

CHAPTER I

INTRODUCTION

1.1 Object Overview

1.1.1 Company Profile

According to L'Oréal Company Profile (2022) For more than 110 years, L'Oréal have devoted energy and Loreal competencies solely to one business: beauty. L'Oréal have chosen to offer their expertise in the service of women and men worldwide, meeting the infinite diversity of L'Oréal beauty desires. L'Oréal are committed to fulfilling this mission ethically and responsibly.

From the very first hair dye L'Oréal produced in 1909 to innovative Beauty Tech products and services, the company has been a pure player and leader in the beauty sector worldwide for decades. L'Oréal believe that beauty, the quest for beauty, unites it all. It is a fundamental need that goes beyond mere “appearance” and taps deep into human aspirations: a sense of belonging, self-realization, and self-confidence. L'Oréal strive to help women and men all over the world fulfil these aspirations, while understanding and respecting all the nuances in cultures, needs and traditions. And so, L'Oréal's mission is to offer to all women and men on the planet the best of beauty in terms of quality, efficacy, safety, and responsibility. With such strong foundations. L'Oréal conceive and build an infinite diversity of beauty products and services to share the best of beauty with everyone, and everywhere.

According to (Agon, 2022) Helping hundreds of millions of women and men to trust themselves, to feel good about themselves, and with others is what motivates Loreal was Loreal Purpose. Furthermore, he mentioned reading beauty has been our only vocation for over 110 years. What makes L'Oréal unique, the passion for innovation transmitted by our founder, a researcher. L'Oréal are obsessed with superior quality, efficacy, sincerity, and safety of

their products. Respect for diversity with strong brands that meet all needs and desires. Last but not least: the 88,000 women and men of L'Oréal around the world who are bringing the great adventure of beauty for all to life. What drives L'Oréal: to be both value creator and exemplary in terms of responsibility and sustainability. L'Oréal will continue to play Loreal's part for a beautiful world.

The following graphic bellow is short of how the company has achieved goals and as well a brief of big the company based on placement, brand under L'Oréal, in what countries as well total employee in the company and revenue in the past 2019.



Figure 1. 1 Loreal Company

Source : (Agon,2022)

L'Oréal has chosen a unique strategy: Universalization, it means globalization that captures, understands, and respects differences. Differences in desires, needs and traditions. To offer tailor-made beauty, and meet the aspirations of consumers in every part of the world. L'Oréal is driven by this vision of the world. And L'Oréal, universalization is about having a truly global presence through a unique organization. L'Oréal are strategically concentrated yet operationally decentralized. Local teams are empowered.

L'Oréal ensure that in every country we are close and relevant to the consumers. (Agon, 2022)

That means also creating and producing cosmetics at a local level, so that L'Oréal formulations are perfectly adapted to the needs of L'Oréal consumers, wherever they live. To achieve that, L'Oréal have developed a worldwide network of Research & Innovation and marketing hubs, one for each of our strategic markets: The United States, Japan, Brazil, China, India and South Africa. To complement their work in development, L'Oréal also has a global industrial presence, so that these innovations can be brought to market quickly and efficiently. In L'Oréal the brand also has divisions and as it is shared dedication according to the L'oréal business as follow (Hieronimus, 2022):

