

## Country of Origin and Brand Image on Purchase Decision of South Korean Cosmetic Etude House

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### Abstract

This research aims at knowing the influence of country of origin (COO) and brand image on purchase decision of Etude House, a South Korean cosmetic brand. A sample of 100 consumers of Etude House was the respondents that were selected using snowball method. The questionnaire were distributed to women consumers who live in Semarang and have been using the products in the last three months. Multiple regression analysis was to see if the influence of COO and brand image on purchase decision is significant. The results show that COO and brand image had positive and significant influence on the purchase decision of Etude House products.

**Keywords:** brand image, cosmetics, country of origin, purchase decision, South Korea

### INTRODUCTION

Cosmetic industry in Indonesia had increased steadily since 2009 to 2013. Its sales increased 32.5% from Rp7.56 triliun in 2009 to Rp11.3 triliun in 2013 (Kementrian Perindustrian, 2013). One indication of this is the increase of local and international cosmetic brands marketed in Indonesia. The local brands such as Wardah, Sari Ayu, Mustika Ratu, and Viva have to compete with international brands coming from different countries. Table 1 presents the top ten international brands conquering Indonesian market and their country of origin. The top ten brands are originally from western countries and those from The United States dominated the Indonesian market.

Etude House is the only Asian brand in the top ten brands. The brand is originally from South Korea and is a relatively new player in the Indonesian market compared to the other top ten brands. It however has been the choice of Indonesian consumers. Etude House

is actually not the only South Korean brand available in Indonesia. The other brands include The Face Shop, Laneige, Nature Republic, Innisfree, Tony Moly, Missha, Cathy Doll, Skin Food, Holika-holika, April Skin, Peripera, Mamonde, Sulwhasoo, SU:M37, dan Whoo. Those brands are available online and offline through stores across the country. The stores selling the brands have spread around in some cities in Indonesia in order to be closer to the consumers. Availability of South Korea cosmetics in Indonesia indicates that Indonesian have trust on South Korea and quality of the cosmetics produced in South Koreans.

Table 1. Top Ten International Brands in Indonesia

	Brand	Country of Origin
1	L'oreal	French
2	Etude House	South Korea
3	Revlon	United States
4	Avon	United States
5	Covergirl	United States
6	Oriflame	Sweden
7	Urban Decay	United States
8	Maybelline New York	United States
9	MAC	Canada
10	Clinique	United States

Source: Kliktop 10, 2013

COO has been defined in different ways. It may refer to the country where the product is made, manufactured, designed, assembled, or where the company's headquarters are located (Zolfagharian, Saldivar, & Braun, 2017). Global marketers know that buyers hold different attitudes and beliefs about brands or products from different countries and the perception on a country can be attributes in buying decision making (Kotler & Keller, 2015). That is the reason of many governments that now realize the importance of country's image in helping local marketers to enter other markets. Governments put efforts in developing and creating image of their country.

Country's image is a set of belief and impression about a country (Listiana, 2012). Country with positive image can give benefit to a brand originally from the country since the

brand can be associated with the country. For example, Coca-Cola success was partly due to the image of the U.S. that relates to modernity and affluence. COO can arise perception on quality of a product. A brand can thus strategically expose the COO in the product label for building trust of the consumers generated from good image of the country. The more favorable a country's image, the more prominently the "made in" label to be displayed in order to influence buying decision (Kotler & Keller, 2015).

Similar to country's image, brand image also influence decision to buy a product. Brand image refers to perceptions about a brand as reflected by the brand associations held in consumer memory (Kim, Chun, & Ko, 2017). Strong brand image can attract consumer to buy the brand (Suria, Kusumawati, & Pangestuti, 2016) because a consumer inclines to buy a brand with high perceived quality (Romadon, Kumadji, & Abdillah, 2014). Many researches found the influence of brand image on buying decision (see for example Romadon, Kumadji, & Abdillah (2014); Silvia, Fauzi, & Kusumawati (2014); Suria, Kusumawati, & Pangestuti (2016); Wangean & Mandey (2014).

