

FACTORS INFLUENCING COSMETICS PURCHASE INTENTION IN INDONESIA BASED ON ONLINE REVIEW

Latifa Putri¹, Harimukti Wandebori¹

¹Bandung Institute of Technology, School of Business and Management, Indonesia

Email: latifa.amalia@sbm-itb.ac.id

Abstract

Indonesia is identified as one of five emerging markets with the best middle class potential that spend more on discretionary spending, such as cosmetic. At the same time, Indonesia's Internet penetration, which is currently reaching 102.8 million users, has been shaping new lifestyle and preference of Indonesians. The way of consumers search for others' recommendations has dramatically changed and now consumers rely heavily on online reviews (e-WOM). eWOM has been examined by prior studies, but consumers purchase intention based on online review specifically in cosmetic products in Indonesia has not been studied. This paper aims to study factors influencing consumers purchase intention based on online reviews. The marketing implication of this study is to provide information for cosmetic industries in Indonesia to advance their marketing communication strategy through eWOM. The result indicated that the most significant factors influencing purchase intention of cosmetics is argument quality, followed by source credibility, quantity of review, valence, perceived usefulness of review and review valence. Cosmetics marketers should create relation with beauty enthusiasts and deliberately choose right reviewer who has expertise and good reputation in cosmetics field, educate and share the knowledge with them in order to gain positive impact in reviews and maintain the company's products information among consumers well.

Keywords: eWOM, cosmetic industry, Indonesia, online review, purchase intention

INTRODUCTION

Grooming is the current trend in Indonesia, especially for people in productive age who are consumers of social media. Social media creates a push in people's lives to show their success to other people through social media platform. People tend to be narcissistic and want to look at their best in any occasion, including in their social media life (Fishwick, 2016). People start putting on make-up for daily activity and going through skin care regimes to improve their appearances and boost their self-confidence. This trend of grooming, eventually lead to the increase of cosmetics demand in Indonesia.

Currently, Indonesia is enjoying its high GDP growth and experiencing new waves of the younger generation climbing up the social-economic ladder to enter the Middle Class. The country is enlisted as one of five emerging markets with the best middle class potential (Hodgson, 2015). With 17.3 million of middle class, Indonesian middle class households will have considerably more room for discretionary spending and give reason to be optimistic about the future market condition. The country's middle class will expand to around 20 million households by 2030, which will create a valuable market base to drive demand and sales in the country (Eromonitor, 2015).

Both social media pressure and the rise of the middle class (at a rate of 7 million a year) in Indonesia are directly linked with the increase in consumption for cosmetics purchase. The increase in cosmetic demand significantly affects cosmetic industry in Indonesia, which is expected to grow 10 to 15 percent annually (Barwa, 2013). The favorable growth in the industry has lured both new and existing cosmetics companies to compete and gain profit from the market. The number of cosmetics products available in the market keep increasing and distributed through Supermarkets and hypermarkets, traditional shops, shopping malls and department stores that are counted to reach over 1.5 million points of sale for beauty products in Indonesia.

Today, consumers are offered with broad range of cosmetics products and brands. This means that there are thousands of cosmetics choices available and makes consumers takes more complex cosmetic alternatives evaluation process before finally purchase the product. As consumer wants to make a good decision, they will try to eliminate the risk of getting disappointing or unsuitable product. Consumers rely greatly on the reviews made by other users that had tried the products. They seek for other people's opinions to make up their own mind and assess products to decide which to purchase (Walsh & Thurau, 2003). People seek information and being influenced by sources such as friends, family members, salesperson, advertisement, Internet surfing and any other sources (Wang, 2005). Among those sources, electronic words-of-mouth (eWOM) is slightly preferable by consumers since it shows unbiased judgment and not the part of company that lures people into buying products.

People prefer online review as there are numerous online review about cosmetics available for free on the internet and easily accessed through their smartphone. Most of cosmetics online reviews are available in User Generated Content (UCG) websites. Since UCG allows all users to create their own post and content, this is seen as new way to share thoughts, reviews and beauty products for beauty enthusiasts. Using UCG will bring discussion and sharing experience of beauty products and services. These people commonly share experiences in using beauty products, the usage, specification, results, pros and the cons of a cosmetic product.