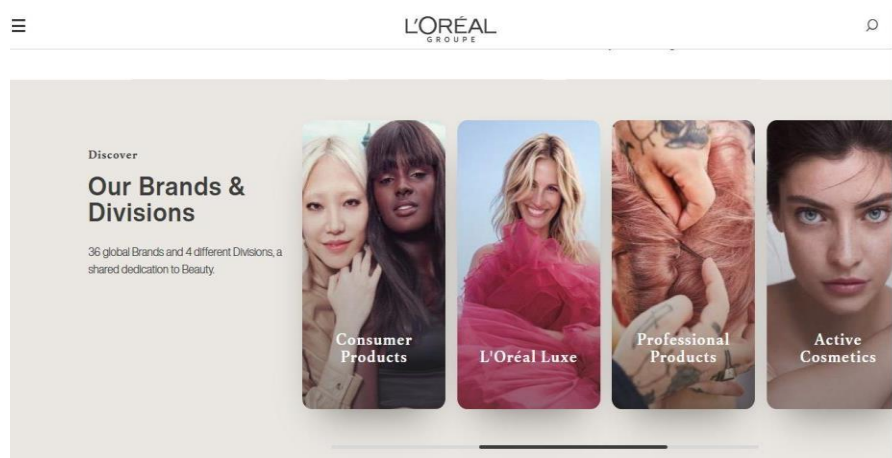


Figure 1. 2 Loreal Company

Source : (Hieronimus, 2022)

According to (Hieronimus, 2022) four Divisions play a major strategic role as they enable L'Oréal to cover all the aspects of beauty. What unites L'Oréal Divisions and L'Oréal brands is a common passion for beauty, and the fact that they all benefit from L'Oréal's powerful Research to keep the

innovations flowing. L'Oréal 'Divisions have demonstrated their tremendous adaptability in a world whose transformation keeps on accelerating. Here are three examples: digital, channel shift and the new “militant” consumer’s expectations as below:

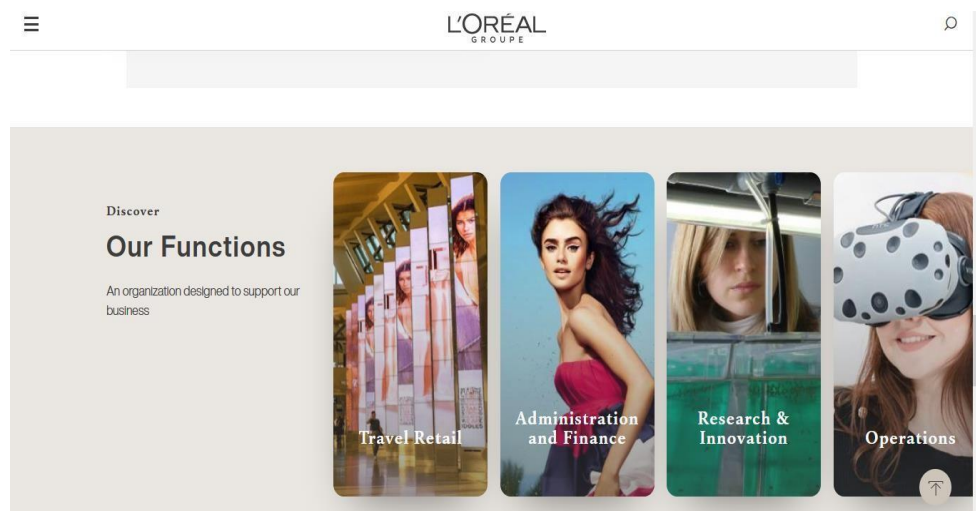


Figure 1. 3 Loreal Company

Source : (Hieronimus, 2022)

According to (Hieronimus, 2022) Organizational Structure To ensure its development, L'Oréal relies on global R&I, a unique portfolio of brands organized around four Divisions, and integrated industrial production, supported by a set of corporate functions: Administration & Finance, Digital, HR, Communications and Corporate Responsibility.

1.2 Research Background

Since March 2020, world took a break from its whole running due to Covid-19 pandemic which got world to zero in on the other crisis that poses many aspects including business live. Based on report from McKinsey Global Institute an economic transformation to net-zero would entail. This Covid-19 transformation affected all countries and all sectors of the economy, either directly

or indirectly McKinsey (2022). The global beauty industry (comprising skin care, color cosmetics, hair care, fragrances, and personal care) has been shocked by the COVID-19 crisis. First-quarter sales have been weak, and there have been widespread store closures Gerstell (2020).