Buying decision is a process in which a consumer considers some alternatives by using knowledge they have in choosing one best alternative of a product. Many factors influencing buying decision. The research aims at knowing if COO and brand image have impact on buying decision of South Korean cosmetic Etude House. It more specifically wants to know whether COO and brand image have positive and significant influence on buying decision of Etude House.

## **LITERATURE REVIEW**

### **Buying Decision**

Buying decision is a process in which a consumer decides based on knowledge to purchase a particular product among other available alternatives (Peter & Olson, 2013; Romadon, Kumadji, & Abdillah, 2014). There are five steps in buying decision process: need recognition, information search, alternatives evaluation, purchase decision, and post purchase behavior (Kotler & Keller, 2015).

A purchase is stimulated by a need recognition. A need emerges from external and internal stimulants that lead to a recognition of need. The stronger the intensity of the need, the stronger the motivation to fulfill it. The individual will then search for information about products or brands. During this process, the individual will study about brands. In the next step, the individual uses the information to evaluate the brand alternatives in a structure of choice. There may be many evaluation processes toward brands based on product attributes, characteristics recognized by the consumer, and trust toward a brand that is believed to have certain advantages based on the information. Consumer decides to choose an alternative from which a brand is finally purchased. After consuming the product, consumer will find whether they satisfy or dissatisfy with the product. Their satisfaction will influence their behavior in the next purchase. If they satisfy with the product, their intention to buy the product in the future will be higher and the opposite happens if they dissatisfy with the product.

During the evaluation of alternatives, consumers may not use a simple or single evaluation process but several processes. Some basic concepts help in understanding this (Kotler, Armstrong, Brown, & Adam, 1998). First, a consumer sees a product as a bundle of product attributes. Consumers will vary in attributes in which they pay most attention on according to their needs. Second, the consumer will put different degree of importance to different attributes according to their unique needs or wants. Third, the consumer develops a set of brand belief called brand image indicating where each brand stands on each attribute. Fourth, total product satisfaction expected by the consumer will vary with level of different

attribute. Finally, the consumer will arrive at attitudes toward the different brands through some evaluation procedure.

In the evaluation stage, the consumer ranks brands and forms purchase intention and the consumer will buy the most preferred brand in the purchase decision stage. Two factors come between purchase intention and purchase decision: attitude of significant others and unexpected situational factors (Kotler, Armstrong, Brown, & Adam, 1998). These factors can make preferences and purchase intentions do not result in actual purchase decision. It can be stated that consumer evaluates not only intrinsic factors of product but also extrinsic factors before deciding to purchase.

### **Country of Origin**

Country of origin (COO) is consumer's association and mental belief on a product based on the country of origin (Dinata, Kumadji, & Hidayat, 2015). Consumer has different belief and attitude toward brands from different country. COO is an extrinsic factor that can affect purchase decision.

Originally COO simply identifies where products are produced. The increasing global sourcing practices has made COO more complicated. It now encompasses the country of design, of production, of assembly, of brand, of service delivery, of the provider's birth, and of the service provider's training/education (Kim, Chun, & Ko, 2017: p. 255). Brand COO has becoming more important and has more effect on consumer attitude, purchase behavior, and competitiveness rather than location of production or assembly since consumers tend to emphasize the brand's COO.

Effect of COO decreases as consumers find more information. Consumers become more rational about quality of a product. Two models on COO effect: halo construct and summary construct (Dinata, Kumadji, & Hidayat, 2015). Halo construct assumes that when consumer does not have knowledge or experience on a product made in a particular country,

they will have particular opinion on the product's country of origin. Meanwhile, summary contract take role when consumer have knowledge and experience on a product made in a particular country. Their image on the cuntry can convince consumer about product attributes and their attitude on the product can affect them.

