# CHAPTER I
# INTRODUCTION

## 1.1 Overview Research Object

### 1.1.1    PT. Paragon Technology and Innovation

PT Paragon Technology and Innovation were established in 1985 with the last name being PT Pusaka Budaya Ibu with their pioneer brand, Putri, with the tagline "Salon's Best Choice." In May 2012, it changed its name to PT. Paragon Technology And Innovation. In 1995, the company introduced its cosmetic brand under the name Wardah Cosmetics. In 1999, PT Pusaka Budaya Ibu, through its factory, received halal certification from LPPOM MUI, with the cosmetic brand Wardah as a pioneer of halal brands in Indonesia. Wardah is one of the cosmetics produced by PT. Paragon Technology and Innovation. In 2010, the company released another cosmetic brand, Make Over. It did not stop there. PT Paragon Technology and Innovation also re-released a cosmetic brand for young people, namely Emina Cosmetics, in 2015. Paragon Technology and Innovation logo is aimed in figure 1.1



**Figure 1. 1  PT. Paragon Technology and Innovation Logo**

*Source: https://www.paragon-innovation.com*

### 1.1.2 Wardah Profile

Wardah begins with a flash of insight. Women in Indonesia have found inspiration to become an important part of their lives. Wardah was created in 1995 with a clear objective in mind: to meet the demand for halal cosmetics. Wardah is one of PT Paragon Technology and Innovation's (PTI) four brands, with its first product being hair care products for salon use. Wardah, a halal-certified beauty company and a pioneer in halal-certified beauty brands, received a World Halal Council award in 1999. Wardah logo is aimed at figure 1.2.



**Figure 1. 2 Wardah Company Logo**

*Source: https://www.wardahbeauty.com/ (2021)*

Along with market developments, currently Wardah has several superior products issued by this company. These products range from hair care, facial care, body care and makeup. The following table 1.1 describes the types of products offered by Wardah:

**Table 1. 1**
**Wardah Products Type**

| NO | Category | Product Type |
|----|----------|--------------|
| 1 | Skincare | UV Shield Series |
| | | Nature Daily |
| | | Lightening |
| | | Perfect Bright |
| | | Hydra Rose |
| | | White Secret |
| 2 | Make Up | Eye |
| | | Face |
| | | Lips |
| 3 | Hair Care | Shampoo |
| | | Conditioner |
| 4 | Body Care | Aloe Hydramild |

*Continued...*

| NO | Category | Product Type |
|----|----------|--------------|
|    |          | Hajj&Umrah |
|    |          | Scentsation |
|    |          | Body Series |
| 5  | Luxury   | Crystallure |
|    |          | Instaperfect |

## 1.2 Research Background

The development of an increasingly advanced era has indirectly pushed us to a more modern state. Many technologies were then created to facilitate human activities. The current era's development and technology today have become a social phenomenon that can affect many things. In Indonesia, internet users have reached 175.4 million people with a total population of 272.1 million people, the Hootsuite stated this, and We Are Social media platforms were released in January 2020. The following is figure 1.3 data from We Are Social.
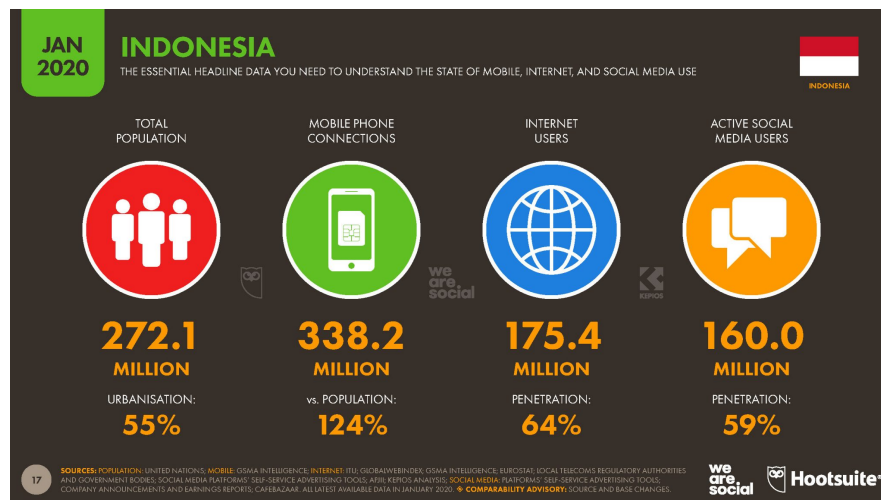


**Figure 1. 3  Data on Internet and Social Media Trends 2020 in Indonesia**

*Source: Hootsuite, 2020*

From the data that appear, it can be seen that currently the Indonesian people are mobile phone users 338.2 million, internet users 175.4 million, active social media users 160.0 million. In Indonesia, there are many media platforms that people use in their daily activities.