The industry has responded positively to the crisis, with brands switching their manufacturing to produce hand sanitizers and cleaning agents and offering free beauty services for frontline response workers. At the same time, the industry's leaders have a responsibility to do their best to ensure that their companies survive. The global beauty industry generates \$500 billion in sales a year and accounts for millions of jobs, directly and indirectly. Lives come first, but livelihoods also matter Gerstell (2020). Furthermore, Mckinsey examines the likely effects of COVID-19 on the beauty industry over the next three to six months. Then it explores how the crisis could fundamentally change the industry in the long term and how retailers, strategic players, and investors can adapt. In many cases, it draws from the results of a McKinsey Global Consumer Sentiment Survey that took place in early April, where this also impact L'Oréal business (McKinsey, 2022).

L'Oréal is a worldwide beauty company with the purpose of creating a greater good for the society through innovation. L'Oréal company committed to having the best corporate governance and continuous improvement, in order to make each day better than yesterday, according to Amin (2022) The integrity, agility, and determination to work of Loreal people preserves business position as the market leader in Indonesia. According to Chen (2022) face paced up business making new year for marketing, and out to always think a good idea to check in on how Social Media change business now. Furthermore In 2021, Instagram introduced as best social media platform with plenty of new features and upgraded existing ones. New features mean new stats, which means Instagram can be powerful tool to lift up any business line without exception L'Oréal in this study.

According to (Agon M. J.-P., 2020) stated that the first quarter of 2020 has seen a decline in the cosmetics market of around -8%. In these difficult circumstances, L'Oréal has succeeded in outperforming the market with sales at 4.8%. In an environment that is evolving every day, lockdown measures will clearly continue to have a significant impact on the consumption of skincare and beauty products, and consequently on L'Oréal business in the second quarter. However, as the example has shown, in Q3 the market should recover quickly as soon as measures to close sales outlets are lifted. The graphic below showed the downgrade of L'Oréal had faced.

