

Chapter 1

INTRODUCTION

This chapter explains a brief background about this research study, that covers the general background of the current growth of global cosmetics industry and the growth cosmetics in Indonesia. Moreover, this chapter will also state the exploratory study it is used to gather the primary data, the problem statement that will guides to the research questions, the scope, aims and benefits as well as the structure of the research.

1.1 Background

This research is a replication from a previous study that was conducted by Anant Jyoti Badgaiyan and Anshul Verma in 2015 and was written in India with the title “Does urge to buy impulsively differ from impulsive buying behavior? Assessing the impact of situational factors” with the title of “Assessing the impact of situational and personal factors towards impulsive buying behavior: A study of Sephora customers in Indonesia”

1.1.1 Global Cosmetics Industry

Cosmetics products have certainly created a great impact into our history, culture, lives and even fashion. According to Canadian health page (Government of Canada, 2011) It is believed that cosmetic is defined as a substance that are used for improving nor change complexion of the humans’ skin, hair, teeth or even nails. Which is why cosmetics, are one of the tools that are like make-up, fragrances, nail polish, grooming aids and skin cream. In the last years Global Cosmetics Industry Market, has shown a significant increase and growing market according to (Bonacina & Mazzucchelli, 2016). The growth of global economies, the rising demands, changing lifestyles of skin and also the sun care products due to its varying climate conditions, which these factors has encourage the growth of the global cosmetics market (Rajput, 2014)

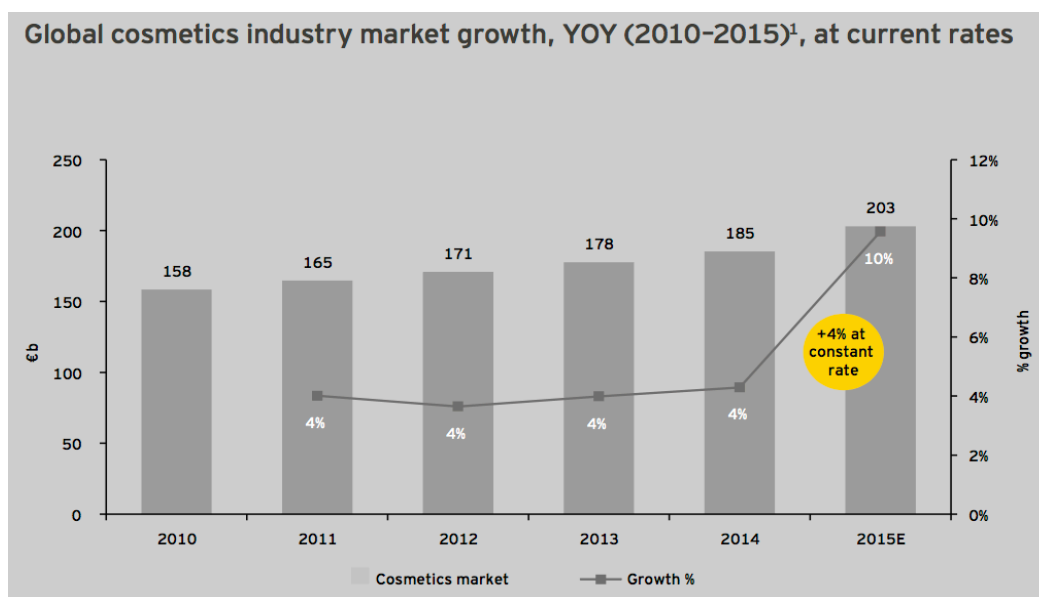


Figure 1.1 Global Cosmetics Industry Market Growth
Source: EY Financial fact book, 2016

Based on the figure 1.1, the global cosmetics market continued growing that has reached to a significant number of 203 billion euros, the global cosmetics market increase was because one of the lip makeup products which created a growth of 10% of the mass-market channel, and 16% of the selective channel, in the 2015.