At this time, social media has evolved into a way of life for those who want to interact with others in their community. This social media network is a new type of

"consumer-to-consumer" and "business-to-consumer" interaction that has significant ramifications for marketers (Kotler & Armstrong, 2012:141). Social media marketing is a type of digital marketing that promotes a company's products or services through social media platforms and networking websites. The following is figure 1.4 data from We Are Social
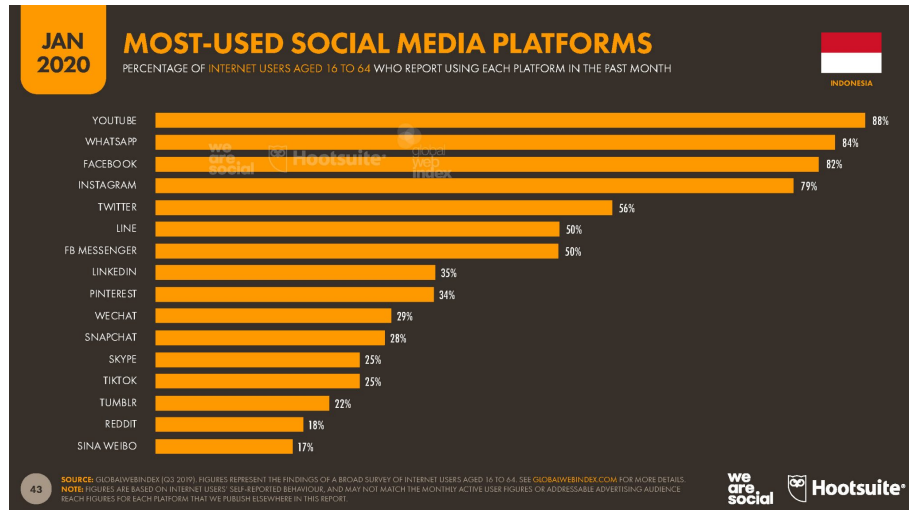


**Figure 1. 4 Most Used Social Media Platforms**

*Source: Hootsuite, 2020*

Based on data are the most used social media platforms in Indonesia include Youtube (88%), WhatsApp (84%), Facebook (82%) and Instagram (79%). Based on the data, TikTok is the thirteen most frequently used social media platform in Indonesia. TikTok is not only used as a means of satisfying entertainment needs, apart from being a social media that is in great demand, TikTok is also a social media that has great opportunities in business activities. The following is figure 1.5 data from We Are Social.
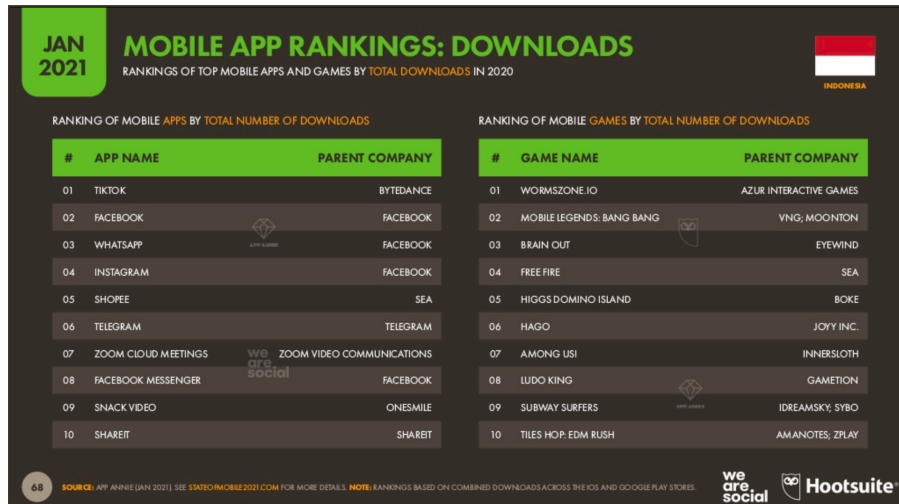
**Figure 1. 5  Mobile App Ranking: Downloads**

*Source: Hootsuite, 2021*

Based on survey that conducted by We Are Social and Hootsuite, TikTok is application gets first ranked, most downloaded in 2020. Followed by Facebook ranked second, WhatsApp ranked third, Instagram ranked fourth and Shopee was ranked fifth.