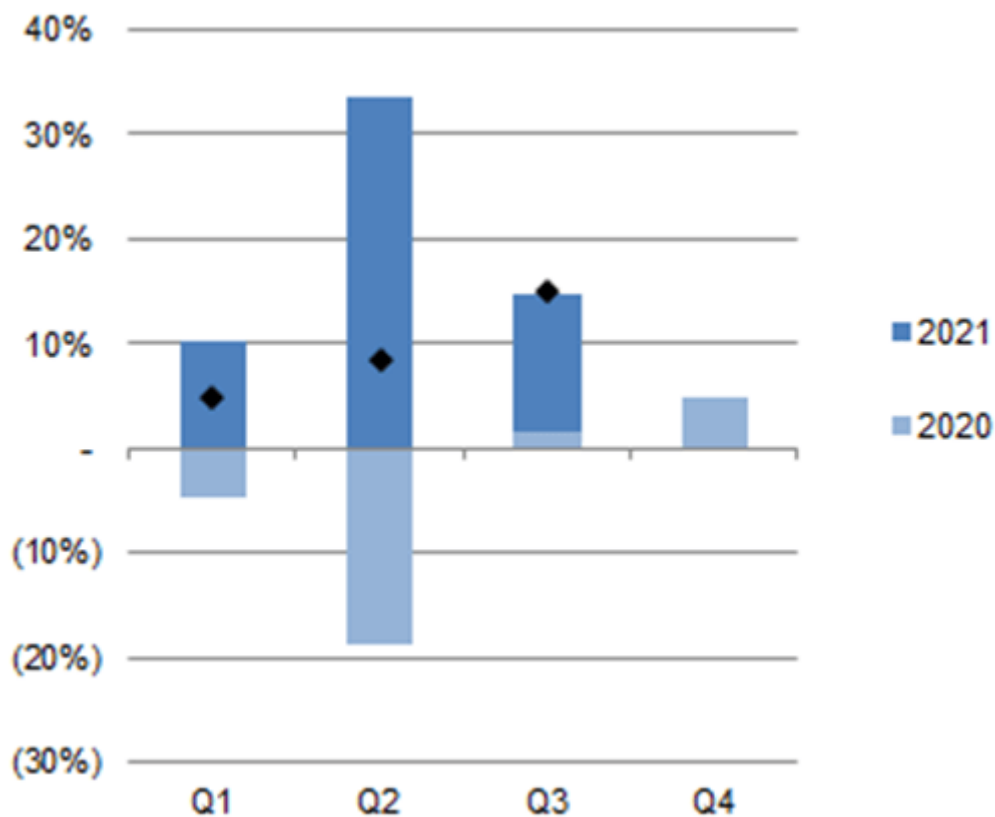


Figure 1. 4 L'Oréal downgrade from L'Oréal Finance first Quarter 2020

Source: (Agon M. J.-P., 2020)

According to (Agon J.-P. , 2022) in the second quarter the next year L’Oreal sales update showed strong development with as well how the costumers repurchase since 2021 as it has grown whether it is for L’Oreal Professional Products as well L’Oreal Consumer Products, L’Oreal Luxe and L’Oreal Active Cosmetics as below.

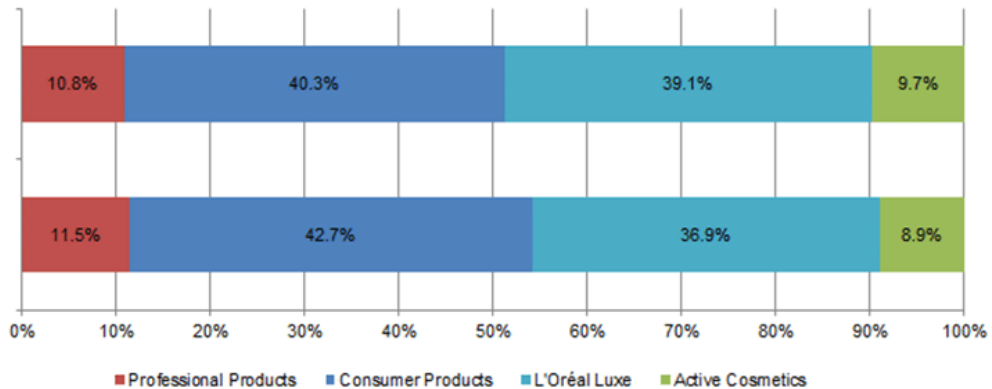


Figure 1. 5 L’Oreal Repurchase Products in Quarters 2-3 2021

Source: L’Oreal Finance Data

According to (Statista, 2022) between 2019 and 2009, the L’Oréal Group increase consolidated sales by approximately 10 billion euros worldwide. After a decade of growth, the company sales fell down by more than half of its sales in euros currency in 2020 and amounted to almost 28 billion euros. However, sales regained significantly in 2021 and reached approximate by 32.29 billion euros an all-time high. The above explanation from Statista can be seen as the figure below