For the purpose of marketing, country image can be defined in three level (Listiana, 2012). The first level is overall country image. It refers to overall belief, idea, and impression of a country as a result of consumer evaluation on their perception on the country's strenghts and weaknesses. The second level is aggregate product country image. It refers to overall cognitif evaluation that associated to a product from a country or impression toward on overall quality of product from the country. For example, products from China are cheap, those from Japan are high tech. The third level is specific product country image which refers to overall cognitif evaluation that is associated to a specific product from a particular country. For the example, electronics are from Japan, cosmetics are from the U.S.

### **Brand Image**

Brand image is the set of beliefs consumers hold about a particular brand (Kotler, Amstrong, Brown, & Adam, 1998). It captures perceptions about a brand as reflected by the brand associations held in consumer memory (Kim, Chun, & Ko, 2017). Brand image is associated with the metaphor of brand-as-person. Consumers will choose a product based on brand image of the product they hold in their mind and will commit to it when making the purchase (Fatlahah, 2013).

Consumers tend to buy product with strong and positive brand image. They prefer to buy popular brand since they perceive popular brand is identical with good and dependable product (Romadon, Kumadji, & Abdillah, 2014). Strong brand image can attract and keep customers (Suria, Kusumawati, & Pangestuti, 2016).

According to Aaker (1991), there are three components in brand image (Ratri, 2007): product attributes, consumer benefits, and brand personality. Product attributes are characteristics of the product that reflect to benefits it offers. The attributes such as quality, features, and design will greatly affect consumer reaction to a product (Kotler, Amstrong, Brown, & Adam, 1998) because they are needed for the product can function as consumers want.

Consumer benefits refer to personal value a consumer gets from product attributes. There are three types of benefits. The first benefit is functional benefits that relate to the function of a product in fulfilling consumer's need, such as physical need and problem solving. The second one is experiential benefits that relate to consumer's feeling arousing when consuming the product, such as likeness, variation seeking, and cognitive stimulant. Symbolic benefits are the third benefit. They relate to need for social acceptance such as prestige, specific role, and fashion style of a particular brand.

Brand personality is a set of humanistic characteristics associated to a brand (Susanto & Wijanarko, 2004). They can be gender, social-economic class, or human's personality (such as caring, emotional). Similar to human personality, brand personality varies and relatively permanent. Brand personality reflects feelings the brand arouses and is often related to descriptive imagery (Kim, Chun, & Ko, 2017). It can strengthen purchase intention and sustain product usage (Susanto & Wijanarko, 2004).

## **METHODS**

### **Sample and Collecting Data Method**

Consumers of Etude House addressed by the research were women who live in Semarang. Sample of 100 people was determine using Slovin (Kurniasari, 2017) with 95% level of confidence (or  $\alpha = 5\%$ ) and 5% standard of error that resulted in 96.04 rounded up to 100. Since the outlet in Semarang was closed down in the time of collecting data and there was no way to locate the consumers in the city, snowball sampling was applied in choosing the respondent. The first referee was a person known by the researcher who has been using the brand in the last three months. The person was then asked to give name(s) and contact number of friend(s) who is the consumer of Etude House. The next person gave other name(s) for prospective respondents. This way was undertaken until 100 respondents were reached.

Each of them was asked for their willingness to participate in the research. Upon the agreement to participate was gained, a questionnaire was given. The questionnaire comprises four parts: personal identity (such as demographic characteristics), country image, brand image, and purchase decision. Five-point scale of Likert ranging from 1 = strongly disagree to 5 = strongly agree to the statement was used for the last three parts of the questionnaire.

### **Measurements**

The independent variables are COO and brand image and the dependent variable is purchase decision. Eachis defined and measured as follows:

1. COO is defined in terms of specific product country image. It is consumer's cognitif evaluation that is associated to a specific product from a particular country. The measures of COO are association of South Korea to (1) good quality of cosmetics, (2) fashion style of the people, (3) entertainment products, such as K-Pop and K-Drama, (4) high tech products.
2. Brand image is consumer's perception on a particular brand. The measures cover the three benefits of brand image as follows



- a. Functional benefits: ability of Etude House to brighten face and safety of the materials used in Etude House cosmetics
  - b. Experiential benefits: self-confidence when using Etude House cosmetics
  - c. Symbolic benefits: popularity of the Etude House brand compared to other South Korea brands and perception that Etude House is the best brand
3. Purchase decision is a stage in buying decision process in which the consumer decide to choose the most preferred brand. The measures cover evaluation on the brand that make the consumer choose Etude House: (1) motivation to purchase (2) South Korea as the country of origin, (3) sensory feeling (lighter) when using the brand (4) color variants that suit many skin types.

