

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The cosmetic industry is one of the fastest growing industry sectors in Indonesia and has consistently recorded an excellent growth in recent years. According to the data from the Minister of Industry, the export value of Indonesian cosmetic products in 2015 reached USD 818 million while the value of imports in the same year reached USD 441 million, meaning this industry was surplus about 85% (Rahayu, 2017). Currently, market has been filled by dozens of cosmetic brand that can be the choice of consumers to use. Consumers seemed to be spoiled by the large number of brands so that they can search freely and easily for a brand based on their liking. This is marked by so many choices of brands of beauty products on the market both local and international brands.

Unfortunately this convenience is like a double-edged sword. On one hand consumers can easily compare and choose any brands whichever is appropriate or not according to its value based on their wants and needs. On the other hand, with the wide variety of cosmetic brands on the market, consumers will easily confused in determining which brand should be their choice in the middle of rapid growing number of cosmetic brands in the market nowadays. In fact, according to the survey

of Top Brand, which is one of lead marketing survey company in Indonesia, reported that the net brand switching of Indonesian consumer on retail products in 2012 have a tendency towards negative trend (Fandi, 2013). It means the survey indicates that Indonesian consumer is still vulnerable to the whims of changing brands and tend to be less loyal.

Aside from the tendency of Indonesians to try out and change brands, the nature of the beauty product itself is causing vulnerability to brand shifts. Choosing cosmetics and skin care products is strongly influenced by whether or not the product matches the skin type of the consumer or any criteria regarding health condition. Additionally, similar to food, there are some ingredients in beauty products that do not match the choice of lifestyles or consumer's belief. In order to assess which brand would be the choice of consumers, they need to have knowledge about the brand and are able to recognize it out of other brands.

Of course this has become quite a challenge for beauty companies and their marketing teams on how to maximize their brand recognition. Companies need to find ways to make consumers aware of the existence of their brands so it would increase curiosity as well as intention to purchase them. One of many ways that companies are able to do is to emphasize the role of the brand and how consumers evaluate it.

The role of brand is no longer just a name or as a differentiator with competitors' products. It has become a decisive factor in order to be the first choice

of consumers whenever they think of purchasing a certain product. This is where the role of brand is expanded to provide a particular set of association on consumer's mind. Aaker (1991) supported this by stating that brand is usually associated with a particular image that can create certain associations in the minds of consumer.

One of a household cosmetic brands from Indonesia that has a certain association in consumer minds is Wardah. Whenever people think of Wardah, they would associate it with halal and natural products. These associations come from the knowledge of a brand which consumers have exposed throughout times. In order to figure out the depth of consumer's knowledge about a brand, examining a set of measurement such as brand equity is needed.

The American Marketing Association in Kotler and Keller (2007) described brand as a name, term, sign, symbol or design, or a combination of them all, meant to identify goods or services of sellers or groups of sellers and to differentiate it from competitors' goods or services. Therefore brand becomes a seller or creator identifier. One of the way that is used by the company to introduce its brand and measure the existence of a brand in the market can be known as brand equity.

Kotler (2003) defined brand equity as a value added products and services. This value can be mirrored in the way consumers think, feel and act on brands, prices, market share and profitability of the company. Brand equity is an important intangible asset, has a psychological value and finance for the company (Krishnan, 1996).

According to Aaker (1991), brand equity can be grouped into four categories: brand awareness, perceived quality, brand association and brand loyalty. Brands are able to affect greatly on consumer behavior in deciding purchasing. Therefore, the mistake in providing brand equity on a product will result in the product not being marketed maximally. Purchase intention refers to consumers' disposition towards buying a brand, or continuing its use (Shah et al., 2012). It has been seen in different contexts that higher brand equity affects purchase intentions of consumers positively (Washburn & Plank, 2002). Therefore companies should measure their brand equity and evaluate how consumers would response based on their intention to purchase the brand.

Based on the explanation above, the writer did a research entitled “The Analysis of Brand Equity towards Purchase Intention (Study Case of Wardah Brand)”

### **1.2 Problems Identification**

1. Does brand awareness influence positively on purchase intention of Wardah?
2. Does brand association influence positively on purchase intention of Wardah?
3. Does perceived quality influence positively on purchase intention of Wardah?
4. Does brand loyalty influence positively on purchase intention of Wardah?

### **1.3 Limitation**

In order to avoid too extensive review of the research, it is necessary to limit the problem. The problem limitations in this research are :

1. This research was conducted on consumers of Wardah Cosmetic and Skin Care outlet located in Mutiara Store, Yogyakarta
2. Samples as respondents were consumers who were making transactions, had visited or bought Wardah products at Mutiara Store, Yogyakarta.
3. Variables used were brand equity and purchase decision
4. The dimensions of brand equity were brand awareness, brand association, perceived quality and brand loyalty

#### **1.4 Research Objectives**

The purpose of this study refers to the formulation of the problem, namely:

1. To analyze whether brand awareness influence positively on purchase intention of Wardah
2. To analyze whether brand association influence positively on purchase intention of Wardah
3. To analyze whether perceived quality influence positively on purchase intention of Wardah
4. To analyze whether brand loyalty influence positively on purchase intention of Wardah

## **1.5 Benefits of Writing**

### **1. For Companies**

This study is expected to increase knowledge and insight to the company in order to assist companies in determining marketing strategy also it will give addition to improving the company's services and provide more satisfaction to consumers.

### **2. For Authors**

This research would be able to provide knowledge and practice the theoretical knowledge that has been obtained during lectures, especially those related to marketing management. And add insight into the researcher about the influence of brand equity towards purchase intention and obtain additional information of the theory based on facts in the field.

### **3. For Communities in General**

This research can be used as reference or reading for further research with similar research object. So the knowledge of the public about the object of this study is increasingly broad and can be a reference related to the field of marketing in general.

## **1.6 Systematic of Writing**

### **Chapter 1 Introduction**

This chapter discusses the background of the problem, the formulation of the problem, the purpose and benefits of research and the systematic of writing.

### **Chapter 2 Review of Related Literature**

The literature review chapter consists of a supporting theoretical framework consisting of consumer behavior, brand equity, brand awareness, brand association, perceived quality and brand loyalty. Beside that, there are also research hypotheses and conceptual framework in this the chapter.

### **Chapter 3 Research Methodology**

This chapter discusses about the description of the methodology used. Location of research and discusses in detail about research objects, sampling techniques, data collection techniques, research variables, data quality test and hypothesis analysis techniques using statistical analysis tools.

### **Chapter 4 Data Analysis and Discussion**

This chapter contains about the discussion of research results and empirical data analysis.

## **5 Conclusions and Suggestions**

This chapter discloses the conclusions, suggestions and limitations of research that has been done.