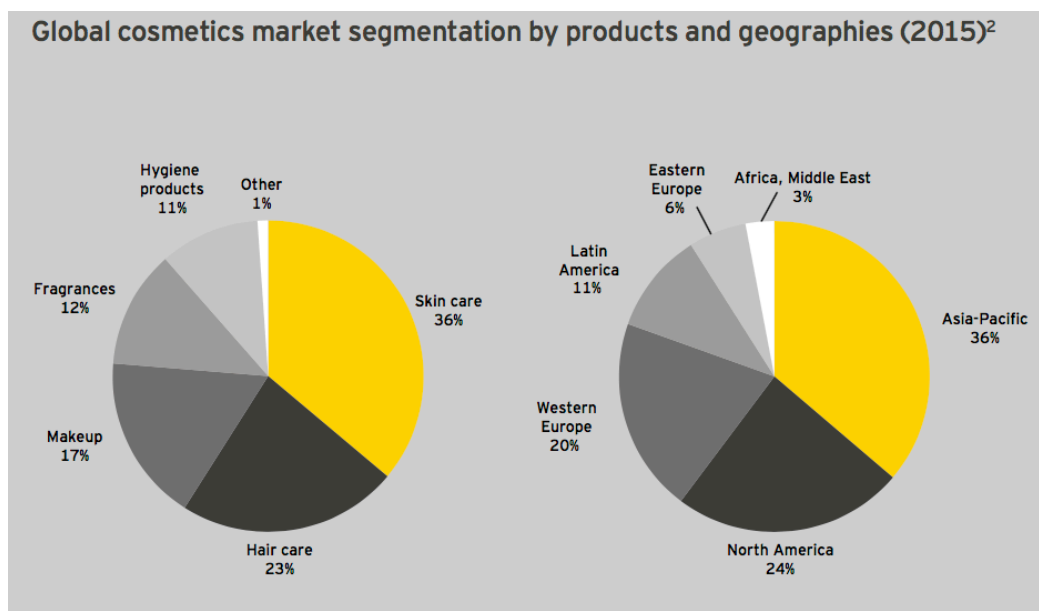


Figure 1.2 Global Cosmetics Market segmentation & geographies
Source: EY Financial fact book, 2016

According to figure 1.2 from the EY financial fact book, the global cosmetics industry shows how the market is currently increasing and at which products of cosmetics that the consumers tend to purchase, the global cosmetics market segmentation has shown that at 36% of consumers purchase skin care products which means that the global skin care products market would likely be reach up to \$179 billion by the 2022 which in 2015 the global skin care market was only \$130 billion, the products of skin care has been categorized into two segments which are the face and also body care products which the products are usually brightening creams, face moisturizers, sunscreens, fairness cream, anti-aging creams, toners, under eye creams and serums (Bisht, 2017), and as for the body products usually they are body scrubs, massage oils, body scrubs and also creams (Bisht, 2017).

And the second is hair care products according to the global cosmetics market segmentation which has reach of a 23%, hair care products have been formulized to nourish the hair and help to prevent the hair damage which many consumers have been resulting from dryness or even pollution. According to Statista (Statista, 2017), hair care market has thousands of products such as shampoo, conditioners, colorants, serums, sprays, etc. These hair care products have been composed with both natural and synthetic ingredients that is to maintain the healthy groomed hair, especially in today's culture, a healthy hair it is a staple which portrays the image of a youthful appearance. Some of the strong determinants of purchase decision making of the herbal or organic hair care products amongst the consumers are high demand of products that are chemical-free. The demand of hair growth hair care has been also increasing due to increased consciousness of consumers and their desire to maintain a healthy scalp, or even after they had colored their hair (Statista, 2017).

For makeup category according to global cosmetics market, the makeup segmentation has a growth of 17% which means it is the third position in the market place globally. In today's culture, cosmetics has been freely chosen and known for morally neutral agents of the beauty enhancement, they have been used to reflect of one individual's preferences and their choices, and with a response to their use reflects the attitudes about their own form of self-presentation and also grooming (Etcoff, Stock, Haley, Vickery, & House, 2011). As for makeup, according to Statista makeup has been a term that refers to the cosmetic preparations like creams or powder, which means

makeup has been designed to enhance individuals' appearance such as the body, but more specifically the face. Makeup itself has a variety of products like concealers, lipstick, foundation, mascaras, eyeliners and bronzers (Statista, 2017). Their growth in cosmetics was also by the online purchases where millennials nowadays, tend to use the internet more and do online purchases (Bonacina & Mazzucchelli, 2016).