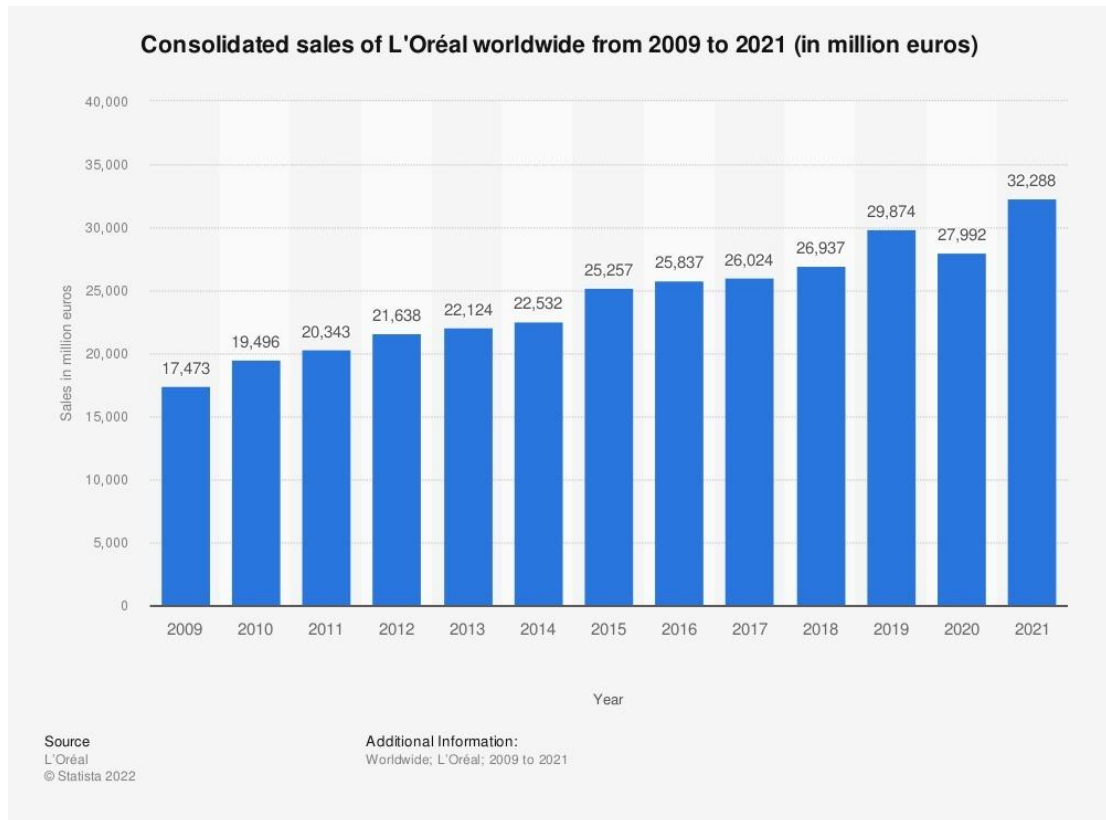


Figure 1. 6 Consolidated Sales of Loreal

Source : Statista, 2022

This explanation by Statista relate to theory by (Kotler, P.,, Keller, & K. L., 2016) where he stated Companies have to get as many customers as possible, companies must also be able to maintain loyalty of their customer in order to survive in the business sector industries. One of the efforts to retain loyal customers by attracting customers to make repurchase on its business product.

According to (Moorman, 2021) found that social media has become critical to marketing during the pandemic. The survey reported that social media spending has increased from 13.3% of marketing budgets in February 2020 to 23.2% in June 2020. Meanwhile, spending on traditional advertising is projected to decline, as CMOs estimate a 5.3% reduction in traditional advertising channels in the next 12

months. Furthermore (Moorman, 2021) social media investments will remain high at 23.4% of marketing budgets into 2021. Along with this, L'Oréal are increasingly investing in online customer experiences: 60.8% of L'Oréal indicated they have “shifted resources to building customer-facing digital interfaces” and 56.2% planning to “transform their go-to-market business models to focus on digital opportunities.” It is clear that social media will continue to play an important role in driving consumers toward digital offerings.

On Loreal Instagram (@lorealindonesia), L'oreal is active in promoting its products. Not only promoting its products like most other beauty brands, Loreal has a unique way to market their product in Social Media Instagram. Beside promoting their products, Loreal also active in educating customers by educating customers about things that are not commonly known by customers about beauty care and also educate the advantages of Loreal's own products so that it becomes an attraction for Loreal's customers.

