

CHAPTER I

INTRODUCTION

1.1 Object Overview

1.1.1 Company Profile (Wardah)



Figure 1.1 Company Logo of Wardah

Source: Wardah Official Website (2021)

Established in 1995, Wardah is an authentic Indonesian halal cosmetics brand under the ownership of PT. Paragon Technology and Innovation (PT. PTI). Nurhayati Subakat, the current Commissioner of Paragon Technology and Innovation, founded Wardah, which is dedicated to supporting women in looking attractive while maintaining their integrity. By focusing on Muslim women customers, Nurhayati had a significant accomplishment in 1995, successfully obtained halal certification from LPPOM UI and created the Wardah brand. As a result, Wardah is considered a pioneer in Indonesian halal cosmetics and has been recognized with an award from the World Halal Council.

Paragon Technology and Innovation has dedicated itself from the start to constantly helping individuals in the community. The company's vision includes developing and making the world a better place for consumers, growing together, improving things continuously, protecting the environment, advancing business, actualizes this dedication. Wardah is a well-known brand that led the way in the halal cosmetics industry and has successful items on the market. Owing to its rapid growth, Wardah is attempting to extend its commercial reach into adjacent nations like Malaysia. Wardah is a relatively easily found brand in Indonesia. The demand for halal cosmetic or personal care products is still large, this has encouraged Paragon to expand

into the neighbouring country, Malaysia.

1.2 Research Background

The cosmetics industry is experiencing a surge in popularity, fueled by the growing enthusiasm of consumers, particularly women, for exploring and choosing the perfect products. This trend is evident in the industry's rapid growth and expansion, suggesting a strong and vibrant future. Riding the wave of the booming cosmetic industry, the skincare sector is poised for strong future growth. Fueled by the surging demand for skincare products, the beauty and personal care sector is witnessing a surge in innovation.

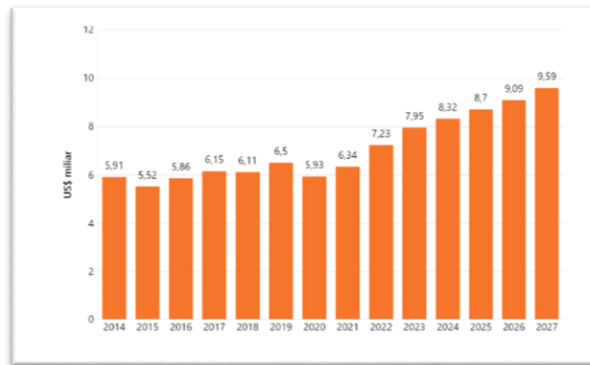


Figure 1.2 Estimated Personal Care and Beauty Product Revenue in Indonesia (2014-2027)

Source: Databoks, Katadata.co.id (2022)

Based on the figure 1.2, there is evidence of personal care and cosmetics industry potential in Indonesia. It shows the increasing sales of personal care and cosmetics industry from 2020. According to Statista analysis, the beauty & personal care industry is expected to generate US\$7.23 billion or IDR 111.83 trillion in sales by 2022. The market is estimated to grow annually by 5,81% by CAGR or growth rate per year from 2022 – 2027. The growth trend in the cosmetics market continues to this day. The aspiration of women to enhance their appearance has transformed into an essential requirement. This trend presents a lucrative market opportunity for the cosmetics industry, amplified by the increasing number of internet users.

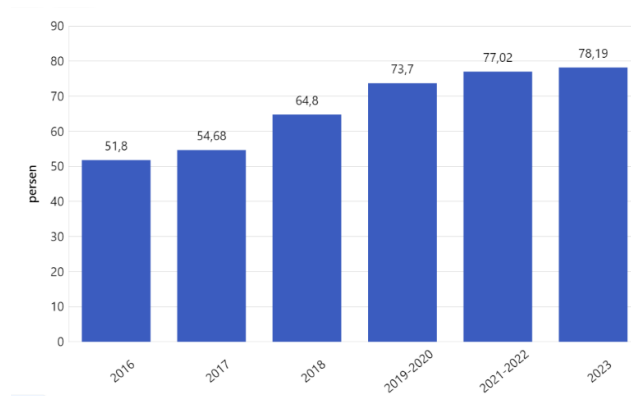


Figure 1.3 Internet Penetration in Indonesia

Source: Databoks, Katadata.co.id (2023)

According to the Indonesian Internet Service Providers Association (APJII) cited in Katadata.co.id, the internet penetration rate in the country is projected to reach 78.19% in 2023. This indicates that 78.19% of the total national population are connected to the internet. Indonesia's internet penetration rate is expected to continue its annual growth, setting a new record high in 2023. The use of the internet has now become an integral part of daily life in Indonesia. The growing number of internet users in Indonesia has improved the capabilities of people to utilize social media platforms, leading to a significant expansion in the scale and reach of social media advertising. Social media advertising ranks as the third most effective channel for brand, product, and service discovery in Indonesia, with 37.6% of the country's internet users encountering new offerings through this medium.

