CHAPTER I
INTRODUCTION

1.1 Background

Online shopping is getting more familiar in Indonesia, which is in 2017 the number of user eCommerce user in Indonesia is 100,96 million user and in 2018 increased to 106,96 million users (Statista, 2019). This happen because online shopping offer features that are practical, fast, and relatively cheaper than go shopping directly to the stores. According to Ramayah (2005), Online shopping is the way through which consumer can purchase goods or services directly by sitting at home. Currently, business internet is the fastest growing segment of online commerce. Moreover, the emergence of consumer needs to make decisions in a way fast without being bound by space and time.

Online shopping was famous for fraud and many people did not believe and finally did not dare to shop at online shopping because they did not want to take the risk of loss. This is supported by Wu and Wang (2005), that cause failure transaction therefore consumer hesitate to purchase online. But now, online shopping has provided a way to anticipate things that harm customers. For example, many online shopping that provide protection for customers such as warranty items and guarantee of customer refunds if there is damage to product or product that do not match the order (Statista, 2019). And one of product in Online shopping is Cosmetic.

The history of cosmetics spans at least 6,000 years of human history, and almost every society on earth. Revenue in the Cosmetics segment amounts to US$498m in 2019 (Khraim, 2011). The market expected to grow annualy by 2.6%. The general term cosmetics is applied to all preparations used externally to condition and beautify the body, by cleaning, coloring, softening, or protecting the skin, hair, nails, lips, or eyes. Whittaker (2007) implied that there are more than 3,300 companies manufacturing and distributing cosmetic and skin care products in the United States alone. Khraim (2011) also mention that rapid growth in cosmetics sales and market grabs the attention of beauty and skin care companies throughout the World. The market's growth is also attributed to the region's demographics, with a population of young, fashionable trendsetters with high disposable income (Abed Al Aziz, 2006). Due to the lack of local cosmetics manufacturers, most of companies selling cosmetics in European and American (Cochrane, 2006).

In this resarch, the case study is Maybelline cosmetic product. According to Maybelline *official website*, Maybelline New York is the number one global cosmetics brand and is available in over 129 countries worldwide. Offering more than 200 products, Maybelline New York combines technologically advanced formulas with on-trend expertise to create accessible cosmetics with a cool, urban edge and a spirited style. Maybelline is at the forefront of creating the latest makeup products. Usually, people can find all their needs at the Maybelline brand. Beside

from the low price, Maybelline has a variety of colors or shades for women, especially Asian women. Besides those people who want to get to know or use makeup products, Maybelline is the product chosen for that.

Laroche, Habibi and Richard (2013) implied that in another point of view, customers may also be loyal because they are satisfied with the brand, and thus want to continue the relationship and they believe that loyalty is closely associated with various factors, one of the main ones being the experience of use. According Lau et al. (2006), research has indicated that brand attributes are viewed as important elements in a consumer's decision-making. Beside brand loyalty, online review also important in a consumer decision-making.

Recently, e-WOM seems to have a bigger influence than traditional word of mouth due to the rapid growth of internet user and platform availability in spreading the information (Beneke et al., 2015). Cited from Frobes website, online consumer review becomes more important in 2015 for business, proved by the increasing of consumer who read online review, followed by 88% of consumers are having trust to review they read. Classified as one type of e-WOM, online consumer reviews can be said as emerging marketing communication and advertising that plays a role in the consumer purchase process to identify and evaluate the product they need.

Based on the background above, the purpose of this study is to analyse **THE INFLUENCE OF BRAND LOYALTY AND ONLINE REVIEW TOWARD PURCHASE DECISION OF COSMETIC PRODUCTS IN ONLINE SHOPPING (Case Study Of Maybelline Cosmetics).**

1.2 Problem Statements

The formulation of the problem in this research is as follows:

1. How does the brand loyalty have an effect on purchase decision of cosmetic product in online shopping ?

2. How does the online review have an effect on the purchase decision of cosmetic product in online shopping ?

1.3 Objective of the research

The purpose of this study is to know empirically:

1. The influence of brand loyalty to purchase decision of cosmetic product in online shopping

2. The influence of consumer online review to purchase decision of cosmetic product in online shopping

1.4 Contribution of reserach

The benefits of this research are as follows:

1. For sellers

   This study is expected to provide an it is important for cosmetic companies to understand the effect of Brand Loyalty with excellent

review on online shopping, so it can be used to measure the product performance.

2. For buyers

This research is expected to provide information related to the product with excellent review and how to be loyal with some product, so that buyers can assess the decision making in deciding online shopping.

3. For further research

This research is expected to complement the previous research and can be used as a means to add more knowledge about decision making and can be used as reference for further research.

1.5 Scope of the research

The scope of the study will concentrate on Maybelline cosmetic users such as female student in Faculty of Economics Andalas University .

1.6 The Research Outlines

In consideration of moderating the content, this research will be divided into five chapter:

Chapter I **Introduction.** Containing the background of the problem, the formulation of the problem, the aim of the research, the benefits of research, the scope of research and systemic writing.

Chapter II   **Literature Review**. This chapter contains the literature, theory, last research related with this research. This chapter also contains the literature that evaluate the variables of this research, which self leadership, entrepreneurial self efficacy, and entrepreneurial intention itself. This chapter also contains the theoretical framework of this research.

Chapter III   **Research Method**. This chapter contains the explanation about research method which are research design, population, and source of sample, type of data and variable measurement, research variables, operational definition, data analysis, test of instrumental, structural model test, and hypothesis testing.

Chapter IV   **Result and Discussion.** This chapter explaining about surveys result that consist of respondent characteristics, frequency of distribution of each variable, validity test, reliability test, and discussion about analysis the effect of self leadership on entrepreneurial intention with entrepreneurial self efficacy as mediating variable.

Chapter V   **Conclusion.** On this chapter, researcher will explain about conclusion of research, suggestion of research, limitation of the research and recommendation for further research.