicators and variable. Furthermore, the fifth indicator, which holds the lowest mean among all of the indicators, was still categorised as good since 3.692 mean score means that the respondents agree with that statement.

#### **4.1.2.3. Statistics Descriptive of Customer Satisfaction**

The result of descriptive analysis of Customer Satisfaction can be seen in Table 4.10 below:



**Table 4.10 Statistics Descriptive of Customer Satisfaction**

No	Indicators of Customer Satisfaction	Mean	Category
1.	I feel good about my decision to purchase South Korean beauty products	3.933	Agree
2.	I am pleased that I purchased beauty products from South Korea	3.849	Agree
3.	There is no reason to complain when it comes to buying South Korean beauty products	3.283	Fair (neutral)
4.	I am satisfied with the purchase I made on South Korean beauty products	3.807	Agree
5.	I have satisfying experience with South Korean beauty products	3.813	Agree
6.	Commonly, I feel satisfied with the decision to buy South Korean beauty products	3.716	Agree
<b>Mean:</b>		<b>3.733</b>	<b>Agree</b>

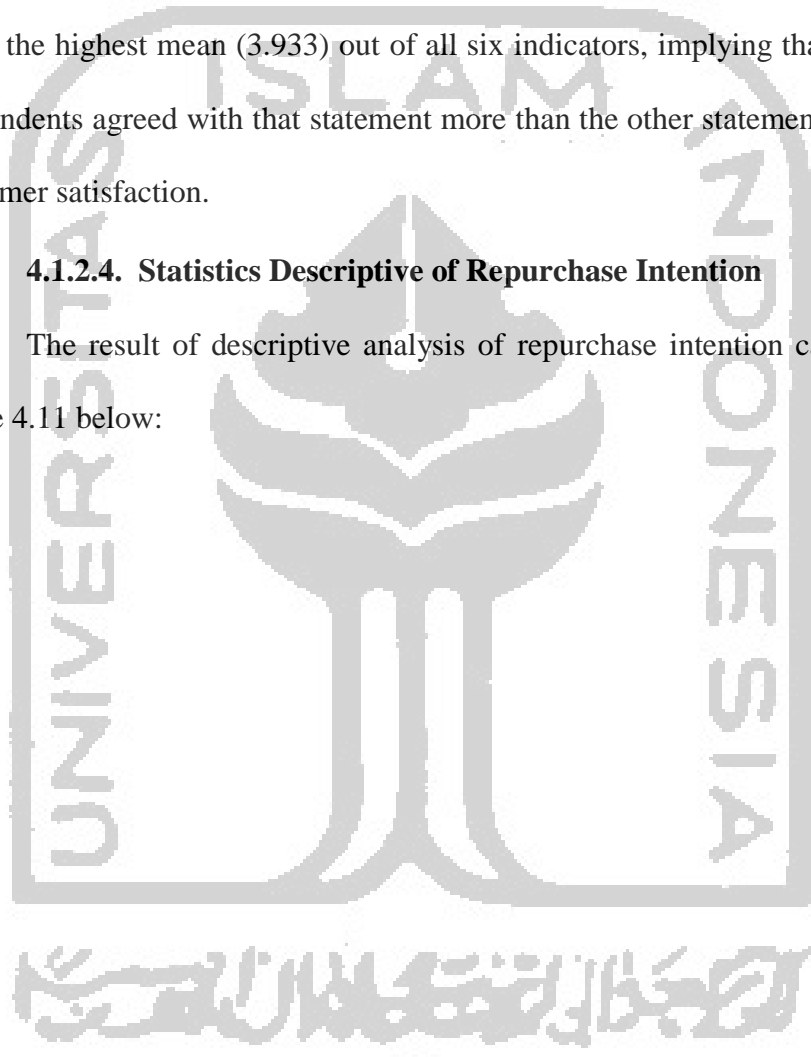
Sources: Primary Data (Processed), 2019

Based on the statistics descriptive result shown in table 4.10, the average assessment of 166 respondents on customer satisfaction variable and its indicator was 3.733, which categorised as good because it indicates that most of the respondents agreed with customer satisfaction variable and its indicators. Out of six indicators or statements of customer satisfaction variable, only one of them was

categorised as fair (neutral) – there is no reason to complaint when it comes to buying South Korean beauty products – which means that most respondents feel neutral about that statement, they neither agree nor disagree. The first indicator which is – I feel good about my decision to purchase South Korean beauty products – got the highest mean (3.933) out of all six indicators, implying that most of the respondents agreed with that statement more than the other statements concerning customer satisfaction.

#### **4.1.2.4. Statistics Descriptive of Repurchase Intention**

The result of descriptive analysis of repurchase intention can be seen in Table 4.11 below:



**Table 4.11 Statistics Descriptive of Repurchase Intention**

No	Indicators of Repurchase Intention	Mean	Category
1.	I would buy South Korean beauty products again next time	3.457	Agree
2.	I plan to use more South Korean beauty products in the future	3.608	Agree
3.	I would not switch to other country beauty products	2.855	Fair (neutral)
4.	I would consider other country beauty products before buying them	3.789	Agree
5.	I intend to continue buying South Korean beauty products in the future	3.680	Agree
6.	I will continue buying South Korean beauty products in the future	3.518	Agree
7.	I will regularly buy South Korean beauty products in the future	3.198	Fair (neutral)
8.	The probability that I will use South Korean beauty products again is high	3.759	Agree
<b>Mean:</b>		<b>3.483</b>	<b>Agree</b>

Sources: Primary Data (Processed), 2019

The overall mean of repurchase intention indicator and variables was 3.481 which shows that the respondents mostly agree with the variable and its indicators. The third indicator – I would not switch to other country beauty products – got the

lowest mean (2.855) among all repurchase intention indicators and was categorised as fair (neutral). Compared to other variables in this study, repurchase intention variable had the lowest mean, which is 3.483. Nonetheless, it is still classified as good because 3.483 means that most of the 166 respondents agree with repurchase intention variable and indicators.