According to (Nguyen, 2015) there are several factors that influence consumer Repurchase intention which are Word of Mouth, social media, price, with the result that social media has positively impact the consumer to buy the product and repurchase the product. Further else according to (Ramy, 2016) there are several factors as well that influence consumer purchasing intentions mainly; social media, cultural personal factor as well price factor. From the previous research result above the author conclude that there are many factors that can influence repurchase intention, that is why the author want to explore further for this research by spreading questionnaires' to respondents that are used to really see what factors that really influence of repurchase intentions at L'Oréal company with the result as below;

Table 1. 1 Results of the Pre-Survey Questionnaire for Loreal Factor that Influence Consumer Repurchase Intention.

No	Factors	Respondents	Percentage
1.	Word Of Mouth	4	15.2%
2.	Social Media	18	61.68%
3.	Price	6	20.74%
4.	Cultural Personal	2	4.3%

Source: Provisional Questionnaire Data Processing Result (2021)

Based on the result of the questionnaires form that was being spread by the author, the result of respondent answer agreed that social as the main factor that affect the repurchase intention at L'Oréal with social media 61.68% followed by Price 20.74% Word of Mouth 15.2% and Cultural personal for 4.3%. To support the ongoing phenomena, the author conducted a preliminary survey to know more about that Social Media Marketing that influence of Consumer at L'Oréal Repurchase Intentions, the preliminary data is done by spreading questionnaires about the dimension of social media marketing to adding clearer about what actually social media marketing that influenced consumer at L'Oréal to 30 consumers. The following table below showed the result as;

Table 1. 2 Results of Pre-Survey Questionnaire for Loreal Consumer

No.	Social Media Marketing Dimension	Percentage
1.	Context	0.31%
2.	Communication	15.8%
3	Collaboration	14.2%
4	Connection	0.39%

Source: Provisional Questionnaire Data Processing Result (2021)

Research conducted by (Yuliawati, 2020) with the title “The Influence of Dimensions Social Media Marketing Through Instagram on Organic Vegetable Purchase Decision In PO Sayur Organic Merbabu (SOM)”, shows that there is a direct influence of promotion through social media marketing on purchase decision through context variable factors, communication variables, collaboration, variable connections and Instagram social media marketing variables. Furthermore, research conducted by (Savitri, 2016), with the title Influence Promotion Through Social Media Against Repurchase Intention Through Electronic Word of Mouth, shows that there is a direct influence of promotion through social media on repurchase intention but there is no direct effect in eWOM on repurchase intention. And research conducted by (Ramadhini, 2017) with the title “Pengaruh Sosial Media Marketing Instagram Terhadap Repurchase Intention Pada Konsumen Wardah” shows that there is a significant influence of Social Media Marketing Instagram (Context, Communication, Collaboration and Connection) on Repurchase Intention on Wardah consumers both in simultaneously and partially. According to (Hasan, 2013) The customer’s desire to make repeat purchases is an important stage of consumer loyalty which shows a commitment to the products by consumers. Social media marketing is one of Loreal’s marketing strategies to encourage consumers repurchase intention.

Based on the background above, seeing repurchase intention is very important for the marketing and sale of a product in a company, encouraging authors to conduct research on **"THE IMPACT OF SOCIAL MEDIA MARKETING INSTAGRAM ON REPURCHASE INTENTION IN LOREAL CONSUMERS"**.

1.3 Problem Statement

In this digital era, social media is used as a platform to market a product, one of it is Instagram. Based on the rapidly increase of Instagram users, in this era Instagram is a new trend in the marketing because it can market products in a very

easy way, one of which is done by influencers on Instagram. This statement was followed supported by (Chen, 2022) which explains Instagram user stats will reinforce Business brand's decision to use the network as a marketing channel because, Instagram has over 2 billion monthly active users. Instagram was the most downloaded app in 2021 according to (Briskman, 2022) as well 59% of Instagram users log in daily The Pew Research report also explains how often Instagram is used by account holders with great for its content statistic because it shows average engagement rate per post is 0.98%. beside that 91% of active IG users watch videos weekly and last but not least Instagram advertising statistics has 50% of Instagram users visit a website after seeing it in Stories.