TikTok is a platform for video sharing application. In addition, TikTok is a short video destination platform that is equipped with complete editing tools features, so that users are able to produce short and easy videos. Social media TikTok also became one of the most popular applications during 2020. The following is figure 1.6 data from apptopia.com



**Figure 1. 6 10 Most Downloaded Apps in 2020**

*Source: Apptopia.com, 2021*

Based on Apptopia data, TikTok became the most downloaded application in 2020. The total reached 850 million downloads. TikTok is one of the digital platforms that is becoming a trend in Indonesian society today, especially for millennials with an age range of 18-24 years. With 10 million active users in Indonesia and 732 million active users worldwide, TikTok can certainly be a good market share for marketing SME and IKM products (smesco.go.id, 2021). According to Phone Arena, 47% of users say they have bought something they saw on TikTok. While 67% say TikTok inspires them to shop even though they don't plan on doing so.

"According to one research, our users have increased by 20%, more or less (in Indonesia) like that. Uniquely, the type of content that has increased during the pandemic is educational content," said TikTok Indonesia's Head of Content and User Operations Angga Anugrah Putra. According to katadata.co.id, Indonesia itself is ranked 4th with more than 30.7 million active users, dominated by Gen Z. This is influenced by the very diverse TikTok content and algorithms that allow it to be personalized. The following is figure 1.7 data from Kampung Marketer.
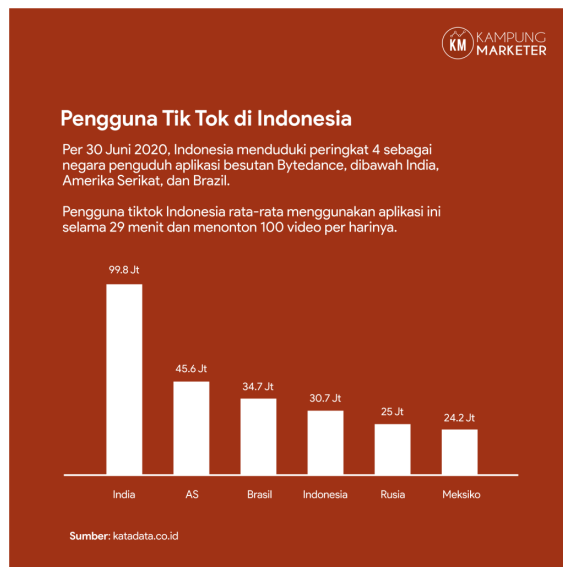


**Figure 1. 7 TikTok Users in Indonesia**

*Source: kampung marketer, 2020*

**Figure 1. 8 Primary Channels for Brand Research**

*Source: Hootsuite, 2021*

According to a survey conducted by We Are Social and Hootsuite, consumers prefer to find new brands or products through search engines 49.7%, ads on social media 39.2%, recommendations or comments on social media 39.0%, brand or product websites 37.6%, consumer review websites 35.9%, ads on television 35.5%, and word-of-mouth recommendations 35.5%.