Asia Pacific has becoming the leading cosmetics market which has reach up to 36%, which means according to Bonacina & Mazzucchelli (2016) there is a good opportunity on investing on cosmetics in Asia Pacific market since it has been the leading world's biggest cosmetics market. According to Statista since 2015 until 2020 the cosmetics market size in the Asia-Pacific has been numbered to reach up to 98.5 billion U.S dollars in 2015, and in the upcoming years it has been forecasted to reach a total number of 126.86 billion U.S dollars in 2020. This means that the Asia-Pacific market has a good prospect for many investors to invest in the cosmetics category especially in the Asia-Pacific market and while women continued to be the dominant shoppers in the cosmetics market (Statista, 2017).

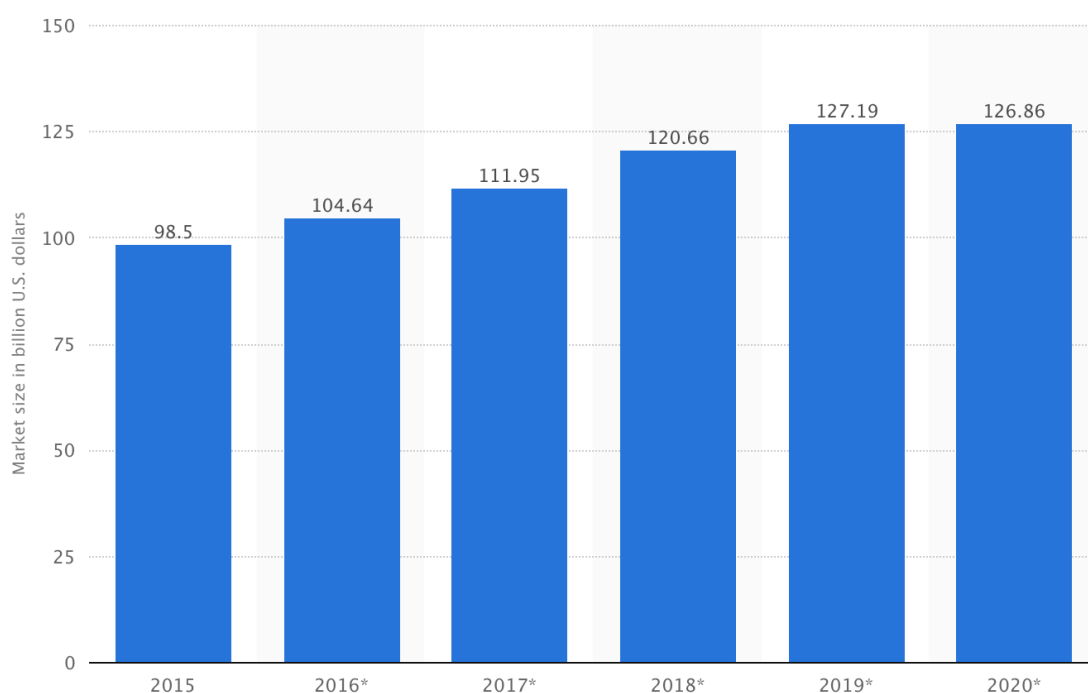


Figure 1.3 Size of the cosmetic market in Asia-Pacific from 2015-2020

Source: Statista, 2017

1.1.2 Cosmetics & Sephora in Indonesia

Indonesia is the Southeast Asia's largest economy, with GDP of US\$ 888.5 billion, and Indonesia also has a population of 250 million and with a rising incomes. Indonesia has been forecast to become the one of the top five markets for the cosmetics industry for the next 10 to 15 years (U.S Commercial Service, 2016). The U.S branded cosmetic products have been considered as very well regarded in Indonesia due for their reputation and their quality (Gerstle, 2016), and also because of the rapid growth of Indonesia's e-commerce which make a possible way for the U.S branded products cosmetics got these entry, according to EY financial fact book is that the data shows that online or social media platforms are also one of the reasons that cosmetics industries has been currently growing (Bonacina & Mazzucchelli, 2016).