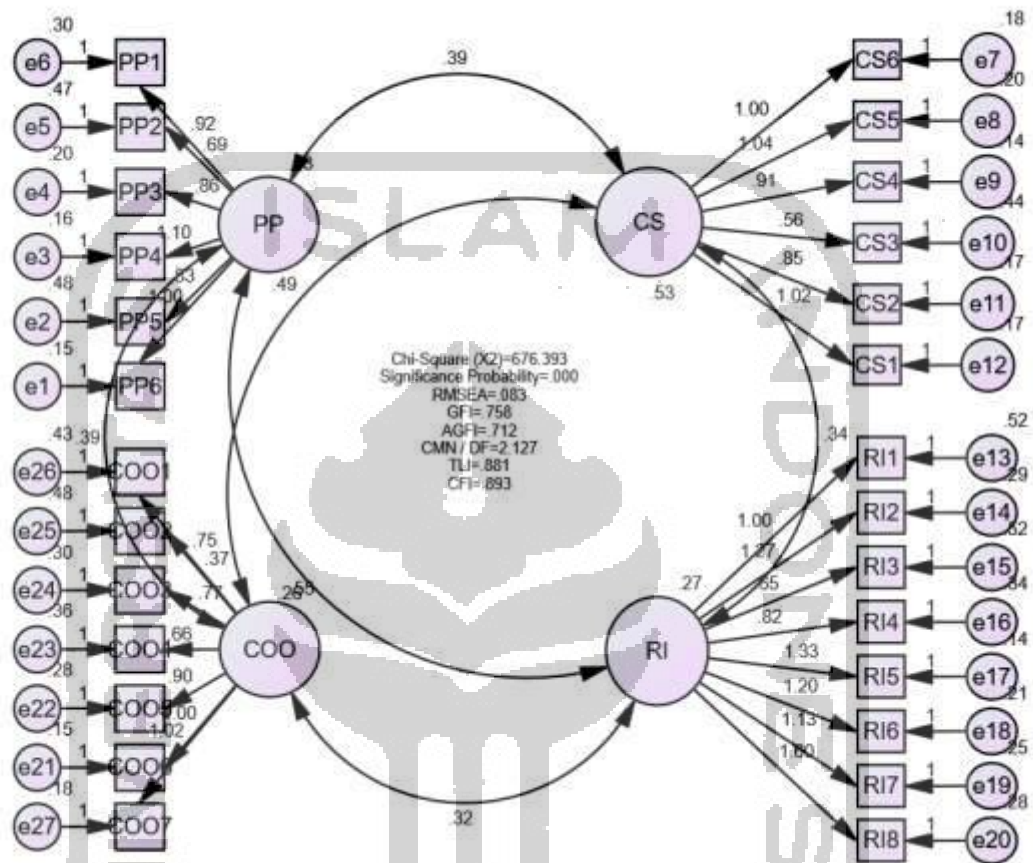
#### **4.2. Reliability and Validity Test**

For the researcher to test the reliability and validity of the data obtained in this study, the researcher used classical assumption tests namely: normality test, outlier test, confirmatory analysis test, goodness-of-fit criteria test, and so on. The researcher used software called AMOS version 24 to do normality test, outlier test, confirmatory analysis test, goodness-of-fit criteria test, reliability test, validity test, and hypothesis test of this study.

##### **4.2.1. 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. *Goodness of Fit* evaluation consists of Chi-Square ( $\chi^2$ ), probability, RMSEA, GFI, AGFI, CFI, TLI and CMIN/DF. There were four variables in this study namely perceived price, country of origin, customer satisfaction, and repurchase intention. 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:



**Figure 4.1 Result of Research Model**

Source: Primary Data (Processed), 2019

The indicators' loading factors obtained from the analysis can be seen as follows:

**Table 4.12 Validity Test Result Before Modification**

			<b>Estimate</b>
PP6	<---	PP	0.858
PP5	<---	PP	0.618
PP4	<---	PP	0.877
PP3	<---	PP	0.786
PP2	<---	PP	0.552
PP1	<---	PP	0.745
CS6	<---	CS	0.864
CS5	<---	CS	0.860
CS4	<---	CS	0.874
CS3	<---	CS	0.524
CS2	<---	CS	0.829
CS1	<---	CS	0.875
RI1	<---	RI	0.590
RI2	<---	RI	0.780
RI3	<---	RI	0.426
RI4	<---	RI	0.592
RI5	<---	RI	0.878
RI6	<---	RI	0.811
RI7	<---	RI	0.763
RI8	<---	RI	0.847
COO6	<---	COO	0.888
COO5	<---	COO	0.781
COO4	<---	COO	0.633
COO3	<---	COO	0.722
COO2	<---	COO	0.369
COO1	<---	COO	0.648
COO7	<---	COO	0.873

Source: Primary Data (Processed), 2019

The loading factors obtained from the analysis shown in the table above could be used to measure construct validity. According to Brown (1996), the general concept of concept of validity is defined as the degree to which a test measure what it claims, or purpose, to be measuring. A questionnaire can be said as valid if the questions on the questionnaire can measure or reveal something related to what the questionnaire supposed to measure. Hair et al., (2013) stated that the minimum number of loading factor is  $\geq 0.5$  or ideally  $\geq 0.7$ . Through following

Hair et al., (2010) statement, it can be concluded that most of the questions or indicators used for measuring the variables in this study can be categorised as valid. However, there were two indicators that were deemed as not valid because their loading factors are below the minimum number of ideal loading factor ( $\geq 0.5$ ). The two indicators that were not valid are Country of Origin 2 and Repurchase Intention 3 due to their loading factors being .426 and .369. Therefore, indicators COO2 and RI3 were removed from the research model. After conducting the validity test for the indicators, the next step was carrying out confirmatory analysis of goodness of fit test. The result of confirmatory analysis of goodness of fit index can be seen in table below:

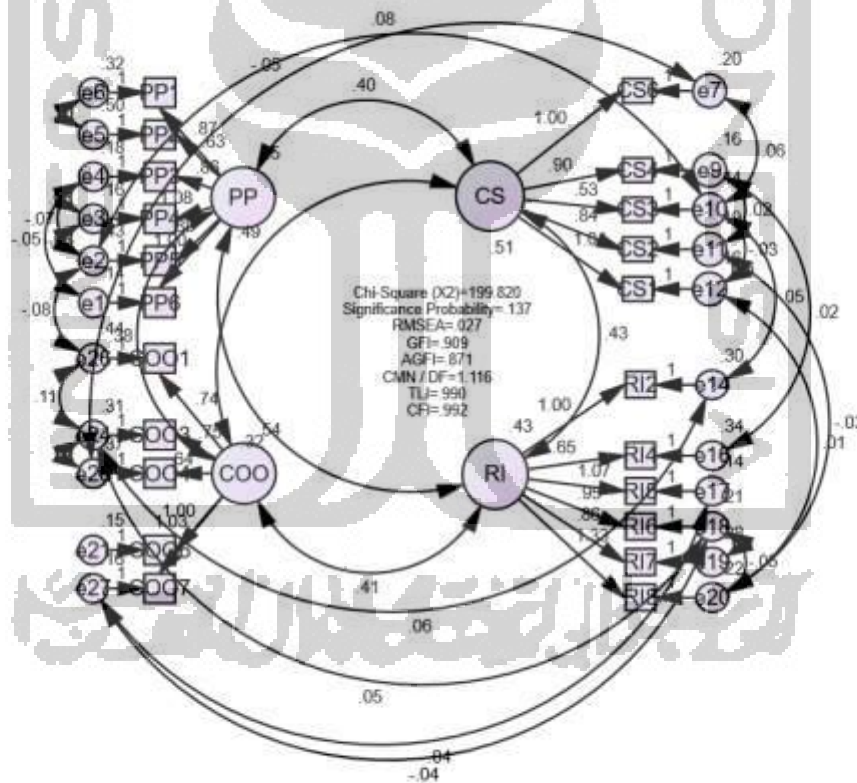
**Table 4.13 Goodness of Fit Analysis Before Modification**

<b>Goodness of Fit</b>	<b>Criteria</b>	<b>Cut-off Value</b>	<b>Category</b>
Chi-Square ( $X^2$ )	Expected to be small	678.393	<i>Not Fit</i>
Significance Probability	$\geq 0.05$	0.000	<i>Not Fit</i>
RMSEA	$\leq 0.08$	0.083	<i>Fit</i>
GFI	$\geq 0.90$	0.758	<i>Not Fit</i>
AGFI	$\geq 0.90$	0.712	<i>Not Fit</i>
CMN/DF	$\leq 2.00$	2.127	<i>Not Fit</i>
TLI	$\geq 0.90$	0.881	<i>Marginal Fit</i>
CFI	$\geq 0.90$	0.893	<i>Marginal Fit</i>

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 such as Chi-Square ( $X^2$ ), GFI, AGFI, and CMN/DF 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 4.2 Modified Research Model**



Source: Primary Data (Processed), 2019



Figure 4.2 presents the new model that has been modified. In the new model, perceived price variable still has six indicators, country of origin variable went from having seven indicators to only five indicators, customer satisfaction variable now has five variables, and repurchase intention variable got its two indicators removed, meaning that it only 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 4.14 Goodness of Fit Analysis Result of the New Model**

Goodness of Fit	Criteria	Cut-off Value	Category
Chi-Square ( $X^2$ )	Expected to be small	199.820	<i>Fit</i>
Significance			
Probability	$\geq 0.05$	0.137	<i>Fit</i>
RMSEA	$\leq 0.08$	0.027	<i>Fit</i>
GFI	$\geq 0.90$	0.909	<i>Fit</i>
AGFI	$\geq 0.90$	0.871	<i>Marginal Fit</i>
CMN/DF	$\leq 2.00$	1.116	<i>Fit</i>
TLI	$\geq 0.90$	0.990	<i>Fit</i>
CFI	$\geq 0.90$	0.992	<i>Fit</i>

Sources: Primary Data (Processed), 2019

Table 4.14 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.

#### **4.2.2. Validity Test**

A research needs to use well-validated and reliable measures to ensure that the research is scientific (Sekaran and Bougie, 2016). According to Hair et al., (2013), validity itself refers to the degree to which a measure accurately represents what it is supposed to. To ensure validity, it starts with a thorough understanding of what is to be measured and then making the measurement as “correct” and accurate as possible (Hair et al., 2013). As what have been mentioned before, this research’s model was modified because the previous research model did not meet the minimum requirement of acceptable values of goodness of fit criteria. After going through a modification, this research now has twenty-two indicators with five perceived price indicators, six country of origin indicators, five customer satisfaction indicators, and eight repurchase intention indicators. The total respondents of this research were 166 respondents. The software used to test the validity of these indicators was AMOS version 24. Below is the result of the indicators’ loading factors:

**Table 4.15 Validity Test Result After Modification**

			<b>Estimate</b>
PP6	<---	PP	0.874
PP5	<---	PP	0.669
PP4	<---	PP	0.874
PP3	<---	PP	0.804
PP2	<---	PP	0.507
PP1	<---	PP	0.717
CS6	<---	CS	0.846
CS4	<---	CS	0.850
CS3	<---	CS	0.496
CS2	<---	CS	0.809
CS1	<---	CS	0.880
RI2	<---	RI	0.765
RI4	<---	RI	0.589
RI5	<---	RI	0.881
RI6	<---	RI	0.808
RI7	<---	RI	0.728
RI8	<---	RI	0.880
COO6	<---	COO	0.883
COO4	<---	COO	0.614
COO3	<---	COO	0.705
COO1	<---	COO	0.638
COO7	<---	COO	0.887

Source: Primary Data (Processed), 2019

The loading factors obtained from each indicator can be used to measure the construct validity of this research' questionnaire. Construct validity test is conducted to testify how well the results obtained from the use of the measure fit the theories around which the test is designed (Sekaran and Bougie, 2016). Hair et al., (2013) stated that the minimum number of loading factor is  $\geq 0.5$  or ideally  $\geq 0.7$ . Thus, it can be concluded that all the indicators or questions used to measure the variables in this study are valid.

