CHAPTER I
INTRODUCTION

1.1 Research Background

Korean cosmetics products have enjoyed huge popularity, particularly in Asia as the region absorbs more than half of the country’s cosmetics exports. Asia makes up 83 percent of the total of Korea’s cosmetics exports. However, Korea still imports more cosmetics than it exports. The country still has an annual trade deficit of $300 million in cosmetics, with the average price of cosmetics imports much higher than the exports. Thus, it is necessary for Korean cosmetics industry to increase its export value in the existing or new cosmetics market (Jeil Kim, Woonghe Han, Dongtae Kim, Widya Paramita, “Is beauty in the eye of the beholder? Gender and Beauty in the cosmetic sector”)

The cosmetic industry has a bright future as women, no matter whether they live in big cities or small villages, will always need a fully loaded make-up pouch in their bag. Research conducted by Nielsen Indonesia, has shown that sales of cosmetics in Indonesia’s urban areas for the first half of 2013 increased by 9.4 percent to Rp 606 billion (US$53.8 million) compared to the same period in 2012. Cosmetics sales in rural areas of Java also jumped by 27.5 percent year-on-year to Rp 82 billion in the first half of the year.

![Figure 1.1 Total money spent on cosmetics in Indonesia](source: Nielsen Indonesia)
The assessment of consumer on a product based on quality is very essential characteristic in purchasing processes and consumers are conscious of quality difference of all products (Nugroho, & Wihandoyo, 2009). Quality is the major concern in every field of life, whether buying some product or services. Tsiotsou, (2006) found a positive direct effect of perceived quality on purchase intentions. The literature suggests that there is a significant role of product quality in buying behavior but it may vary from culture to culture.

A brand identity provides a direction, purpose and meaning for the brand. The importance of brand identity has gradually gained recognition worldwide. As a result of the strong competition and the increasing range of products, companies are forced to establish a clear and understandable brand identity. The brand identity specifies the features of a brand’s uniqueness and value in such way that it differentiates the brand from competitors.

Consumer research (especially consumer culture theory) has far explored and documented a variety of domains, contexts, sociopolitical aspects, and ideological issues of consumer-market dynamics to a great extent in relation to the consumption of goods, services, images, and experiences available in the market (Arnould and Thompson, 2005). Admittedly, popular culture has been one of the topics of analyses in consumer culture theory because of its function as a transmitter of marketplace ideologies (Belk and Pollay, 1985; Hirschman, 1988, 1990). However, it is rarely studied in its entirety as a symbolic and ideological product that cannot simply be rejected, and its globalization process has been understudied as well. Therefore, it is of interest to theorize about the triggers and manifestations of such a cultural switch of consumers to a new supplier of popular culture, even though the new player may replicate what had been globally observed in the last century.

Now is the era of globalization. Globalization generating thoughts and ideas, real or false, associated with their products and have an impact on values and local culture. Popular culture, the culture of society, is also under the influence of the new changes. Popular culture is determined by the interaction of every day, needs and desires. In many countries the local culture has faded and been replaced or by a kind of culture that has been brought about by the mass media and the use of a global pattern. The popular culture in large part is influenced by industries that disseminate cultural material, for example the film, television, and publishing industries, as well as the news media (Hosseini Hossein, “Popular Culture in Asia: Globalization,
Regionalization, and Localization”). It is the result of continuing interaction between those industries and the people of the society who consume the products. These new changes have had various impact on all aspects of people life.

Today many people have access to similar information and in this global culture; each nation should defend its own identity due to the fact that this newly emerging is not a fair one. A global culture is becoming dominant. What is for sure is that no country can release itself from the influence of this new changes and pretend to be an independent island. Surely, all these have had their impacts on traditional cultures.

Popular culture in Asia, Korean Pop Culture in particular, is quite unique in that understanding fandom needs not only an “up close and personal” investigation of supportive fans, but some expertise to understand “hostiles” as well (Thorn, 2011).

A newly coined phrase - Korean wave - which refers to the popularity of Korean media culture across East and Southeast Asia, is a metaphor for thinking about this recent regional media development. Korea’s growing cultural influence has been gaining a lot of recognition in the past few years with the massive increase in popularity of Korean pop Culture products, particularly K-pop and TV dramas. But this is not the only market in which Korean products have been expanding. Korea has also seen a surge in interest in its fashion and lifestyle products.

The Korean Wave has especially experienced a significant change with the development of digital technologies and social media, such as YouTube, social network sites (SNSs), and smartphones in the 21st century. These digital technologies, as new driving engines of the Korean Wave, have initiated and supported the popularity of local culture in many countries.

This is true that Korean cosmetics in particular which have not only completely dominated the domestic market ahead of foreign brands but have also seen an explosion in popularity overseas. Many of beauty products or cosmetics from South Korea that exist in Indonesia such as Etude House, The Face Shop, Skin Food, Tony Moly, Lioele, etc.

Based on pre-research that author did before by interviewing 30 people who like Korean Popular Culture, every K-Popers (named of people who love K-Pop) want to look like their Idol (celebrity that they like), the other name K-Popers style influenced by South Korean, K-Popers would try to follow the celebrity’s style and that also influenced them to purchase on many Korean product such us cosmetics.
Lioele Cosmetic is a new cosmetic brand from Korea, which expands its brand into the Indonesia Market on the beginning of 2012. Lioele stands for Life of Elegant Ease. The brand was officially launched in Korea on March 2007. The message of Lioele is to be happy and beautiful. Like the Cinderella story, an average woman who turned into a noble elegant princess, Lioele hopes that every customer is able to live a dream that their dream of.

With this research, the author conduct a research to determine the influence of product perceived quality on purchase decision of Lioele’s cosmetic product and the effect of popular culture in mediating brand identity to influence purchase decision.

1.2 Problem Formulation

From the background aforementioned, there are the problem formulations;
Q1: Is Product Perceived Quality influence on Purchase Decision?
Q2: Is Brand Identity influence on Purchase Decision?
Q3: Are Product Perceived Quality and Brand Identity simultaneously influence on Purchase Decision?
Q4: Is Brand Identity influence on Popular Culture?
Q5: Is Popular Culture influence on Purchase Decision?
Q6: Is Brand Identity influence on Purchase Decision mediated by Popular Culture?

1.3 Scope of Research

The scope of this research is to know the influence of Product Perceived Quality, Brand Identity, Popular Culture on Lioele customer’s Purchase Decision in Jakarta, Indonesia.

1.4 Research Objectives

The objective of the research is to answer the problem in problem formulation.
O1: To know the influence of Product Perceived Quality on Purchase Decision
O2: To know the influence of Brand Identity on Purchase Decision
O3: To know the influence of Product Perceived Quality and Brand Identity simultaneously on Purchase Decision
O4: To know the influence of Brand Identity on Popular Culture
O5: To know the influence of Popular Culture on Purchase Decision
O₆: To know the influence of Brand Identity on Purchase Decision mediated by Popular Culture

1.5 Research Benefit

This research is expected to yield useful information for interested parties, such as:

1. For the Researcher

The result of this research is expected that the author can implement the knowledge that obtained during college to the business and work in the future.

2. For the Company

This research is expected to help PT Intersa (Lioele Indonesia) determine the contribution of Product Perceived Quality, Brand Identity, and Popular Culture on the customer Purchase Decision. This research is expected to be a consideration in formulating and implementing corporate strategies in the objective of improving customer decision to purchase which can be good for the company.

3. For the reader

Hope that this research can be useful for the reader in getting the information needed, a comparison for other research, and a reference for other research in the future.