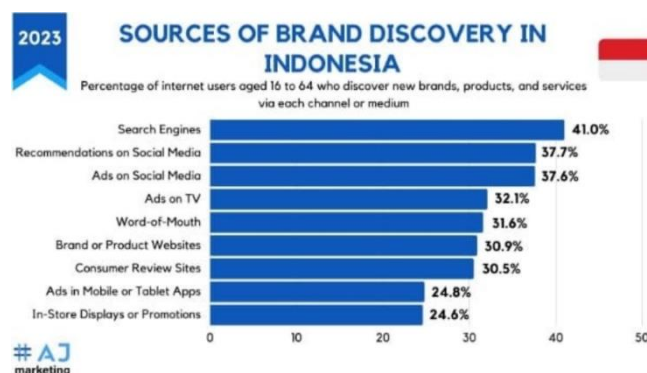


Figure 1.4 Source of Brand Discovery in Indonesia

Source: AJ Marketing

In this digital age, sources of inspiration and references are readily accessible anytime and anywhere, including when searching for information about beauty care products. Internet marketing such as social media advertising proves highly advantageous for companies due to its efficient and cost-effective service system, saving time in marketing products and services. It allows marketers to directly reach their target audience (Prasetio & Purnamawati, 2023). Social media advertising facilitates interactive and personalized consumer engagement. It allows users to actively participate in the promotional process by interacting with content through various actions such as endorsing, distributing, providing feedback, creating original posts, and gaining insights about products and brands (Tuten, 2023). These attributes enable brand companies to compete more effectively with each other in the digital landscape.

Companies in personal care and cosmetics industry such as Wardah are actively creating and improving high-quality products to cater to consumer needs and differentiate themselves in the competitive market. Wardah, as it is known for its halal cosmetics product, successfully differentiate itself from its competitor.



Figure 1.5 Local Cosmetics Brand Most Widely Used in 2022

Source: Databoks, Katadata.co.id (2022)

Based on figure 1.3, it shows local cosmetics brand most widely used in Indonesia 2022 and Wardah rank in 1st place with percentage of 48% overcome its competitors. Several factors likely contribute to Wardah's success in the market, making it a more appealing choice for many consumers than its competitors. The most widely used brand indicates that brand has good reputation among consumer. The standing of a brand in the market or among consumers is crucial for establishing trust. Trust plays a crucial role in strategic partnerships that is when customers have confidence in the brand, the company stands to acquire valuable resources (Putri, 2022). According to Dewi (2017) in Sa'adah (2021) a brand trust can be understood as consumers' perception of a brand's capability, accompanied by feelings of reliance and confidence in the brand (Dewi, 2017). Thus, it implied that in 2022 Wardah has a high consumers' perception to trust the brand. However, in figure 1.6 below, there is a decrease in the trend index for the Wardah brand from 2022 until 2024 in several subcategories of Wardah cosmetics and beauty care.



Figure 1.6 Brand Index of Wardah Product 2020 – 2024

Source: Top Brand Award (2024)

The Top Brand Award is a distinguished honor granted to brands that achieve the “TOP” designation across three criteria: mind share, market share, and commitment share (Topbrand-award.com, 2021). Brands with strong brand loyalty typically enjoy a larger market share, as devoted customers frequently make repeat purchases and help expand the brand (Doyle et al., 2013). In addition, according to Nancy Giddens (2002) as cited in Firmansyah (2019), a commitment to a brand reflects a strong connection and loyalty to that brand. Based on those aspects of commitment and market share which related to brand loyalty it can indicate that Wardah has experience a decline in brand loyalty in 2022 until 2024.