### 4.2.3. Reliability Test

After the validity of the indicators is assured, the next step was to consider the reliability of the variables. Hair et al., (2013) described reliability as the degree to which the observed variable measures the “true” value and is “error free”. The classical definition of measurement reliability is the extent to which the variance of the observed variable is explained by the true score that the variable is supposed to measure (Lord and Novick, 1968; in Wang and Wang, 2012). Another definition of reliability is that the reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and help to assess the “goodness” of a measure (Sekaran and Bougie, 2016).

The reliability coefficient ranges from 0-1, the higher the coefficient (the closer it is to number 1), the more reliable the measuring instrument. 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). From the reliability analysis, the following results were obtained:

**Table 4.16 Reliability Test Result**

<b>Variable</b>	<b>Indicator</b>	<b>Standard Loading</b>	<b>Standard Loading<sup>2</sup></b>	<b>Measurement Error</b>	<b>CR</b>	<b>VE</b>
Perceived Price	PP6	0.874	0.764	0.236	0.9	0.6
	PP5	0.669	0.448	0.552		
	PP4	0.874	0.764	0.236		
	PP3	0.804	0.646	0.354		
	PP2	0.507	0.257	0.743		
	PP1	0.717	0.514	0.486		
		4.445	3.393	2.607		
		19.758				
Customer Satisfaction	CS6	0.846	0.716	0.284	0.9	0.7
	CS4	0.85	0.723	0.278		
	CS3	0.496	0.246	0.754		
	CS2	0.809	0.654	0.346		
	CS1	0.88	0.774	0.226		
		3.881	3.113	1.887		
		15.062				
Repurchase Intention	RI2	0.765	0.585	0.415	0.9	0.7
	RI4	0.589	0.347	0.653		
	RI5	0.881	0.776	0.224		
	RI6	0.808	0.653	0.347		
	RI7	0.728	0.530	0.470		
	RI8	0.88	0.774	0.226		

		4.651	3.666	2.334		
		21.632				
Country of Origin	COO6	0.883	0.780	0.220	0.9	0.6
	COO4	0.614	0.377	0.623		
	COO3	0.705	0.497	0.503		
	COO1	0.638	0.407	0.593		
	COO7	0.887	0.787	0.213		
		3.727	2.848	2.152		
		13.891				

Source: Primary Data (Computed), 2019

From table 4.16, it can be seen that the construct reliability of all variables are  $\geq 0.7$  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.

#### 4.2.4. 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  $\pm 2.58$ , then the research data can be said to be normal. Normality test obtained from the normality test using AMOS version 24 are presented in the following table:

**Table 4.17 Normality Test Result**

Variable	min	max	skew	c.r.	kurtosis	c.r.
COO7	3.000	5.000	.003	.018	-.038	-.101
COO1	3.000	5.000	-.037	-.194	-.271	-.712
COO3	3.000	5.000	.086	.453	-.343	-.901
COO4	3.000	5.000	-.014	-.072	-.135	-.355
COO6	3.000	5.000	-.102	-.535	-.490	-1.289
RI8	3.000	5.000	.084	.444	-1.362	-3.582
RI7	3.000	5.000	.495	2.603	-.705	-1.855
RI6	3.000	5.000	-.301	-1.583	-.681	-1.790
RI5	3.000	5.000	-.011	-.059	-.044	-.117
RI4	3.000	5.000	-.060	-.317	-.429	-1.129
RI2	3.000	5.000	-.092	-.481	-.404	-1.063
CS1	3.000	5.000	.081	.424	-.686	-1.805
CS2	3.000	5.000	-.109	-.572	-.531	-1.397
CS3	3.000	5.000	.062	.325	-.469	-1.233
CS4	3.000	5.000	-.129	-.676	-.841	-2.212
CS6	3.000	5.000	-.115	-.604	-.467	-1.227
PP1	3.000	5.000	-.211	-1.109	-.882	-2.320
PP2	3.000	5.000	-.091	-.480	-.509	-1.340
PP3	3.000	5.000	-.083	-.437	-.413	-1.085
PP4	3.000	5.000	.421	2.213	-.519	-1.364
PP5	3.000	5.000	-.115	-.604	-.468	-1.231
PP6	3.000	5.000	.001	.003	.018	.048
<b>Multivariate</b>					<b>10.776</b>	<b>2.136</b>

Sources: Primary Data (Processed), 2019

As shown in table 4.17 above, the values of the critical ratio (C.R.) and kurtosis that was obtained are in the range of -2.58 to 2.58. It can also be seen that the value of c.r. of the multivariate was 2.136 which is in the range of -2.58 to 2.58, meaning that the data is normally distributed. Hence, the data in this study can be analysed by using Structural Equation Modelling (SEM).

#### 4.2.5. Outliers Test

Hair et al., (2013) described outliers as observations with a unique combination of characteristics identifiable as distinctly different from other

observations. Unique characteristic in this context refers to an unusually high or low value on a variable or a unique combination of values across several variables that make the observation stand out from the others (Hair et al., 2013). 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  $X^2(27;0,001) = 43.820$ . The results of the analysis of whether there are multivariate outliers can be seen in the table below:

**Table 4.18 Outliers Test Result**

Observation number	Mahalanobis d-squared	p1	p2
81	41.372	.007	.710
84	41.119	.008	.382
13	40.282	.010	.233
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
19	20.103	.577	.515
98	20.080	.578	.467
114	20.001	.583	.456
142	19.937	.587	.435
38	19.816	.595	.452

Sources: Primary Data (Processed), 2019

From the data that has been processed in table 4.18, it can be seen that there were no values of more than 43.820. Thus, it can be concluded that there were no data that was unusual.



#### 4.2.6. Model Identification Analysis

Model identification analysis determines whether there is a unique solution for all the free parameters in the specified model (Wang and Wang, 2012). Model identification cannot be implemented if a model is not identified, and model estimation may not converge or reach a solution if the model is mis specified (Wang and Wang, 2012). One of many ways to see whether there is a problem identification is by looking at the estimation results. SEM analysis can only be done if the result of the model identification shows that the model is over identified. Said identification is done by looking at the df value of the model created.

**Table 4.19 Computation of Degrees of Freedom (Default Model)**

Number of distinct sample moments:	253
Number of distinct parameters to be estimated:	74
Degrees of freedom (190 – 66):	179

Sources: *Primary Data (Processed), 2019*

AMOS output results indicated that the df model value is 179. This implied that the model is categorised as over identified because it has a positive df value. Therefore, data analysis can proceed to next stage.