According to Kotler & Keller (2016) in marketing, social media has many impacts towards some aspects, such as Customer Relationship Management, Consumers Behaviour and Perceptions, and Electronic Word of Mouth. Electronic word of mouth (eWOM) according to Kotler & Keller (2016) is marketing using the internet to create the effect of word of mouth to support marketing efforts and goals. In addition, according to Kotler and Keller (2016) social media is one of example of Electronic Word of Mouth. TikTok is a social media. Electronic Word of Mouth has great power to impact consumer buying behaviour. Commercial sources, such as commercials and salespeople, are less likely to be believed than recommendations from trusted friends, associations, and other consumers. For the most part, electronic word of mouth happens spontaneously; users begin by telling others about a product or service they use (Kotler & Armstrong, 2012). The following is figure 1.9 data from Statista.
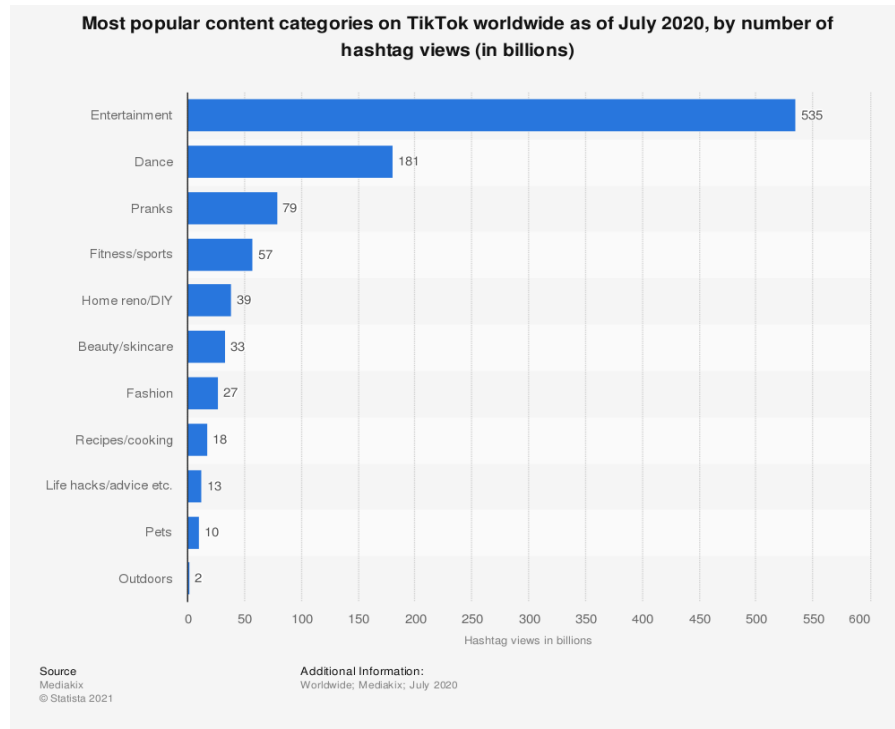
**Most popular content categories on TikTok worldwide as of July 2020, by number of hashtag views (in billions)**

| Category | Hashtag views in billions |
|---|---|
| Entertainment | 535 |
| Dance | 181 |
| Pranks | 79 |
| Fitness/sports | 57 |
| Home reno/DIY | 39 |
| Beauty/skincare | 33 |
| Fashion | 27 |
| Recipes/cooking | 18 |
| Life hacks/advice etc. | 13 |
| Pets | 10 |
| Outdoors | 2 |

Source
Mediakix
© Statista 2021

Additional Information:
Worldwide; Mediakix; July 2020

**Figure 1. 9 Most Popular Content Categories on TikTok Worldwide**

*Source: Statista, 2021*

Based on data conducted by Statista, as of July 2020, beauty or skincare content is ranked fifth, with 33 billion Hashtag Views Collectively. As TikTok users upload videos detailing their skincare routines and favourite products, the TikTok beauty community grows and expands, resulting in various brands gaining notice (hercampus.com, 2020).

Cosmetics have become one of the primary needs for millennial women in the current trend, as stated by the Chairman of the Indonesian Cosmetics Union, Sancoyo, "Skin care and make-up products are experiencing the fastest growth". Apart from being a means to meet needs, cosmetics are also used to clarify the character or self-identity of the user (kontan.co.id, 2019). The development of cosmetics in Indonesia is proliferating every year. Competition between brands is one of the triggering factors for cosmetic industry actors to innovate, transform, and be agile in adapting. The Association of Indonesian Cosmetics Companies and Associations (PPAK Indonesia) projects that sales this year will grow in the range of 7 percent to US$7.45 million from 2020 US$6.95 million. Last year's gains were reasonably stagnant, considering that in 2018 this industry recorded sales which were also around US$6.90 million (ekonomi.bisnis.com,2021).

According to Social Bella's Chief Executive Officer (CEO) John Marco Rasjid, there are three fundamental things that will drive the growth of the beauty industry. First, Indonesia has a very large population of young people. Second, Indonesia's fairly good economic growth can support the industry. Third, social media has contributed greatly.