Online customers reviews has been widely discussed by scholarly journals in recent years. Most of the formal researches done were to investigate the underlying mechanism of the process of how consumers are influenced by online consumer reviews –the cognitive process (Kim, 2012), and the customers' motivation in making the reviews. As online review is a part of marketing communication that is very essential in moderating the role of marketing, there are rooms to be explored and discussed. One part of the void should be answered is the underlying factors influencing purchase intention of consumers based on the online reviews customers have examined. This study will specifically investigate elements that build up consumers' intention in purchasing particular cosmetic products after reading and or watching online review about cosmetics on the internet. Developing insight of these factors will enable cosmetics industry to predict consumers' behavior and create more effective marketing strategy.

LITERATURE REVIEW

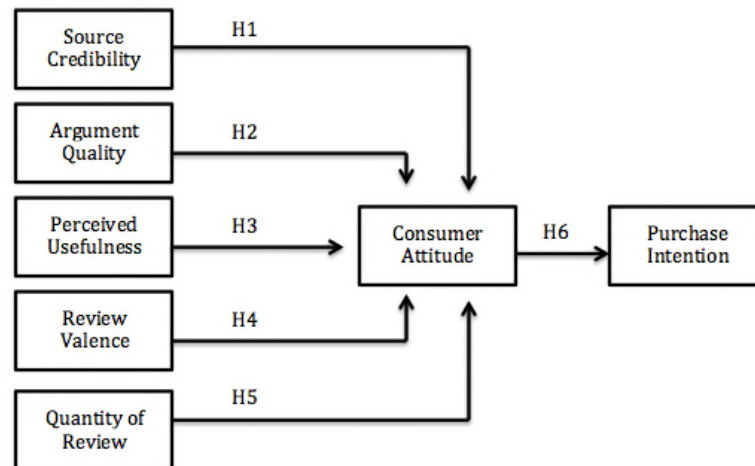


Figure 1. Framework Of The Research

Figure 1 explained about the conceptual framework that used in the research to define the factors that influencing cosmetics purchase intention based on online review.

Source Credibility

Credibility is usually defined as how expert and trusted the communicator is recognized on particular issue, by individual receiving the communication. The word “source” in the eWOM literature point out to the person who creates the content of message (Dou, Walden Justin, Lee, & Lee, 2012). Source credibility describes a perception of the credibility of the message source, not the content of the message itself (Chaiken, 1980). Persuasive message from a credible source has stronger effects on product evaluation than a message from a less credible source) (Bambauer-Sachse & Mangold, 2013). Previous research also found that source credibility is a crucial predictor of the persuasiveness of online review.

These are primary sources that dominate online cosmetic reviews: blogger, video blogger, celebrities, website users with real identity and anonymous. Since most of online reviews platforms enable users to start discussion and upload comments, there are chances that anonymous; who actually has no expertise in the particular concern may join the discussion that misleads the readers. The chances that people do not have to disclose their identities create the risk for discussion credibility, and probability of affecting the overall impression to the consumer attitude toward product. Users see this as perceived risk in relying to online reviews. Given the importance of source credibility, it is a critical variable to consider when studying how people perceive the reviews.

H1: Source credibility has positive influence on consumer attitude.

Argument Quality

Argument quality indicates the persuasive strength of arguments embedded in an informational message (Bhattacharjee & Sanford). Discussion on argument quality is mainly

focused on its persuasion. It is found that argument quality has strong and positive influences on how perception is built and how useful the information for readers (Yan, 2008). Argument quality dimensions such as relevance, accuracy, timeliness, and completeness display crucial impacts on perceived information usefulness that lead to persuasion.

H2 : Argument Quality has positive influence on consumer attitude

Perceived Usefulness

Useful information in a review will assist customers to evaluate the attributes of the cosmetic products to build trust in the source (Pranjal & Judy, 2010). That is, when information seekers find more pieces of useful information for their needs, they will have greater prospect to make better decision and satisfaction in purchasing the product. This suggests that online platform with more useful reviews offers greater value to reader and contributes to building confidence in their purchase decisions.