According to (Key & Kohl, 2021) Many celebrities' influencer promotes their endorse product on Instagram, one of the products that popular is L'Oréal. L'Oréal use social media marketing Instagram to maintain their sell and maintain their customers in a huge range. In previous chapter (Kotler, P., Keller, & K. L., 2016) stated that the business need to sustain its sales by making customers do repurchase intentions as the author as well conclude With the development of technology and the internet, many companies have started to use Social Media to market their products and compete fiercely. Therefore, Loreal created social media to market its products. By marketing their products, Loreal has customers, Loreal must also maintain existing customers by attracting customers to make repeat purchases

According to (Savitri, 2016) the use of social media marketing which consists of context, communication, collaboration, and connection has a positive influence on repurchase intention. Based on the research of (Savitri, 2016) this study will look at the impact of social media marketing which consists of context, communication, collaboration, and connection on repurchase intention either partially or simultaneously on Loreal consumers. Seeing this opportunity, author wants to know the impact of marketing in the social media Instagram that can

influence the repurchase intention of Loreal products. Based on the background of the problem previously, the questions in this study are:

1. How is context partially influence toward consumer repurchase intention in Loreal?
2. How is communication partially influence toward consumer repurchase intention in Loreal?
3. How is collaboration partially influence toward consumer repurchase intention in Loreal?
4. How is connection partially influence toward consumer repurchase intention in Loreal?
5. How is Social Media Marketing simultaneously influence Repurchase Intention in Loreal consumers?

1.4 Research Objectives

The purpose of this research is to find out and analyze:

1. Knowing the partially effect of context factors on repurchase intention in Loreal consumers.
2. Knowing the partially effect of communication factors on repurchase intention in Loreal consumers.
3. Knowing the partially effect of collaboration factors on repurchase intention in Loreal consumers.
4. Knowing the partially effect of connection factors on repurchase intention in Loreal consumers.
5. Knowing how significant simultaneously the influence of social media marketing on repurchase intention on Loreal consumers.

1.5 Benefits of Research

This study is expected to provide benefits to the observers of marketing, and Company among other student and researchers.

1.5.1 Theoretical Aspect

The results of this study are expected to enlighten and complement the scientific study in the field of business management, especially those related to the Social Media Marketing and Consumer Repurchase intention. In addition, some of the findings revealed in this study are also expected to be used as a reference for further research related to related field at same or different line business.

1.5.2 Practical Aspect

The results of this study are expected to be used as input for L'Oréal Company Indonesia as well as for other same business related, to get better understanding and knowledge the role and important of use social media marketing. In addition, the results of this study are expected to provide an overview for readers and students who will do the same research in the future about Social media marketing and consumer repurchase Intentions The results of this study are expected to be useful not only for the needs of personal writers, but also for readers who have the same interest in the Social Media Marketing Instagram, especially regarding how it affect Repurchase Intention in L'Oréal consumer.

1.6 Systematic Writing

The writing structure is arranged to provide a general overview and about the research performed with the following structure are:

CHAPTER I INTRODUCTION

The introductory chapter contains the background of the problem, problem formulation, research objectives, research benefits and systematic research.

CHAPTER II THEORIES AND FRAMEWORK

The literature review chapter contains the theoretical foundations that support research, similar earlier research, the framework of thought and hypotheses proposed in this study.

CHAPTER III RESEARCH METHODOLOGY

Chapter of research method contains about research variables used, operational definition, sample determination, type and source of data, data collection methods and analysis methods used in the study.

CHAPTER IV ANALYSIS AND RESULT

This chapter is described based on the results of the processed data according to the method used, the results of hypothesis testing, and discussion for problems that have been formulated.

CHAPTER V CONCLUSIONS AND SUGGESTIONS

This chapter contains the conclusions of the analysis and discussion of previous chapters and, suggestions put forward by researchers for the improvement of problems in the present and the future.