

CHAPTER 1

INTRODUCTION

1.1 Background

Beauty salon is a common service facility for maintenance beauty, especially maintaining and caring for skin health, hair manually using cosmetics, preparative, and decorative aparatif without surgery. Salon industry is probably one of the most under-rated and under-appreciated industry in Indonesia, however the prospect of this industry is huge. According to Kompas(5 September 2012), the size of the industry was increasing significantly in the last three year, in 2010 the size was approximately 13 trillion and it is forecasted to reach 18 trillion rupiah by 2013, an increase of more than 38%. Indonesia has more than 10,000 registered salon according to Tiara Kusuma, the association of beauty expert and salon owners, and there are 500 registered salon in Jakarta area alone. The number seems to be much smaller than the actual, however the exact number of salon business in Jakarta was nowhere to be found, Tiara Kusuma is the only association that provided the data. According to Tiara Kusuma, there are types of salon according to the services including hair salon, skin salon and combination of them. According to the cosmetics salon is differentiated by modern salon, traditional salon, and combination of them. According to the type of cosmetics, salon is differentiated by the salon that use one type of cosmetics, salon that use more than one brand of cosmetics and salon that use their own homemade cosmetics. Government classified salon into four categories, which are A, B, C and D, basing on the services offered.

Type A salon provides hair and skin services including washing the head and hair, haircuts and coloring, hair styling, coloring with defects, creambath, bonding, hair extensions, facial, manicure, pedicure, make ups, adding eyelashes, waxing, body massage,shiatsu/acupressure, aroma therapy, reflexzone, heliotherapy, hydrotherapy, mekanotherapy, electrotherapy, bridal services, maternity services before and after pregnancy, spa, medical consultancy. Type B salon provides hair and skin services including washing the head and hair, haircuts and coloring, hair styling, coloring with defects, creambath, bonding, hair extensions, facial, manicure, pedicure, make ups. Type C provides hair and skin services including washing the head and hair, haircuts and coloring, hair styling, coloring with defects, creambath, frimator, sauna. Type D provides hair and skin services including washing the head and hair, haircuts

and coloring, hair styling, coloring with defects, creambath, curling, make ups. All types need to have the person in charge who is a certified nationally or internationally in their field of hair and skin.

Table 1.1 Salon Types and Services

	Types of Services	Type A	Type B	Type C	Type D
1	Scalp and Hair cleaning	•	•	•	•
2	Hair cutting/ curling	•	•	•	•
3	Hair styling	•	•	•	•
4	Highlights	•	•	•	•
5	Creambath	•	•	•	•
6	Hair straighting	•	•	•	
7	Hair treatments (balding, etc)	•	•	•	
8	Adding hair	•	•	•	
9	Shiatsu	•			
10	Acupressure	•			
11	Aroma therapy	•			
12	Reflekzone	•			
13	Heliotherapy	•			
14	Hydrotherapy	•			
15	Mekanotherapy	•			
16	Electrotherapy	•			
17	Bridal care	•			
18	Maternity care	•			
19	Care after pregnancy	•			
20	Spa treatments	•			
21	Consultant for hair and skin	•			
22	Bonding	•	•		
23	Make up for fantasy and film character	•	•		
24	Body massage	•	•		
25	Adding eyelashes	•	•	•	

26	Waxing	•	•	•	
27	Spa	•	•	•	
28	Frimator	•	•	•	

1.2 Nancy Salon



Nancy Salon is a salon type D which is a home salon industry that can take care of three to four customers at once. Nancy Salon was founded by Nancy Rahardja in 1988 started in grogol, west Jakarta. The salon provides skin and hair services which includes in type D salon above but also the salon is doing some of the services mentioned in the other types such as bonding. Nancy has employed more than twenty employees in her 2 branches at the moment, which is also operating in Tamanratu. The salon organization structure is very simple which is management by Nancy as the founder and one manager that gets a royalty of 25 percent of all the profits in both of the salon. Nancy's market is middle income people which consist of children, teens, campus students, working adults, family and senior people. Nancy is also involved in Hair and Beauty Community which is a Christian community of hair dressers, to gather together and help each other in salon business through prayer and consultation, also seminars.

Nancy Salon is used as the context of this research because it is the author's family business. The uniqueness of Nancy Salon is famous especially for the haircuts, bonding, curling and facial treatments. Nancy Salon's revenue in the year of 2008 - 2013 has been stagnant which is around 500 million rupiah to 600 million rupiah. Nancy is good at keeping the loyal customers to come back, but Nancy need to improve on acquiring new customers so that the revenue can increase greater in five years to come. This means by targeting the younger market segment because young customers can be such a huge influence in the market especially those who are in great reputation. Also Nancy can target some of the great business people in Indonesia or international customers that stays in Indonesia, this can create a new

brand image for the salon and increase sales and equity. The salon perceptual map is on below.