One attribute that usually reflects perceived usefulness of a product is peer rating. Peer rating is considered as a important suggestion to helps consumers to evaluate the quality of the products (Krosnick, S., Chuang, Berent, & Camot, 1993). Peer ratings are commonly depicted in the form of star rating given by the review creator and heir repurchase intentions on the products.

H3 : Perceived Usefulness has positive influence on consumer attitude

Review Valence

Research found that the dynamics of valence in online reviews of particular fragrance and beauty products could have a direct impact on sales (Moe & Trusov, 2011). This could be analyzed that beauty products take time to prove its usefulness. The valence of an information may bring critical influence on consumers' attitude formation towards the products that may influence to purchase decision (Park D. &., 2008).

H4: Review Valence has positive influence on consumer attitude

Quantity of Reviews

One way to examine product popularity is often determined by the quantity of online reviews because it is considered to depict the product performance in the market (Mayzlin & Chevalier, 2006). The number of reviews may represent the number of the interested consumers with previous purchase and experience with the products (Chatterjee P. , 2001). The number of reviews contribute a suggestion to boost online shoppers' confidence and reducing the uncomfortable feelings of risk exposure of buying particular products (Buttle, 1998)

H5 : Quantity of Review has positive influence on purchase intention

Consumer Attitude

A consumer attitude may be defined as bias to respond in favorable or unfavorable manner toward particular product based on overall evaluation of product (Dean, 2010). In the field

of marketing, an attitude is the filter to examine every product and service. The previous study proves that consumer attitudes will affect intention to purchase and whether a transaction will be made (Fishbein & Ajzen, 1975).

H6 : There is a significant relationship between consumer attitude and purchase intention

METHODOLOGY

Population of this study is cosmetics consumers ranged from 15-40 year old who have read or watch online cosmetics review through video (Youtube), discussion forum (MakeupAlley), blog and other user generated content websites. The data is collected by using convenience sampling method. This method is used because the chosen sample must understand about the research problems.

The questionnaires are distributed online and the data collected are from several big and medium cities in Indonesia such as Bandung, Jakarta, Surabaya, Bogor, Solo, Malang and Yogyakarta. These cities selection is based on the aspect of representation of the Indonesian consumers; it is also based on practical reasons where these cities have many people who practice cosmetics review reading before purchasing cosmetics. Therefore, these cities represent online market in Indonesia. These requirements are needed in this study to prevent the respond biases that may caused by respondent misunderstanding related to the questionnaire that must be answered. There is 407 total data collected and is considered to represent the population of online cosmetic online review readers in Indonesia. Furthermore, it also fulfilled the minimum criteria of statistical tool that was used in this study.

ANALYSIS AND RESULT

Majority of respondents are university students (48.3%), followed by 114 employees of private companies (27.93%), 49 employees of state-owned company (12%), doctors (2.94%), students (2.7%) and the rest of respondents are make-up artists, freelancers and others. All respondents are aged between 15 to 40 year old. The highest number of respondents is from Jakarta which is 111 in number, Bandung respondent reach 103, Surabaya reach 97 respondents, followed by Malang, Bogor, and other cities.

The data was analyzed by using the coefficient correlation to construct the validity test and compute Cronbach's alpha value to verify the reliability. Each indicator conducted by validity and reliability test coefficient of validity above 0.3 and the Cronbach's alpha are greater than 0.7 which means each indicator is valid reliable.

Source Credibility, Argument Quality, Perceived Usefulness, Review Valence, Quantity of Reviews low relationship with the consumer attitude with 31%. Consumer Attitude has low relationship with the purchase intention with 31.6%

Table 1: Model Summary Of Independent Variables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,557 ^a	,310	,301	1,41502

a. Predictors: (Constant), Source Credibility, Argument Quality, Perceived Usefulness, Review Valence, Quantity of Reviews

Table 2: Model Summary Of Dependent Variables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,562 ^a	,316	,314	1,48845

a. Predictors: (Constant), Consumer Attitude

The data was defined to analyzed as the functions of five independent variables such as Source Credibility, Argument Quality, Perceived Usefulness, Review Valence, Quantity of Reviews towards consumer attitude are significant ($F_{1,407} = 35.98\%$, $p < .05$).