It does not rule out the possibility that people's choices can change over time, following current lifestyles and trends. In this era of globalization, brand switching or it refers to purchasing behavior that includes a transition or move from one brand to another (Petter and Olson, 2014). This phenomenon is fueled by the globalized information network, which enables easy access to product catalogs and information. Consumers can readily access detailed product and make a comparison of information through various channels, including mass media, electronic media advertisements, and the internet. The research conducted by Worldpanel Indonesia shows a relatively low level of consumer and brand loyalty in Indonesia. The probability of switching products and brands is typically higher than the proportion of brand loyalty. The cosmetics market's tendency toward brand switching is fueled by the preference of at least 88% of Indonesian customers to try out several brands for the same product (Techno Business, 2020).

While company may not be able to completely control consumer choices due to the ease of information access, they can cultivate stronger brand loyalty to encourage repeat purchases and build a loyal customer base. This can be achieved through various strategies designed to foster a deeper connection between consumers and the brand. The strategies can be through brand ambassador and social media advertising. According to Lea Greenwood (2012) in (Masyita and Yuliati, 2017) brand ambassadors help firms engage and connect with their target customers deeper, in the process increasing up product sales. It is supported also by Juliono, et al. (2022) which stated that brand ambassador has influence on brand loyalty. The marketing of both

products and personal ideas for the benefit of society can be referred to brand ambassador. Indirectly, brand ambassador contributes to the development of consumers' opinion about the company's goods and services, which in turn affects their decision to purchase and how frequently they use the product. Since a brand ambassador represents a product, it is required of them to be highly knowledgeable about it, allowing them to describe it in any kind of discussion or talk. To establish a positive relationship, it is critical that the customer see the brand ambassador as someone they can depend on, trust, and respect (Utami, et al. 2020). Wardah has many brand ambassadors to support its brand. The following table is list of Wardah's brand ambassador and their total followers.

Table 1.1 List of Wardah's Brand Ambassador

Name	Instagram Username	Total Followers
Dewi Sandra	@dewisandra	10.3 Million
Raline Shah	@ralineshah	10 Million
Cut Syifa	@cutsyifaa	5 Million
Ayana Jihye Moon	@xoloveyayana	3.6 Million
Amanda Rawles	@amandarawles	3.5 Million
Yasmin Napper	@yasminnapper	2.5 Million
Tatjana Saphira	@tatjanasaphira	1.7 Million
Putri Tanjung	@putri_tanjung	945K

Source: Instagram.com, (2023)

Based on table 1.1 above, it is shown that Dewi Sandra as public figure and brand ambassador of Wardah has the most followers on Instagram. Dewi Sandra is the most influential of Wardah's brand ambassador since 2015 until now and she is successfully represented Wardah. In 2023 Wardah launched its advertisement "Beauty Moves You: Impactful Beauty to Greater Good in Qatar" presented by remarkable public figures including Dewi Sandra. Wardah's instagram value as a marketing tool is well-established, with many businesses leveraging its growing user base and vast potential to promote their products. With 2,9 million followers and number of posts that quite a lot on Instagram, advertising in Tiktok, Facebook and Youtube, that shows

Wardah cosmetics is quite active in social media advertising. Social media advertising allows companies to invest in targeted campaigns, reaching their audience efficiently within a specific timeframe (Peter, 2013). It encourages the audience to participate actively by engaging with the content and providing feedback.

Wardah, along with a team of diverse and inspiring women, is on a mission to promote kindness and empower others. Wardah’s advertisement of Beauty Moves You: Impactful Beauty for the Greater Good, launched in Qatar, focuses on five key areas: expertise, technology, education, inclusivity, and sustainability (Her World Indonesia, 2024). Wardah has succeeded in building close relationships with its customer community, especially through social media advertising. They actively interact with their users, listen to feedback, and respond quickly and positively to questions or comments. This community approach is not just about marketing products, but also about building sustainable relationships with consumers. This should create a great sense of trust. Therefore, social media advertising is able to influence brand loyalty through brand trust (Aisyah, 2023).



**Figure 1.7 Wardah’s Brand Ambassador and Social Media Advertisement
“Beauty Moves You”**

Source: Tiktok (2023) and Instagram (2024)

Several researchers, (Chauduri and Holbrook, 2001; Mosavi and Kenarehfar, 2013) cited in (Sukamdewi & Prihatsanti, 2017) have established that brand trust serves as a precursor to brand loyalty within the context of a direct relationship between customers and companies in relationship marketing. Positive evaluations from customers towards brands can establish brand trust and loyalty, enhancing the relationship between customers and brands or companies (Morgan and Hunt, 1994) cited in (Sukamdewi & Prihatsanti, 2017). Through such evaluations, customers gauge the level of risk associated with using a brand's products. When perceived risk is low, customers are more likely to deepen their commitment to the company (So, 2014). Trust and loyalty are closely intertwined, with trust playing a pivotal role in exchange relationships, while loyalty serves as a key indicator of the strength of these relationships.