#### 4.2.7. Goodness of Fit Criteria Analysis and Model Identification

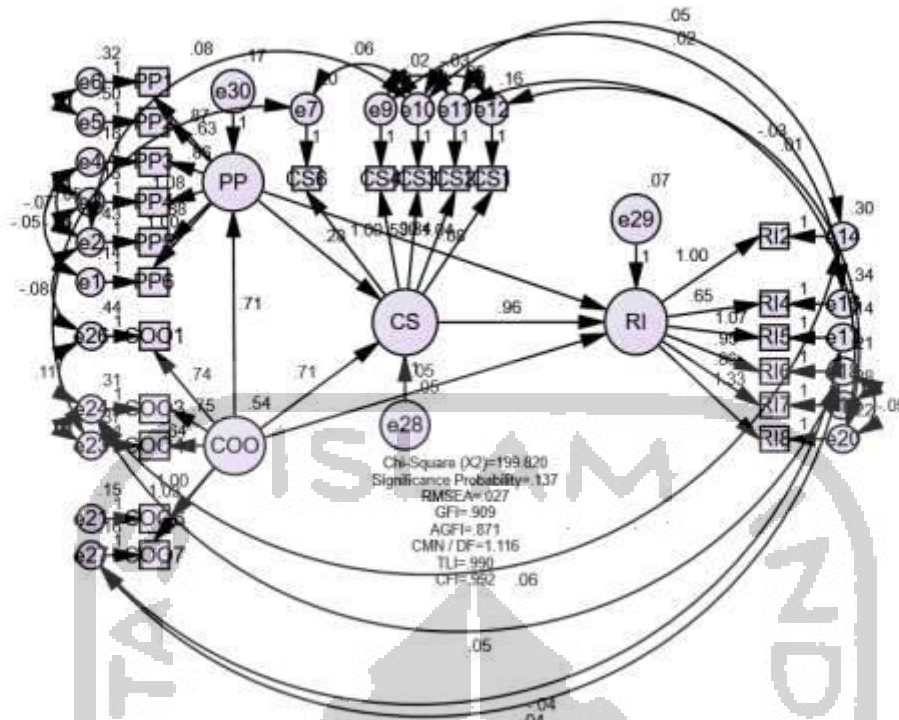
The researcher tested the proposed model by using Goodness of Fit indices in order to measure the goodness of the proposed model. The result of the Goodness of Fit criteria analysis of this research could be seen in the table below:

**Table 4.20 Goodness of Fit Analysis Result**

Goodness of Fit	Criteria	Cut-off Value	Category
Chi-Square ( $X^2$ )	Expected to be small	199.820	<i>Fit</i>
Significance Probability	$\geq 0.05$	0.137	<i>Fit</i>
RMSEA	$\leq 0.08$	0.027	<i>Fit</i>
GFI	$\geq 0.90$	0.909	<i>Fit</i>
AGFI	$\geq 0.90$	0.871	<i>Marginal Fit</i>
CMN/DF	$\leq 2.00$	1.116	<i>Fit</i>
TLI	$\geq 0.90$	0.990	<i>Fit</i>
CFI	$\geq 0.90$	0.992	<i>Fit</i>

Sources: Primary Data (Processed), 2019

As shown in table 4.20, this study's model has met the minimum or expected value of all of the goodness of fit criteria. All of the criteria except AGFI were categorised as fit, while the AGFI criteria was categorised as marginal fit. However, Haryono (2017) stated that the use of 4 to 5 criteria for goodness of fit is considered as sufficient in order to assess the feasibility of a model. Implying that having one criterion being categorised as marginal fit can still be tolerated and that the model proposed in this study is accepted. With that being said, the finalised model path analysis in this study was obtained and can be seen as follows:



**Figure 4.3 Finalised Path Model Analysis**

Sources: Primary Data (Processed), 2019

### 4.3. Hypotheses Testing

In order to investigate the impacts of perceived price, country of origin, and customer satisfaction on repurchase intention, six hypotheses were proposed. To test the hypotheses proposed in this research and to find out whether the hypotheses were accepted or not, the researcher analysed the probability result of the standardized regression weight estimate. The regression weight test result in this research was presented below:

**Table 4.21 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

Hypothesis	Variable Relationship	Estimate	S.E.	C.R.	P-Value	Label
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

Sources: Primary Data (Processed), 2019

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. In this research, there were six hypotheses that were proposed by the researcher. Below are the hypotheses testing results of the six proposed hypotheses in this research:

**H1: Perceived Price significantly influences Repurchase Intention**

Based on the result of hypotheses testing, it can be seen that hypothesis one has a CR value of -0.729 and P value of 0.446. The result showed that hypothesis one's CR value is lower than 1.96, and that its P value is greater than 0.05. Meanwhile in order for a hypothesis to be considered as accepted, its CR value has to be greater than 1.96 and its P value has to be lower than 0.05. Therefore, it can be concluded that there was no significant influence of perceived price on

repurchase intention, which means this hypothesis was **not accepted**.

**H2: Perceived Price significantly influences Customer Satisfaction**

Based on the hypotheses testing result, the CR value of hypothesis 2 is 3.319 and the P value of hypothesis two is 0.002. The result implied that hypothesis two did meet the criteria of being accepted as a hypothesis because its CR value is greater than 1.96 and its P is less than 0.05. Hence, it can be concluded that there was a significance influence of perceived price on customer satisfaction, making hypothesis two deemed as **accepted**.

**H3: Country of Origin significantly influences Customer Satisfaction**

It can be seen in table 4.21 that hypothesis 3 has the CR value of 7.928 while its P value is 0.000. The result showed that both CR value and P value of hypothesis three have met the criteria since its CR value has exceed 1.96 and its P value is less than 0.05. The result implied that in this study, country of origin's influence on customer satisfaction was significant. Hence, hypothesis three was **accepted**.