Table 3: Coefficients Of Dependent Variable

Coefficients^a

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3,995	,715		5,587	,000
Source Credibility	,231	,034	,289	4,128	,898
Argument Quality	,258	,048	,309	5,391	,000
Perceived Usefulness	,096	,034	,160	2,801	,005
Review Valence	,097	,050	,101	1,954	,051
Quantity of Review	,118	,039	,145	3,001	0,003

a. Dependent Variables : Consumer Attitude

The standardized of coefficient of source credibility (as $X1 = .289$ $p < .05$) has relationship with the consumer attitude. Meanwhile, argument quality (as $X2 = .309$ $p < .05$) has relationship with the consumer attitude and same with the perceived usefulness that has relationship with the consumer attitude with ($X3 = .160$ $p < .05$). Both of review valence ($X4 = .101$ $p < .05$) and quantity of review ($X5 = .145$ $p < 0.05$) have relationship with consumer attitude as well. All of independent variables have the relationship with the consumer attitude

The t-value of source credibility (as $t1 = 4,128$ $p < .05$) is significant influence the consumer attitude. Argument quality with (as $t2 = 5,391$ $p < .05$) is significant influence the consumer attitude and consumer attitude with ($t3 = 2,801$ $p < .05$). Also, review valence ($t4$) and perspective of price ($t5$) are significantly influence consumer attitude with ($t4 = 1,954$ $p < .05$) and ($t5 = 3,001$ $p < .05$).

Table 4: Coefficients Of Consumer Attitude

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,983	,552		9,024	,000
	CA	,597	,044	,562	13,668	,000

a. Dependent Variable: PI

Consumer attitude has good relationship with cosmetic purchase intention with ($X6 = .562$). The t value for the variable consumer attitude ($t6 = 13.668$) is greater than t table, which means that variable consumer attitude is partially giving a positive and significant influence on cosmetics purchase intention among Indonesian who have read online reviews.

DISCUSSION AND CONCLUSION

Based on the result, the strongest factor that influences purchase intention on cosmetics is the quality of argument on the review, followed by source credibility, perceived usefulness of the products, quantity of review available on the internet and the last factor is review valence.

First factor that greatly affects the consumer attitude is argument quality. It was supported by hypothesis that argument quality has positive influence on consumer attitude. Argument quality has strong influences to persuade people through the message content. Marketer of beauty products should focus in improving persuasion on message content through online reviewer, for instances are video bloggers and beauty enthusiasts. Improving message content could be done by building relationship with those online reviewers and always emphasize the products' advantages in timely, accurately, relevant manner in communicating with those online reviewers to affirm the dimension of the quality of the argument.

Source credibility is also important to influence consumer attitude and eventually lead to intention to purchase. Endorsing popular and trustworthy beauty enthusiasts who have expertise in cosmetics products will form consumers' positive attitude. Popular beauty enthusiasts will have a better experience with cosmetics and also more reliable. An expertise in cosmetics products will also create a better content of review since they have better knowledge. The trend of endorsing credible beauty enthusiasts had been started in Indonesia since two years ago. Well known names in this field are Astrid Satwika, Andra Alodita and many others. Since Andra Alodita reviewed her experience with Body shop's british rose products, almost all british rose products edition are sold out in almost all of the counter. This is strengthen the fact that source credibility influence the purchase intention.

Perceived usefulness also creates a significant role in shaping consumer attitude. Star rating, repurchase intention, likes on the specific product review are easily seen on screen and reflect overall performance of the products.

Quantity of review becomes the fourth factors that influence consumer attitude. Consumers love popular products and are influenced by the word-of-mouth. Once reader browse the product and find many reviews, it will increase their level of confidence towards the products. Cosmetics companies may encourage market to create reviews about their products. Besides creating more reviews quantity, the encouragement –such as competition, will create curiosity among consumers.

The next factor that influence consumer attitude is valence. Negative valence will create doubt for consumers. Nevertheless, as previous research found that it is not as great factor that can influence consumer attitude towards the products. However it is still essential to manage negative review online since it is proven to affect consumers attitude toward products.

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