The growth of the cosmetics industry is caused by various factors such as the trend of people's needs for beauty and body care products which are increasing, the growth of the cosmetics industry is also supported by the application of technology and digital intelligence in the industrial era 4.0 which can create added value which will also indirectly improve the competitiveness of the cosmetic industry due to changing consumer tastes and lifestyles (katadata.co.id, 2019).

Another aspect is the current rapid growth of digital technology, which makes cosmetic products more in demand to satisfy women's needs. "The utilization of technology and digital intelligence, starting from the manufacturing and distribution process to the consumer level through e-commerce, creates new opportunities and strengthens the cohesion," stated Minister of Industry Airlangga Hartarto. The need for promotional activities for local cosmetic products so that they can be increasingly known in the international market. The millennial generation can also be an important key in this marketing innovation, namely through social media because it is more effective (investor.id, 2018). The following is figure 1.10 data from Statista.
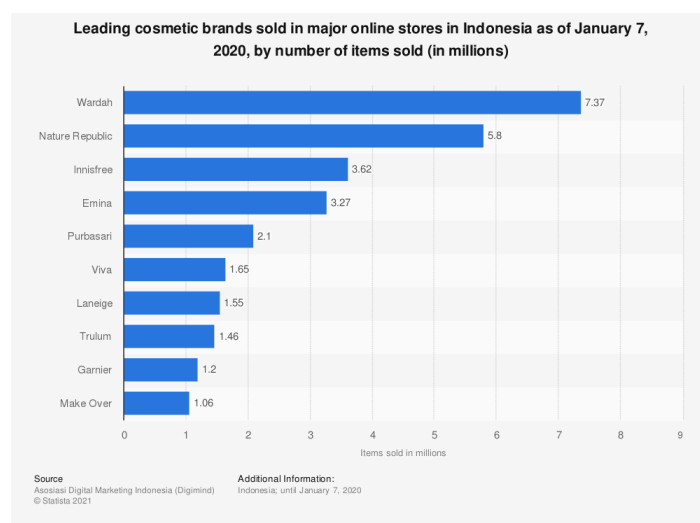


**Figure 1. 10 Leading cosmetic brands sold in major online stores in Indonesia by Number of Items Sold**

According to a survey conducted by Statista.com(2020), over 7.37 million Wardah cosmetic items were sold in Indonesian online stores such Shopee, Tokopedia, and Bukalapak as of January 2020. Wardah Cosmetics has always been committed to providing halal-certified products, and it is Indonesia's first halal cosmetics and skincare company. The following is figure 1.11 data from iprice.co.id.
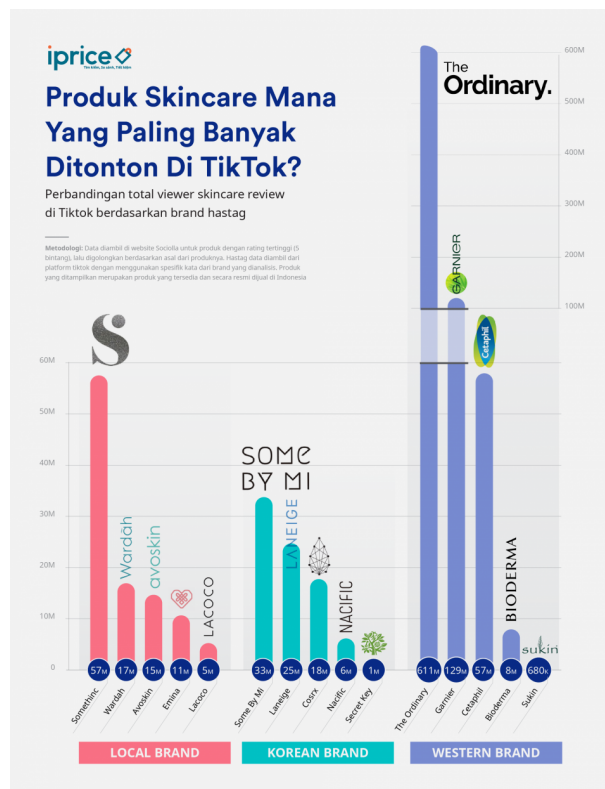