**H4: Country of Origin significantly influences Repurchase Intention**

The result of the fourth hypothesis analysis showed that there was no significant influence of country of origin on repurchase intention. As shown in table 4.21, the fourth hypothesis' CR value is -0.258, which is lower than 1.96. Meanwhile, for a hypothesis to be considered as accepted, it has to have a CR value greater than 1.96. Furthermore, the P value of the fourth hypothesis is lower than 0.05, which did not meet the P value criteria. Consequently, the fourth hypothesis in this study was **not accepted**.

### **H5: Country of Origin significantly influences Perceived Price**

From the analysis result, the fifth hypothesis was proven to be significant. That is because the CR value and P value of the fifth hypothesis are 10.406 and 0.000, meaning that they have met the minimum/maximum value of CR and P. Hence, it can be concluded that country of origin has a significant influence on perceived price.

### **H6: Customer Satisfaction significantly influences Repurchase Intention**

From table 4.21, it can be seen that the CR value of the sixth hypothesis is 3.520, which exceeded the minimum value of CR. It also can be seen that the P value of the sixth hypothesis is 0.000, which is lesser than 0.05. Thus, the conclusion that was drawn was customer satisfaction has a significant influence on repurchase intention and that the sixth hypothesis was **accepted**.

## **4.4. Discussions**

### **4.4.1. The Influence of Perceived Price on Repurchase Intention**

Based on the result of hypotheses testing, hypothesis one has a CR value of -0.729 and P value of 0.446. The result implied that hypothesis one's CR value is lower than 1.96, and that its P value is greater than 0.05. Meanwhile in order for a hypothesis to be considered as accepted, its CR value has to be greater than 1.96 and its P value has to be lower than 0.05. Therefore, it can be concluded hypothesis one was not accepted. Which means, 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. Even though the price of South Korean beauty products is considered as quite competitive, it does not guarantee that customer will repurchase South Korean beauty products. In other circumstances, for example when the price of South Korean beauty products meets the customers' price expectation, it does not always mean that the customers are willing to buy South Korean beauty products.

There are some studies that studied the influence of price perception on repurchase intention. Those studies have found that there is a positive relationship between perceived price and repurchase intention and that repurchase intention is positively influenced by perceived price. One example of those studies is a study conducted by Lee et al., (2011) about key determinants of online repurchase intentions. Lee et al., (2011) believed 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). Khan et al., (2012) stated that perceived price is important to determine repurchase intention because customers' price perception is considered as the final expected key driver of repurchase intention. However, their study found otherwise. They 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. This study for example, was studying about the factors that can

influence repurchase intention in terms of South Korean beauty products. While the other researches were about online shop industry and B2B service industry. The place where the research was conducted could also be a factor of why the outcome can be different from one research to another. Other reasons why customers perceived price of South Korean beauty products did not influence customers' will to repurchase the products is because of preferences. It is known that everyone has different skin, one product may give a good effect on one customer's skin but give bad reaction on another customer's skin. Furthermore, beauty industry nowadays has becoming more oversaturated and thus there will always be better products made in other countries and brands coming from other countries. That is saying that a customer may like one South Korean beauty product (for example liking a mascara made in South Korea), but then the customer prefers other beauty products made in other countries (lipstick made in USA, powder made in France), making the customer believe that there are great beauty products made all over the world and that South Korea is not the best at making all types of beauty products.

#### **4.4.2. The Influence of Perceived Price on Customer Satisfaction**

Based on the hypotheses testing result, the CR value of hypothesis 2 is 3.319 and the P value of hypothesis two is 0.002. The result implied that hypothesis two did meet the criteria of being accepted as a hypothesis because its CR value is greater than 1.96 and its P is less than 0.05. Thus, it can be concluded that 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. Customers may feel satisfied when the price of South Korean beauty products are competitive enough for them. It is very likely that other price related reasons such as: South Korean beauty products provide value for the money, South Korean beauty products provide quality for the price, the price of South Korean beauty products meets the customers' expectations, and the price of South Korean beauty products is deemed as appropriate comparative to its performance, will guarantee customers' satisfactions towards South Korean beauty products.

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. Another study conducted about whether perceived price influence customer satisfaction or not was conducted by Ma and Yang (2018) concerning female e-shopper's satisfaction with cosmetic products in China. Their study was close to this study in term of topic since both of the studies are around cosmetic/beauty products. Their study discovered that price affects consumers' satisfaction and that price is the most important factor influencing e-shopper's satisfaction. Hence, it can be concluded that perceived price is an important factor

in term of customer satisfaction since it influences customer satisfaction effectively and positively.

#### **4.4.3. The Influence of Country of Origin on Customer Satisfaction**

Hypothesis three has the CR value of 7.928 and has the P value of 0.000. The result means that both CR value and P value of hypothesis three have met the criteria since its CR value has exceed 1.96 and its P value is less than 0.05. 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. Meaning that the origin of a product can evoke the customers' willingness to repurchase the product. Implying that customers may have preferred to purchase and repurchase a certain type of product from a certain country since several customers tend to associate a particular company or brand with a particular country, which is generated from the effect of country of origin (Citra and Syahlani, 2008). Customers may feel satisfied with South Korean beauty products because they believe that South Korea has excellent international reputation and is acceptable as international standard. Customers believing South Korea to be able to offer products with reliable ingredients and thus making their products dependable and reliable, guarantees the satisfactions of customers.

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. Both local and international brands have the same effect

on customer satisfaction because when customers get satisfactory experiences in a casual dining restaurant, it will enhance their satisfaction notwithstanding the restaurant's brand of origin. Brand of origin itself is described as a country where a brand belongs to, based on customer perception (Koubaa, 2008; Thakor, 1996; cited in Huessein, 2018). Hilman and Hanaysha (2015) conducted a research about the impact of country of origin on relationship quality in automotive industry in Northern 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. A study related to country of origin was carried out by Guttman et al., (2017). They were studying on customer's country of origin. Their study initiated that service managers can implement specific service recovery solutions based on the customer's culture, or at least understand how customer satisfaction scores may be influenced by 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.

Unfortunately, there are not many of researchers that conduct a research on country of origin effect on customer satisfaction, especially in the sector of beauty industry. Nonetheless, this study proved that in Indonesian beauty industry, in the context of South Korean beauty products, country of origin does influence Indonesian customers satisfaction.