In Indonesia cosmetics such as like makeup, skincare or even haircare products can be easily accessed and bought, in Indonesia cosmetics has been sold through many types of stores that is specialty stores, department stores, drug stores and many more. For the specialty stores these stores has already reach to the biggest cities in Indonesia such as Khie's, Sephora and Crabtree & Evelyn. Due to the highly competitive beauty cosmetic market in Indonesia, then the most important strategy that should be done in the beauty cosmetic industry is to understand consumers shopping behavior, the buying process is an important part of everyday life and everyone has different behaviors in making purchases. Almost everyone faced with an option when it comes to purchase decision process, many reasons that cause a person to make a purchasing decisions among the others to meet their wants and their needs.

The buying behavior process is made through the process of introducing the needs, until the evaluation process after purchase. Before making a purchase, consumers usually do planning on the type, quantity, price, and the place and other aspects of the goods to be purchases. However, there are times when the purchasing process is done just like that when consumers see a product, which creates an unplanned purchase and this type of purchasing behavior is called impulsive buying behavior. Impulsive buying behavior are not a new thing for marketers, impulsive behavior is a condition in which a person makes a purchase without a planned or make a purchase transaction that is not in accordance with the shopping plan. Impulsive consumers initially do not

plan to buy a product but they immediately buy because of an interest in a product or brand when they tend to do shopping (Aryadini, 2012). Rook & Fisher (1995) define impulsive buying behavior as a consumer tendency to buy spontaneously, reflexively, suddenly and automatically.

Based on the results of Nielsen research cited in the article from Mix Magazine edition July 2011, consumers in Greater Jakarta, Bandung and Surabaya, become more impulsive. In 2003, the percentage of buyers who did not plan before going into the store by 10%, but in the year 2010 it increases up to 21%. Buyers who plan what to buy but always purchase additional items increase from 13% to 39%, and the percentage of consumers who plan the items you want to buy and never buy additional items down from 15% to 5%. This proves that 95% of consumers do not plan what they want to buy before they enter the store.

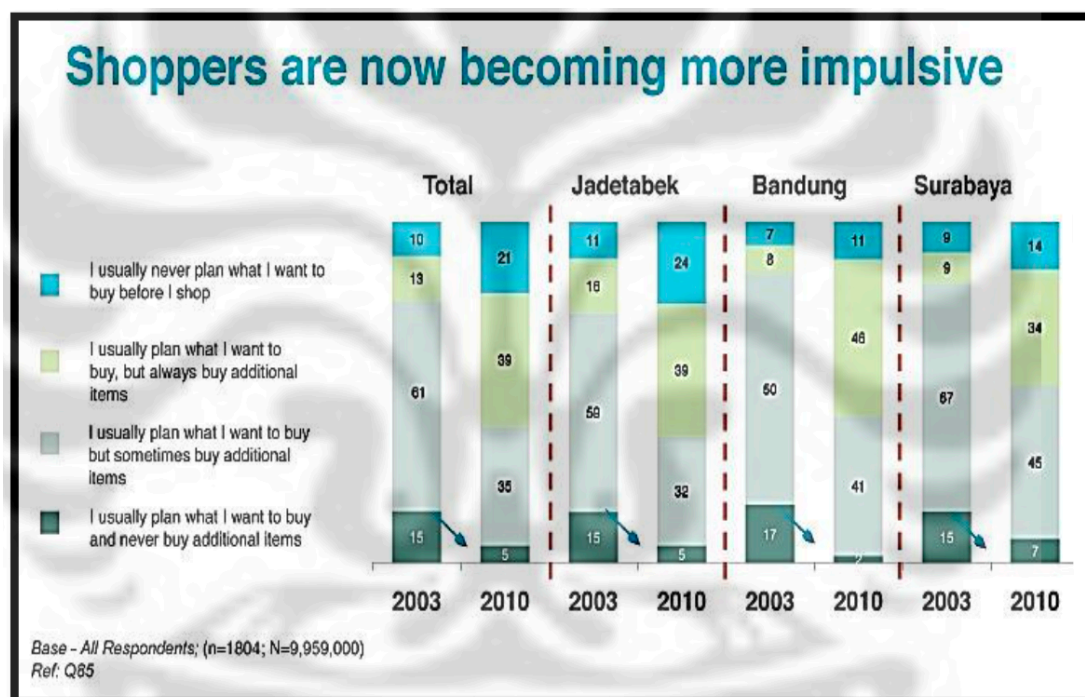


Figure 1.4 Consumer Purchase Behavior based on AC Nielsen research

Source: Majalah MIX Edisi Juli 2011

Hawkins, Best, Coney (2001) stated that impulse buying behavior as “Purchase made in store that are different from those the consumer planned to make prior to entering the store.”. Consumers are no longer simply consider the function of the product when making a purchase. Over time, these consumers are more focused on more favorable