**Figure 1. 11 Produk Skincare Mana Yang Paling Banyak Ditonton Di Tiktok**

*Source: iprice.co.id, 2021*

According to a survey conducted by iprice.co.id, Wardah reached second place, in the first place is Somethinc, the brand was established in 2019, even though Wardah itself was founded in 1995. Wardah is a beauty brand from Indonesia that has been around for more than 25 years. Wardah is one of the oldest cosmetics brands in Indonesia yet still unable to compete with other local brands. As seen on the chart above, TikTok activity shows that it is still far from its competitors. The chart shows that only 17 Million people see review Wardah by

brand hashtag while Somethinc has 57 Million views. It shows a large gap between Somethinc and Wardah. Therefore, a research should be conducted to investigate this situation. A situation which occurs where there are large gaps between Wardah and its competitors through TikTok activity.

According to Kotler and Keller, (2016: 198), social media intervention greatly affects consumer buying interest because buying interest is a type of consumer behaviour in which people want to buy or select a product. TikTok is one of the social media platforms used by business people to market the products. As the number of TikTok users in Indonesia increases in 2020, it can predict the number of content about brands or products discussion also increased. The beauty cosmetic industry in Indonesia is growing rapidly, making competition between market participants increasingly tight. Based on the background described above, the authors are interested in conducting this research entitled "THE INFLUENCE OF E-WOM ON TIKTOK TOWARDS INFORMATION ADOPTION, INFORMATION USEFULNESS, AND  PURCHASE INTENTION: A STUDY CASE OF WARDAH BEAUTY".

## 1.3 Problem Statement

Based on the background above, the author formulated the following problems to be studied:

1. Is there an effect between the adoption of eWOM information on the purchase intention of Wardah consumers?
2. Is there an effect between the usefulness of eWOM information and the adoption of eWOM information?
3. Is there an effect between the quality of eWOM information and the usefulness of eWOM information?
4. Is there an effect between the credibility of eWOM information and the usefulness of eWOM information?
5. Is there an effect between the need for eWOM information and the usefulness of eWOM information?
6. Is there an effect between attitudes towards eWOM information and the usefulness of eWOM information?

7. Is there an effect between attitudes towards eWOM information and Wardah consumers' purchase intention?

## 1.4 Research Objective

Based on the problem formulation, the objective of this research are as follow:

1. Knowing the effect between the adoption of eWOM information on the purchase intention of Wardah consumers.
2. Knowing the effect between the usefulness of eWOM information on the adoption of eWOM information.
3. Knowing the effect between the quality of eWOM information on the usefulness of eWOM information.
4. Knowing the effect between the credibility of eWOM information on the usefulness of eWOM information.
5. Knowing the effect between the need for eWOM information on the usefulness of eWOM information.
6. Knowing the effect between attitudes towards information from eWOM to the usefulness of information from eWOM.
7. Knowing the effect between attitudes toward information from eWOM on consumer purchase intention Wardah.


## 1.5 Research Benefit

This research is expected to contribute both theoretically and practically as follows:

1. Academic Use

    This research is expected to be used to add insight and knowledge in the field of marketing, especially regarding promotion and buying interest in a product. And with this research, the results of this study are expected to provide reference material for other authors who have similar research writing.

2. Practical Use

    The results of this study are expected to be used as input for Wardah to develop more effective promotions.

## 1.6 Final Project Systematic Writing

To make it easier to understand this research, the systematic writing of this research is as follows:

### CHAPTER 1: INTRODUCTION

This chapter contains an explanation of overview of research object, research background, problem formulation, research purposes, research benefits and writing systematics.

### CHAPTER 2: LITERATURE REVIEW

This chapter contains the results of literature reviews related to research topics and variables, and is used as a basis or reference when preparing to think about and propose a framework for research hypotheses.

### CHAPTER 3: RESEARCH METHODS

This chapter contains outlines the approaches, methods, and techniques used to collect and analyze all the data findings that answer research problems. This chapter will discuss the research methods that used, the type of research, operational variables, stages and techniques of data collection.

### CHAPTER 4: RESEARCH RESULTS AND DISCUSSION

This chapter describes the results of research and discussion, which must be described systematically according to the determination of the problem and the research objectives.

### CHAPTER 5: CONCLUSION

This chapter contains conclusions from the results of research and suggestions or input to business people, decision makers and suggestions to readers and to subsequent researchers.