Table 1.2.1 Price comparisons for cut, wash and blow-dry services (in 2014)

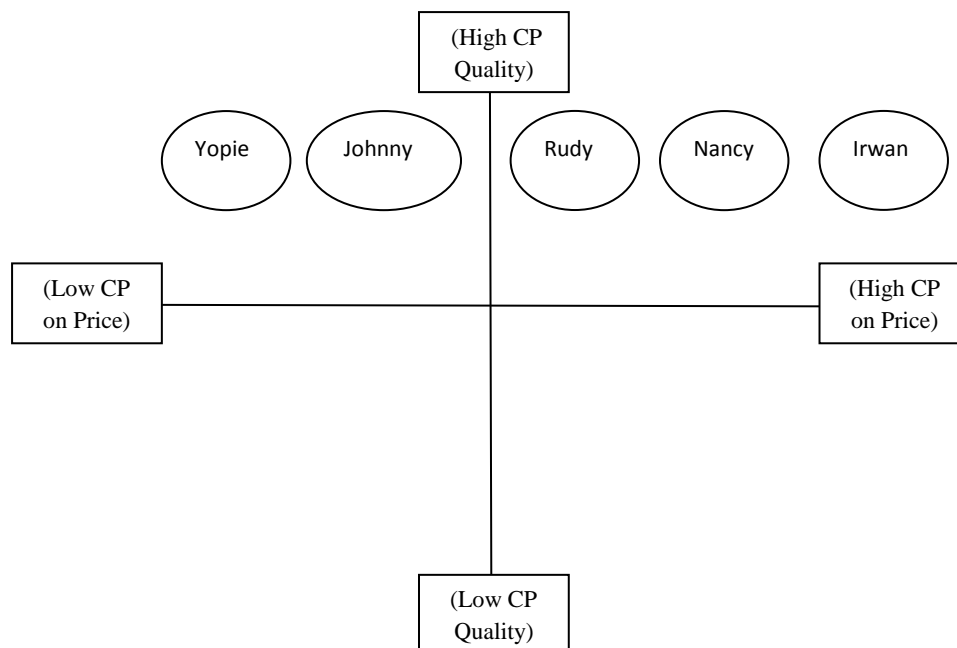
Salon	Hair Cut Price	Hair Washing Price	Hair Blow Price
Nancy	50-250	10-15	20-45
Rudy	42	15	37-65
Johnny	35	19-22	33
Yopie	24	27-29	21-50
Irwan Team	90-700	26-31	27-94

Table 1.2.2 Salon Customer Perception on Quality (1 to 5, 1 lowest, 5 highest) Source: Nancy Salon Owner

Salon	CP
Nancy	5
Rudy	5
Johnny	5
Yopie	5
Irwan	5

Figure 1.2

Nancy Salon's Perceptual Map



1.3 Scope



Nancy Salon was selected as the main source of information as the author has greater flexibility in acquiring information and data from Nancy Salon. However, the data would be also being gathered from Nancy Salon four main competitors, which were Rudy hadisuwarno, Yopie Salon, Johnny Andrian, and Irwan team. The target respondents would be consumers of Nancy Salon and consumers of the main competitor of Nancy Salon.

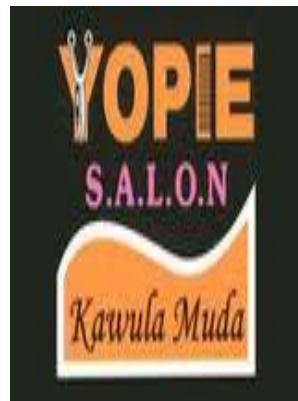


Rudy Hadisuwarno is a salon professional businessman that is on the top of his career right now as of 2013 with the age of over 60 years old and having manage over hundreds of his salon franchise all over Indonesia, as well becoming the head of Tiara Kusuma organization, the head of beauty and hair community in Indonesia which is the Christian community of hairdressers. He also actively participates in hair show and make up such as Cosmobeaute

2013 which was held in JCC. His strong passion in beauty has inspired many people to follow his path.



Johnny Andean is another salon professional businessman that is not only doing salon but is doing other business such as the bread talk, bread business. Johnny has a strong entrepreneur gifts to create new business concept and to create jobs for employees, therefore Johnny Andean is truly an asset to Indonesia. He loves his family a lot and said that one of the motivation of his work is to make his family happy, according to one of the online articles the author found.