additional element in selecting retail outlets. A pleasant atmosphere is one of the elements that consumers want in a retail setting (Milliman & Turley, 2000).

Sephora is one of the retail stores that also rely on their store atmosphere. The retailer is originated from Paris, founded by Dominique Mandonnaud in 1970. Since 1997 until now, Sephora is under the acquisition of Louis Vuitton Moët Hennessy (LVMH). At first, Sephora is a stand-alone store, but in October 2006, Sephora began to open their first shop at JCPenney for the first time and to this day has always been at any Sephora store JCPenney United States. In the arrangement of the product, which has been used by Sephora concept is always the same at each store, including in Indonesia. Sephora's concept is called Open Floor Selling, which is product arrangement or merchandising technique done by grouping by product category and arranged alphabetically, so that consumers can easily find the product they want and could easily try the product directly. The store has been operating in approximately in 2,300 stores and in 33 countries in total (Sephora, 2017).

Sephora enters to Indonesia under the license of PT Mitra Adi Perkasi, Tbk and PT Panen Lestari Internusa. The two companies inaugurated their first store on July 12, 2014 at Plaza Indonesia, followed by the inauguration of the second store on July 19, 2014 at Kota Kasablanka Mall. Sephora offers cosmetics and fragrances products that are from its own label as and they also have from other brands from different countries in the world. Almost all products needed for both men and women, from head to toe can be found in this store. The products include such as *make up, skin care, hair treatment, facial wash, foot care, shampoo and make up tools*.

In 2016 Sephora has shown a positive increase in the market. According from a source of data by LVMH 2016 record result company it is shown that LVMH Moët Hennessy Louis Vuitton, the world leading luxury group products have stated that their revenue has reached until up to €36.6 billion in the 2016 which the company have an increase of 5% over the past year. This has been included the Asia market as well. One of their key highlights of performance in the 2016 was that the growth of Sephora in Europe or in Asia market (LVMH, 2017). According from the data below selective retailing business group have got a revenue growth up to 7%, the Sephora has also gained market share from across regions and strikes once again a double digit of growth in

both profits and the revenue, Sephora has opened more than a hundred store was open in the 2016 which include opening the store in the New York and many major renovations in Boston and also in Singapore. Sephora's online website has also created or accelerated in six new countries it is why the data below have been highlighted by the author only the selective retailing due to the data that is focusing by the author is Sephora and it is a part of the selective retailing.

2016 Revenue (Euro millions)

FY 2016	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective retailing	Other Activities and Eliminations	Total
First quarter	1 033	2 965	1 213	774	2 747	(112)	8 620
Second quarter	1 023	2 920	1 124	835	2 733	(67)	8 568
Total first half	2 056	5 885	2 337	1 609	5 480	(179)	17 188
Third quarter	1 225	3 106	1 241	877	2 803	(114)	9 138
Nine months	3 281	8 991	3 578	2 486	8 283	(293)	26 326
4e trimestre	1 554	3 784	1 375	982	3 690	(111)	11 274
Total 2016	4 835	12 775	4 953	3 468	11 973	(404)	37 600

Figure 1.5 Revenue by Business group and by quarter

Source: LVMH, 2017

Currently, there has been 300 brands that are in the Sephora Store, although not all brands are in Indonesia. The brands that are in Indonesia are their brand itself Sephora, Too Faced, Living Proof, Anna Sui, Boss, Dolce & Gabbana, Escada, Gucci, Dr. Jart+, Borjois, Clarins, Benefit, Calvin Klein, Chloe, Burberry, Bvlgari, Davidoff, Ferrari, Issey Miyake, Murad, H2+. OPI, Versace, Glam Glow, Sampar, Philosophy, Shiseido, Laneige, Lancome, Marc Jacobs, Stilla, Make Up Forever, Giorgio Armani, Becca, Shu Uemura, The Balm, The Brow Gal, and some many more brands. Due to the many brands that Sephora has offer and by this, creates one of their excellence in Indonesia.