**Validity and Reliability Test**

Validity test using Product Moment was undertaken to see if each item of the questionnaire is valid, that is if the r value > r table amounted of 0.165 (df = 98 and  $\alpha = 5\%$ ). The test shows that all items are valid.

Table 2. Product Moment Value of Items

Items	r value
Country image	
South Korea produces definitely good quality of cosmetics	0.788
South Koreans identically have interesting fashion style	0.832
South Korea is popular for its entertainment	0.697
South Korea produces high tech products	0.620
Brand image	
Etude House cosmetics can brighten face	0.768
Etude House cosmetics use ingredients that are safe	0.783
Using Etude House cosmetics makes me confidence	0.648
Etude House is more popular brand than others	0.690
Etude House is the best brand	0.546
Purchase decision	
I buy Etude House cosmetics because I want to	0.818
I like Etude House cosmetics because they are from South Korea	0.818
I buy Etude House cosmetics because they have light texture	0.825
I buy Etude House cosmetics because they have many variants of color	0.696

Reliability test resulted in the Cronbach’s Alpha of each variable that is bigger than 0.6. This indicates that the questionnaire was reliable and gave consistent responses on its usage.

Table 3. Cronbach’s Alpha Test

Variable	Cronbach’s Alpha
Country image	0.717
Brand image	0.722
Purchase decision	0.798
Total	0.923

**Analysis Data Method**

Linier multiple regression analysis was applied to know the influence of country image (X<sub>1</sub>) and brand image (X<sub>2</sub>) as the independent variables to purchase decision (Y) as the dependent variable.

$$Y = a + b_1X_1 + b_2X_2 + e$$

To examine if the influence of independent variables to the dependent variable is significant, t test and F test were undertaken. The tests were to examine respectively partial influence and simultant influence.

Coefficient of determination (R square) was to measure the extent of the independent variables can explain the variance of the dependent variable. The bigger R square value, the bigger the extention of the independent variables to the variance of the dependent variable and thus the model is fit.

**RESULTS AND DISCUSSION**

**Respondent Characteristics**

Most of the respondents (95%) were relatively young with age of 30 years old and under. Only 18% have already worked. Majority were students (82%) who either were pursuing high school (28%) or hold bachelor degree (54%). Those worked had the monthly

income of Rp2,500,000 and above, while those were students had pocket money ranging from Rp500,000 to Rp1,500,000 per month.

Table 4. Respondent's Characteristics

	%
Age (years old):	
≤ 20	36
21-30	59
31-40	3
> 40	2
Occupation:	
Student	82
Employee of private organization	10
Employee of public organization	6
Professional	2
Education:	
Elementary School	0
Junior High School	28
Senior High School	54
Diploma	2
Bachelor	16
Monthly pocket money of students (Rp):	
≤ 500,000	6
500,001-1,000,000	32
1,000,001-1,500,000	27
> 1,500,000	17
Monthly income of working respondents (Rp):	
≤ 1,500,000	0
1,500,001-2,500,000	0
2,500,001-3,500,000	13
> 3,500,000	5
Purchase frequency in 3 last months:	
Once	27
Two times	53
More than two times	20
Product bought:	
Make-up	87
Skin care	12
Others	1
Expense on product (Rp each purchase):	
≤ 100,000	5
100,001-200,000	21
200,001-300,000	47
> 300,000	27

Those with higher income or pocket money did not necessarily bought the products more frequently. Fifty percent of the respondents have bought the products for two times in the last three months. Make-up was the product bought by most of the respondents (87%) and the rest of the respondents bought skin care and parfume. The working respondents spent Rp200,000 and more on each purchase, while the students spent less only between Rp100,000-Rp300,000 on each purchase.