Yopie Andean is one of the brother of Johnny Andean. He also actively enjoys being a part of hair and beauty community of hairdressers. Yopie has influenced the Indonesian market in salon to especially the younger segment. Yopie is known for his low price services.



Irwan Team is a salon that is known to be the best salon in 2005 according to kerastase international, and that applies for Irwan's branch in pondok indah. Also is known for the many stylist who has the title of master colorist and excellence in wave, perming, smoothing and bonding.

Salon industry was chosen as the context of this research as the author has interest in developing and expanding Nancy Salon business further, thus investigation on factors affecting consumers to visit salon was imperative. Jakarta was chosen as region to investigate to as the segment and target market of Nancy Salon was Jakarta, although it does not rule out the possibility to expand the study in the future.

1.4 Aims and Benefits

This study will provide new perspective on salon industry and its consumer behavior, in which will be benefited the plan to expand the business further. By understanding current consumer behavior in the salon industry, new product and services development could be done to match current consumers' trend in salon industry.

From academic point-of-view, this study will provide understanding on the impact of consumer behavior toward a product or service in Jakarta. This study could provide a good ground for future research in salon industry, as the study on salon industry is scarce.

1.5 Research Questions

Similarity defined as the feeling that individual customers feel that they could have similarities with other customers in the service environment according to (Martin and Pranter 1989). Similarity possesses strong influence for consumers to develop intention to purchase. However past studies focus more on consumer goods and banking services In salon industry, similar behavior could be observed. Consumers visit a salon because of the style that they offer was similar or matched consumer's style and lifestyle. Furthermore, the location and the design of the salon itself could represent their consumer's lifestyle. Therefore the first research question in this study was:

RQ1: Does similarity affects approach?

Physical appearance defined as the overall look in customers in the service environment. For example when a salon has customers who dress well, customers may view the salon to be upscale. Mcgrath and Otnes (1995) found that shoppers interacted with other customers that they like visually. Same thing in a salon setting that physical appearance influence the customer intention to visit the salon because the customers like what they see in other customers. Therefore the second research question in this study was:

RQ 2: Does physical appearance affects approach?

Suitable behavior defined as other customer's behavior can affect the customer service evaluation therefore affecting approach. Grove and Fisk 1997 that customers have expectation on how other customer behaves, because it impacts the enjoyment of their service experience. Therefore the third research question in this study was: RQ 3: Does suitable behavior affects approach?

The fourth research question is does similarity affects avoidance? Similarity as mentioned above is customer's traits that are the same with other customers. If the customers have different characteristics with other customers will it affect their avoidance intention in leaving the business and choosing another salon?

RQ 4: Does similarity affects avoidance?

The fifth one explains does physical appearance affects avoidance? Physical appearance as mentioned above is defined as the outlook of the customers in the service setting. If the other

customers don't have similar physical appearance will it affect the avoidance intention of customers in salon?

RQ 5: Does physical appearance affects avoidance?

The sixth one is does suitable behavior affects avoidance? Suitable behavior was defined as manner, friendliness of the other customers in the salon service setting. If the other customers don't behave well, will it affects avoidance?

RQ 6: Does suitable behavior affects avoidance?

Approach is defined as the intention of customers to come into the salon. In the seventh research question was does approach affect perceived service quality? This means when customers with the same similarity, suitable behavior and physical appearance approaching the salon. Will they have a positive perceived service quality of the overall service?

RQ 7: Does approach affect perceived service quality?

The eight research question was does avoidance affects perceived service quality? When customers avoid the salon, will it affect the perceived service quality in the salon? The customers that avoids usually will tell the reason they avoid the salon to their friends and family.

RQ 8: Does approach effects positive word of mouth intention?

The ninth research question was does approach effects positive word of mouth intention? Approaching a salon affects the customer intention in delivering positive word of mouth? Most likely yes because the customers are happy of the service experience in the salon.

RQ 9: Does approach effects positive word of mouth intention?

The tenth research question was does avoidance effects positive word of mouth intention? Avoidance is a negative factor to the salon business because negative customers will influence each other. Therefore this question is very important.

RQ 10: Does avoidance effects positive word of mouth intention?

1.6 Structures

Chapter One

- Background of Salon Industry in Jakarta, Introducing Nancy Salon, Problem Identification

Chapter Two

- Theoretical Foundation on Other Customer Perceptions

Chapter Three

- Research Design for Nancy Salon using T – Test and Multiple Linear Regression

Chapter Four

- Research Analysis (SPSS results)

Chapter Five

- Conclusion and future research