#### **4.4.4. 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. As what has been shown in table 4.21, the fourth hypothesis' CR value is -0.258, which is lower than 1.96. Meanwhile, for a hypothesis to be considered as accepted, it has to have a CR value greater than 1.96. Furthermore, the P value of the fourth hypothesis is lower than 0.05, which did not meet the P value criteria where the P value can only be considered as accepted if the P value is lower than 0.05. Consequently, the fourth hypothesis in this study was not supported. Meaning that in this study, country of origin does not influence customers' intentions to repurchase.

Although South Korea has excellent international reputation and is acceptable as international standard, it does not mean that those facts will influence customer's willingness to purchase South Korean beauty products. Despite the fact that South Korea offers products with reliable ingredients, it will not guarantee that customers will have the intention to purchase South Korean beauty products again in the future. Customers found that even though South Korean beauty products are reliable and dependable, it would not always make them want to buy the products again.

Though there are several researches examining influence of country of origin on purchase intention, it is still very rare to find researches that examine influence of country of origin on repurchase intention. However, there are various studies that found that purchase intention has a positive influence on repurchase intention including one study that was conducted by Akhter (2010). 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. One study conducted by Moslehpour et al., (2017) examines the relationship between country of origin and repurchase intention mediated by word-of-mouth. Their analysis showed that country of origin significantly and positively influences repurchase intention in the context of Taiwanese customers repurchase intention on beauty products made in other country, specifically South Korea.

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.

#### **4.4.5. The Influence of Country of Origin on Perceived Price**

From the analysis result, the fifth hypothesis was proven to be significant. That is because the CR value and P value of the fifth hypothesis are 10.406 and

0.000, meaning that they have met the minimum/maximum value of CR and P. Hence, this study proved that country of origin significantly influences 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. Customers may expect a particular type of product made in a particular country is better than the one that is made in another country and are willing to pay more for the product made in a country that they believe excels at making a particular type of a product. For example, customers may find that since the beauty products were made in South Korea, the price that the charge is very reasonable, and they are willing to pay the price for South Korean beauty products. Another example, customers may find beauty products that were made in South Korea provide value for the money, provide quality for the price, and is appropriate considering the performance of South Korean beauty products, thus making them willing to spend money on South Korean beauty products.

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 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. It implies that country of origin has an effect on perceived price. 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). Their study concludes that country of origin has a significant influence on perceived price in the Philippines. This study is the further prove that country of origin did indeed influence perceived price.

#### **4.4.6. The Influence of Customer Satisfaction on Repurchase Intention**

The CR value of the sixth hypothesis is 3.520, which exceeded the minimum value of CR. It was also shown that the P value of the sixth hypothesis is 0.000, which is lower than 0.05. This study showed that customer satisfaction has a significant influence on repurchase intention. 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). It implied that customers would plan to use more South Korean beauty products in the future if they are pleased by the fact that the purchase beauty products from South Korea. Another interpretation is customers, when they often feel satisfied with their decision to buy South Korean beauty products and when they feel like they have nothing to complain about the products, there is a high chance for the customers to buy South Korean beauty products again in the future.

There are numerous studies regarding repurchase intention and its relationships with other marketing variables such as customer satisfaction, conducted throughout the years in several industries and sectors. Anderson and Sullivan (1993), 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). Thus, the conclusion that was drawn was customer satisfaction has a significant influence on repurchase intention in this study and that the respondents who are satisfied with South Korean beauty products will buy the products again since the products meet their expectations, desires, and demands.



## CHAPTER V

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Conclusions

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. Hence the researcher proposed a framework model in which perceived price and country of origin act as independent variables, customer satisfaction act as mediating variable, and repurchase intention act as dependent variable. 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. The researcher found that perceived price significantly influenced customer satisfaction, country of origin significantly influenced customer satisfaction, country of origin significantly influenced perceived price, and customer satisfaction significantly influenced repurchase intention. On the other hand, the researcher did not find any influences of perceived price on repurchase intention and influences of country of origin on repurchase intention. 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.

## **5.2. Research Limitations**

This study has several limitations because of several reasons. Below are several research limitations of this study:

1. The sample of this research still might not represent all Indonesian customers of beauty products since the sample size of this research is relatively small.
2. The research would have been better if the respondents were more heterogeneous.

## **5.3. 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. For an instance not only customer satisfaction could mediate the

relationship between independent variables, other marketing variables such as word-of-mouth, brand trust, and the like could be considered. 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. Based on the findings of this study, repurchase intention is directly influenced by customer satisfaction that customer satisfaction is influenced by country of origin and perceived price. Thus, 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. On the other hand, the failure in finding significant influences of perceived price and country of origin suggests that managers should not expect the customers' price perception and where the products were made in to be able to help boost customers' repurchase intention even when customers seem very satisfied towards the products' country of origins and price.

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## Appendix A

### Questionnaire in Bahasa Indonesia

1. Jenis kelamin?
  - Wanita
  - Laki-laki
2. Dimana anda tinggal?
  - Jawa       Luar Jawa
3. Umur?
4. Tingkat pendidikan tertinggi yang pernah anda selesaikan?
  - SMA
  - Sarjana (S1)
  - Pascasarjana (S2)
  - Lainnya (S3, dll)
5. Pengeluaran per bulan?
  - < Rp 1.000.000
  - Rp 1.100.000 – Rp 3.000.000
  - Rp 3.100.000 – Rp 5.000.000
  - > Rp 5.000.000

Pernah membeli produk kecantikan Korea Selatan dari...		Tidak Pernah	Jarang	Kadang-kadang	Sering	Selalu
6.	Toko fisik di Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Toko Online di Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Pertanyaan-pertanyaan di bawah ini adalah kesan “Anda” mengenai “produk-produk kecantikan Korea”

1	2	3	4	5
Sangat tidak setuju	Tidak setuju	Netral/antara setuju dan tidak	Setuju	Sangat setuju