1.2 Exploratory Study

The first stage of the research is to conduct exploratory study by conducting *in depth interview* process to know the characteristics of consumers who tend to have impulsive buying behavior. The researcher has interviewed 6 persons. These 6 individuals are those who have shopped in the Sephora store. The interview was a semi-structured interview. It aims to determine the behavior and trends of consumer on the impulsive buying behavior when they shop at the Sephora store. The researcher has interviewed amongst female and with a particular age range, which females from the generation Y or many people called it the *Millennials* whom was born in the 1983 to 1999 (age 18 – 34 years old) the researcher has asks various questions in regarding on Where the respondents tend to shop makeup?, Why do they tend to buy there?, How frequent do they shop at Sephora?, How much do they tend to spend on purchasing cosmetics at the Sephora store?, The impulsive buying behavior, personal factors and whether they have purchased skin care products in Sephora questions.

Almost every respondent answered that they tend to purchase makeup products, either at department store (Sogo, Metro, Seibu), drugstore (Century, Guardian, Watsons), and Sephora Jakarta and online stores. Though it can be tempting to buy many products without knowing much about it, 2 out of 4 respondents answered that they have done some research on half of the products that they have purchased. 2 out of 4 respondents answered that the reason why they tend to buy the products at an offline store more often is because it is more convenient and has lots of range of products. While the other 3 respondents says it is because of the many variety of products that Sephora and the department stores have to offer. And with a total of 5 out of 6 respondents answered that they might go to Sephora once every week, while the other 1 respondent says that she goes once a month.

The respondents personal spending habits when it comes in purchasing make up at the Sephora store a total of 5 out of the 6 respondents would likely to spend an amount of Rp 1,000,000 – Rp 2,000,000 and the other 1 respondent would likely spend an amount of Rp 2,000,000 – Rp 4,000,000 when it comes to purchase at the Sephora store. According to the impulsive buying behavior questions on what are the main reasons

on why they tend to visit and purchase products at the Sephora store behalf on the in-store factors (sales promotion, store environment, friendly employees, store music) 6 of the respondents have answered it is mainly because of the promotions (banners, discounts, and member rewards, or scents). On behalf of the skincare products in Sephora 5 of the respondents do not purchase any skincare there but only 1 purchase skin care product at the Sephora Singapore. When it comes to the personal factors (family influence) of purchasing a product at Sephora, 6 of the respondents have answered they all got an influence by their family or friends regarding on purchasing a product at Sephora either there is a new product coming up or just something that the family & friends have purchased, which has lead them to buy similar products.

The findings from this exploratory study show that the consumer actually do impulsive buying behavior when they shop at Sephora store, and does not mind on how does the makeup cost especially when it comes to the products or brands that they wanted to purchase, the consumer dominant factors are the quality of the products the interpretation of the findings is that consumer are willing to pay a high amount of price because of the following trends or because of seeing many influencers online reviewing of the makeup brands that they use creates on planning of wanting to buy the product, or seeing the promotional.

1.3 Problem Statement

Sephora has become one of the global cosmetic market, their market has become growing not only on global level but in Indonesia also, as it has opened many branches in Indonesia especially in Jakarta (Asset, 2014). To increase the sales and be the market leader due to the highly competitive market in the makeup industry, marketers need to understand more on behalf of the consumer behavior. There are several types of consumer behavior, one of them is impulsive buying behavior as it will be the focus of this research problem. The impulsive driven of a consumer behavior is not rare on the market, there has been a lot of marketing theory and also practice that has been invested to clarifying it as much as possible, by doing this is to reach a certain knowledge that the company can use in practice. In the past decade, there are many marketing research that are trying to attempt on identifying the factors of impulsive buying behavior (Žnideršič, Grubor, & Dražen, 2016).