This issue is related to previous research conducted by Aisyah (2023) about “The Impact of Regional Brand Ambassador and Social Media Advertising on Brand Trust and Brand Loyalty of Lazada in Indonesia.” The study determines how regional brand ambassador and social media advertising impact brand trust and brand loyalty of Lazada in Indonesia. All respondents in the research are users of Lazada. Based on the research described above, the researcher encouraged to conduct further study in Wardah as research object with the title **“THE INFLUENCE OF BRAND AMBASSADOR AND SOCIAL MEDIA ADVERTISING ON BRAND TRUST AND BRAND LOYALTY OF WARDAH IN INDONESIA.”**

1.3 Problem Formulation

Based on the research background above, which states that Indonesian people have low loyalty to brands and have the potential to switch brand, this issue could be a possibility that influences in the business aspect where Wardah in several cosmetic subcategories experiences a decrease in the trend index in 2022 – 2024. From this, author wants to see whether utilizing brand ambassadors and social media advertising can be a solution to this problem.

In addition, based on the academic aspect, according to Aisyah (2023), from the object of her research regarding the Lazada marketplace, it was found that brand

ambassador has positive relationship but no influence on brand trust and brand loyalty, either directly or indirectly. Only social media has an influence on brand trust and, mediated by brand trust, it indirectly influences brand loyalty. However, because the object of the research is different from the object raised in this study which takes Wardah as the research object, further research is needed on this matter. Given the background information mentioned above, the problem formulation for this study entails:

1. How much is the rate of brand ambassador, social media advertising, and brand trust of Wardah product based on respondent?
2. How much is the brand loyalty of respondent towards Wardah product?
3. Do brand ambassador, social media advertising, and brand trust influence brand loyalty of Wardah?
4. Do brand ambassador and social media advertising influence brand loyalty of Wardah through brand trust?

1.4 Research Objectives

Based on the problem formulation above which referred to the research question, the purpose of this study is twofold:

1. To know how much is the rate of brand ambassador, social media advertising, and brand trust of Wardah product based on respondent.
2. To know how much is the brand loyalty of respondents towards Wardah.
3. To know the influence of brand ambassador, social media advertising, and brand trust on brand loyalty of Wardah.
4. To know the influence of brand ambassador and social media advertising on brand loyalty of Wardah through brand trust.

1.5 Research Benefits

1.5.1 Theoretical Aspect

The expected benefit of this research is that it will advance the knowledge and empirical understanding of brand ambassador and social media advertising in relation to brand trust and brand loyalty. The research findings can then be utilized as

references for further research.

1.5.2 Practical Aspects

This research aims to offer valuable information and perspectives of the influence of brand ambassador and social media advertising on brand loyalty of Wardah. It also aims to investigate whether advertising on social media can be a cost-effective alternative to traditional advertising methods like television, radio, and print media. Furthermore, it aims to see whether utilizing brand ambassador to engage with customers will make them feel valued, which can enhance their loyalty. So that later on, it can help marketers especially company in the same industry as Wardah to evaluate and improve their marketing strategy through this research.

1.6 The Systematics of Mini-Thesis Writing

This writing section gives a comprehensive overview of how the minithesis will be structured. The systematic preparation of the mini thesis writing consists of chapters 1 through 5, with a description of the structure as follows:

a. CHAPTER 1: INTRODUCTION

This chapter provides a general, precise, and concise explanation of the research's contents. In this chapter, various aspects are covered including an overview of the research object, the background of the research, problem formulation, research objectives, research benefits, and the structure of the mini thesis writing.

b. CHAPTER 2: LITERATURE REVIEW

This chapter describes the theoretical foundation from general to specific, covering the fundamental research with previous research and continuing with a research framework that concludes with a research hypothesis.

c. CHAPTER 3: RESEARCH METHODOLOGY

In this chapter, the focus is on exploring the approaches, methods, and techniques employed to collect and analyze data that can effectively address the research problems at hand.

d. CHAPTER 4: RESULTS AND DISCUSSION

This chapter presents a comprehensive and structured account of the research,

including the discussion of findings that align with the formulated problem and research objectives. This chapter contains research findings, as well as discussions and analysis.

e. CHAPTER 5: CONCLUSION

This chapter contains the overall research conclusions, which are the answers to the research problems and then become suggestions about the research's benefit.