No	Pertanyaan	1	2	3	4	5
	<b>Persepsi Harga</b>					
1	Harga produk-produk kecantikan Korea Selatan wajar					
2	Harga produk-produk kecantikan Korea Selatan kompetitif					
3	Produk-produk kecantikan Korea Selatan memberikan nilai (value) yang sesuai dengan harganya.					
4	Produk-produk kecantikan Korea Selatan memiliki kualitas yang sesuai dengan harganya					
5	Harga produk-produk kecantikan Korea Selatan sesuai harapan saya					
6	Harga produk-produk kecantikan Korea Selatan sesuai dengan kualitasnya					
	<b>Negara Asal Suatu Produk</b>					
1	Korea Selatan memiliki reputasi internasional yang baik					
2	Orang Korea Selatan modis					
3	Korea Selatan menawarkan produk-produk yang dapat diandalkan					
4	Barang-barang dari Korea Selatan memenuhi standar internasional					
5	Anda akan mendapatkan hasil yang bagus dari menggunakan produk-produk kecantikan Korea Selatan					
6	Produk-produk kecantikan yang di buat di Korea Selatan andal					

7	Anda dapat mengandalkan produk-produk kecantikan buatan Korea Selatan					
	<b>Kepuasan Pelanggan</b>					
1	Saya merasa senang dengan keputusan saya untuk membeli produk-produk kecantikan Korea Selatan					
2	Saya senang bahwa saya membeli produk-produk kecantikan Korea Selatan					
3	Saya tidak menemukan adanya alasan untuk kecewa setelah membeli produk-produk kecantikan Korea Selatan					
4	Saya puas dengan pembelian yang saya lakukan pada produk-produk kecantikan Korea Selatan					
5	Saya memiliki pengalaman yang memuaskan dengan produk-produk kecantikan Korea Selatan					
6	Biasanya, saya merasa puas dengan keputusan membeli produk-produk kecantikan Korea Selatan					
	<b>Niat Membeli Ulang</b>					
1	Saya akan membeli produk-produk kecantikan Korea Selatan lagi dalam waktu dekat					
2	Saya berencana untuk menggunakan lebih banyak produk-produk kecantikan Korea Selatan di masa yang akan datang					
3	Saya tidak akan beralih ke produk-produk kecantikan dari negara lain					
4	Saya mempertimbangkan produk-produk kecantikan dari negara lain sebelum membelinya					
5	Saya berniat untuk tetap membeli produk-produk kecantikan Korea Selatan di masa yang akan datang					
6	Saya tetap membeli produk-produk kecantikan Korea Selatan di masa yang akan datang					

7	Saya akan secara teratur membeli produk-produk kecantikan Korea Selatan di masa yang akan datang					
8	Kemungkinan bahwa saya akan menggunakan produk-produk kecantikan Korea Selatan lagi cukup tinggi					



## Appendix B

### Questionnaire in English

6. Gender?  
 Woman  
 Man
7. Where do you live?  
 Java are       Outside of Java area
8. Age?
9. Highest level of education you have completed?  
 High School  
 S1  
 S2  
 Others (S3, etc.)
10. How much is your monthly expenses?  
 < Rp 1.000.000  
 Rp 1.100.000 – Rp 3.000.000  
 Rp 3.100.000 – Rp 5.000.000  
 > Rp 5.000.000

Have you purchased Korean beauty products from...		Never	Rarely	Sometimes	Often	Always
6.	Physical/offline store in Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Online store in Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



### Questionnaire for the Thesis/Research

Factor	Variable	Question	Literature Source	
Perceived Price	1	South Korean beauty products charge a reasonable price for what they offer	Moslehpour, et al. (2017).	
	2	South Korean beauty products provide products at competitive price		
	3	South Korean beauty products provide value for the money		
	4	South Korean beauty products provide quality for the price		
	5	The price of South Korean beauty products meets my expectation		Herrmann, et al. (2007).
	6	The price of South Korean beauty products is appropriate relative to its performance		
Country of Origin	7	South Korea has excellent international reputation	Moslehpour, et al. (2017).	
	8	South Korea is fashionable		
	9	South Korea offers products with reliable ingredients		
	10	South Korea is acceptable as International standard		
	11	You will get good results from using beauty products made in South Korea		Parvin, et al. (2006).
Customer Satisfaction	12	Beauty products made in South Korea are very reliable	Hellier, et al. (2003).	
	13	You can depend on beauty products made in South Korea		
	14	I feel good about my decision to purchase South Korean beauty products		

	15	I am pleased that I purchased beauty products from South Korea	
	16	There is no reason to complain when it comes to buying South Korean beauty products	Herrmann, et al. (2007).
	17	I am satisfied with the purchase I made on South Korean beauty products	
	18	I have a satisfying experience with South Korean beauty products	Hussein, A. S. (2018).
	19	Commonly, I feel satisfied with the decision to buy South Korean beauty products	
Repurchase Intention	20	I would buy South Korean beauty products again next time	Moslehpour, et al. (2017).
	21	I plan to use more South Korean beauty products in the future	
	22	I would not switch to other country beauty products	
	23	I would consider other country beauty products before buying them	
	24	I intend to continue buying Korean beauty products in the future	Hsu, et al. (2006).
	25	I will continue buying South Korean beauty products in the future	
	26	I will regularly buy South Korean beauty products in the future	
	27	The probability that I will use South Korean beauty products again is high	Wu, et al. (2014).

## Appendix C

### Descriptive Analysis

#### Perceived Price

PP	
PP1	3,596385542
PP2	3,56626506
PP3	4,0301205
PP4	4,006024096
PP5	3,36746988
PP6	3,981927711
<b>Mean:</b>	3,758032129

#### Country of Origin

COO	
COO1	3,981855131
COO2	4,120481928
COO3	3,915662651
COO4	3,855421687
COO5	3,692771084
COO6	3,843373494
COO7	3,78313253
<b>Mean:</b>	3,884671215

#### Customer Satisfaction

CS	
CS1	3,93373494
CS2	3,84939759
CS3	3,28313253
CS4	3,80722892
CS5	3,813253012
CS6	3,71686747
<b>Mean:</b>	3,733935744

## Repurchase Intention

<b>RI</b>	
RI1	3,457831325
RI2	3,608433735
RI3	2,855421687
RI4	3,789156627
RI5	3,680722892
RI6	3,518072289
RI7	3,198795181
RI8	3,759036145
<b>Mean:</b>	3,483433735