The respondents have positive image on the country of South Korea with the average score of 4.12. However, the least score (4.03) is on quality of cosmetics produced by South Korea. The image on brand is relatively positive (3.95) even though the score is lower score than that of the country image. The respondents perceived better on the product functions (can brighten face, uses safe ingredients, and makes me confidence) that on the brand itself (more popular and the best brand). Their perception on purchase decision is also relatively positive with the score of 3.96. They purchased the brand because of their own motivation but least because of the texture.

Table 5. Response on the Variables

Items	Average
Country image	4.12
South Korea produces definitely good quality of cosmetics	4.03
South Koreans identically have interesting fashion style	4.13
South Korea is popular for its entertainment	4.18
South Korea produces high-tech products	4.12
Brand image	3.95
Etude House cosmetics can brighten face	4.16
Etude House cosmetics use ingredients that are safe	4.06
Using Etude House cosmetics makes me confidence	4.05
Etude House is more popular brand than others	3.78
Etude House is the best brand	3.71
Purchase decision	3.96
I buy Etude House cosmetics because of my own motivation	4.04
I like Etude House cosmetics because they are from South Korea	3.96
I buy Etude House cosmetics because they have light texture	3.89
I buy Etude House cosmetics because they have many variants of color	3.95

The regression resulted in positive influence of the independent variables with the coefficient of 0.532 and 0.526 respectively for COO and brand image. Having significance of 0.000 on the t test, country image and brand image respectively influence significantly purchase decision.

Table 6. Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	-3.303	.469			-7.046	.000
Country image	.532	.079	.472		6.747	.000
Brand image	.526	.071	.516		7.382	.000

The Anova test presented in table 7 shows that both independent variables simultaneously also influence purchase decision of Etude House (F= 891.466, sig.=0.000). As a model, it is a fit model since R square is 0.948 (table 8). It means that COO and brand image contribute 94.5% of the variance of purchase decision. In other words, the independent variables are the dominant factor influencing the respondents in purchasing Etude House.

Table 7. Anova Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	614.034	2	307.017	891.466	.000
	Residual	33.406	97	.344		
	Total	647.440	99			

Table 8. Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.974	.948	.947	.587

## **Discussion**

The analysis resulted in positive and significant influence of COO and brand image to the decision to purchase Etude House. The R square of 0.94 indicates that apparently the respondents' image on South Korea and the brand of Etude House influence them in purchasing the product and almost no other factors influence the decision.

For the respondents, South Korea is perceived as a country that is popular for its entertainment such as K-Pop and K-Drama, fashion style, high-tech products, and cosmetics. This indicates that the respondents have positive image on South Korea. They also have positive image on the brand of Etude House. The brand is perceived as having products that can brighten face, uses safe ingredients, and can increase self confidence. They however perceived that the brand is less popular than other South Korea brands producing beauty products and the quality is not the best.

COO and brand image have positive and significant influence on the decision to purchase Etude House partially and simultaneously. This means that the better the image of the country and brand in the mind of the consumers, the more they want to buy the brand. It is apparent that the respondents' positive image on the country and the brand has led them to buy the brand in particularly make-up products. The respondents bought the brand because of their self motivation and less because of the product.

## **CONCLUSSIONS AND RECOMMENDATIONS**

### **Conclussions**

The research concludes that the decision to purchase Etude House was influenced positively and significantly by country image from which the brand originally comes and image of the brand. COO and brand image are the dominant factors and nearly no other factors influencing the purchase decision of Etude House.

## Recommendations

The management of Etude House can focus their marketing strategies in Indonesia to country image and brand image. To increase country image, the management can write the name of country South Korea explicitly on the product label so that consumers can recognize that the product is originally from South Korea. Use K-Pop or K-Drama actor as the brand ambassador for promoting the product can also be a way to create good country image.

To increase brand image, promotion emphasizing product functions (such as ability to brighten face) and product benefits (such as ability to increase self confidence) can possibly be effective messages.

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