Previous research on impulsive buying behavior has been widely practiced in Indonesia. However, studies on impulsive buying behavior in terms of cosmetic world is not yet familiar in Indonesia. In writing this research, the author refers to a previous research that has been done before. For instance, a previous research that has been done that was conducted in India by Anant Jyoti Badgaiyan and Anshul Verma. This research found that there are 8 situational variables that could significantly affect in the impulsive buying behavior, namely situational variables are money availability, economic well-being, family influence, sales promotion, store environment, friendly store employees, time availability and credit card these factors has been include to personal factors and in-store factors.

Therefore, this research aims to discuss what are the factors that affect the impulsive buying behavior of consumers in buying makeup at Sephora stores in Jakarta by examining two factors, personal factors and in store factors.

1.4 Scope

The study is to analyzes whether situational factors that are categorized as personal (money availability, economic well-being, family influence, time availability and credit card use), and in-store (sales promotion, store environment, friendly employees, and store music) affect the constructs of ‘urge to buy impulsively’ and the ‘impulsive buying behaviour’. As it has been stated earlier, the study will conduct a survey using online methods. This study is expected to involve 150 respondents; consisting of Indonesian females who live in Jakarta and who likes to shop at Sephora. These respondents will be within a particular age range. They are females from generation Y or people called as the *millennials* which who are born in the 1983 to 1999 (age 18 – 34 years old) (Nielsen, 2015). According to Nielsen (Nielsen, 2015) millennial women are the majority of customers who purchase cosmetics. In this case, this is because of their economic well-being. In this case, the author also wishes to investigate and conduct an in-depth on how these situational factors could influence impulsive buying behaviour on the millennials or generation Y consumers whom are likely to purchase cosmetic products.

1.5 Aims & Benefit

The aims and the benefit of this study is to identify the situational factors both personal and in-store factors and to analyze whether these factors have any influence on impulsive buying behavior, when the consumers are purchasing at Sephora store Jakarta.

The aims of this research are:

- To provide the understanding on how personal factors (Money availability, economic well-being, family influence, time availability, and credit card use.) got an influence on ‘urge to buy impulsively’ and ‘impulsive buying behavior’
- To find out on how In-store factors (Sales promotion, store environment, friendly employees, and store music.) influence the ‘urge to buy impulsively’ and ‘impulsive buying behavior’

Based on the aim for this research, the research is expected to provide benefits as follows:

- To utilize findings as reference for a company to understand more of the impulsive buying behaviors in retail settings.
- This research is expected to contribute to the domain of marketing in the field of impulsive buying behavior.

1.6 Research Question

The following list is the questions that are going to be derived from the aims and benefits that the research will evaluate in this study:

- RQ1: Do to the Personal Factors (Money availability, economic well-being, family influence, time availability, credit card use.) influence **impulsive buying behavior**?
- RQ2: Do to the In-store Factors (Sales promotion, store environment, friendly store employees, store music) influence **impulsive buying behavior**?

1.7 Structures

CHAPTER 1 – BACKGROUND

This chapter explains a brief background about this research study, that covers the general background of the current growth of global cosmetics industry and the growth cosmetics in Indonesia. Moreover, this chapter will also state the exploratory study, the problem statement that will guides to the research questions, the scope, aims and benefits and the structure of the research.

CHAPTER 2 – LITERATURE REVIEW

In this chapter, the author provides a better understanding on further explanations on each of the variables that involved in the studies to formulate the hypothesis. Moreover, the hypothesis will also be explained from this analysis and through the framework. The framework and the findings from the recent study will also be mention in this chapter.

CHAHPTER 3 – METHODOLOGY

This chapter consists of explanation on the research methodologies, that will be used in this research study that includes the research objective, sampling method, unit of analysis and the sampling size, questionnaire design, data collection method, and the data analysis method.

CHAPTER 4 – FINDINGS

The fourth chapter will consist of the research findings that has been obtained from the data analysis. The data for the study will be collected from respondents and are processed to derive the findings. The chapter also consists of the hypothesis testing and conclusion whether the hypotheses are supported or not.

CHAPTER 5 – CONCLUSION AND RECOMMENDATION

The fifth chapter consists of the conclusion from each of the research question. The author also provides several managerial implications that are related to the study as a suggestion, recommendation and the limitation for a future research study.