

FACTORS INFLUENCING LOCAL BEAUTY PRODUCT REPURCHASE INTENTION

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ABSTRACT

The objectives of this study are to analyze and determine factors affecting repurchase intention of beauty products from local brands in Jakarta. The factors that will be analyzed for their influence on repurchase intentions include trust, word-of-mouth, and adjusted expectations. This study used a quantitative method by distributing questionnaires to 191 respondents who are the millennial generation living in DKI Jakarta and have at least bought and/or used local brand beauty product once in the past year. The collected 163 valid data is then processed using the PLS-SEM method with the SmartPLS statistical data processing tool. From this study, it can be concluded that trust, word-of-mouth, and adjusted expectations have a significant influence towards the repurchase intention of local brand beauty product consumers.

Keywords: *Repurchase Intention, Trust, Word-of-Mouth, Adjusted Expectation, Local Brand*

1. INTRODUCTION

Market's interest in the global beauty industry is increasing. In Indonesia, the Ministry of Industry noted that the Indonesian cosmetic industry grew significantly in 2020 with 9.39 percent growth compared to 2019 [1]. However, data from the Ministry of Industry also shows an increase in cosmetic imports from \$631.66 million in 2017 to \$850.15 million in 2018 [2]. This shows that Indonesian beauty market still have so much potential. Indonesian beauty brands should be more competitive to gain more market share in Indonesian beauty market so the consumption of beauty products can shift from foreign products to local products.

In a previous study, it was found that millennials are an important market for the beauty industry due to their market size and growing purchasing power [3]. One way that local beauty product companies can do to attract the attention of millennial consumers in Jakarta is to increase their repurchase intention. Many factors can influence repurchase intention. Several studies have found that repurchase intentions are influenced by perceived ease of use, perceived usefulness, consumer satisfaction, and trust [4]; shopping experience/habit, customer satisfaction, and adjusted expectation [5]. In addition, another research shows that price perception, country of origin, and word-of-mouth have an influence on repurchase intention [6].

Trust is a factor that influence repurchase intention. When customers feel that a company is trustworthy, they will confident about the relationships with the company [4]. A company's ability to increase or enhance consumer's level of trust affects the changes in consumer's repurchase intention.

Another variable that influences the repurchase intention is word-of-mouth. The consumers' desire and willingness to share their opinions regarding a product to others reflects good word-of-mouth. It was found that consumers with good word-of-mouth had a better tendency

to repurchase intentions [6]. Many academics have noted that customers tend to perceive personal communications as a more reliable source than commercial sources. Therefore, a complete understanding of controlling word-of-mouth will be an advantage for companies in building relationships with consumers.

After customer uses a product, they bought for the first time, consumer perceptions and expectations of the product will change compared to their expectations before using the product. When a consumer feels that the purchased product is useful, there will be a higher possibility that the consumer will repurchase and will have higher expectations of the product. This shows that adjusted expectation plays an essential part on improving repurchase intention in customer. This study would like to examine the impact of trust, word-of-mouth, and adjusted expectations on repurchase intention in Jakarta beauty sector.

2. RESEARCH METHOD

Trust is defined as consumers' belief that a brand is able to fulfil their expectations [7]. Trust also means people or consumers' level of beliefs that the company will fulfil the promises that had been agreed beforehand [4]. It's the delegation from one party to another, with the belief that it will fulfil the expectations [8]. Based on the definition of trust found, it can be concluded that trust is the belief that consumers have in products and companies that the company will fulfil its promises to consumers and the products purchased will not disappoint consumers.

One of the critical aspects in brand building is word-of-mouth (WOM). It occurs when consumers share their views, perspectives, and experiences about brands with each other [9]. Word-of-mouth is described as a way consumers share their thoughts through informal networks and personal communications about a certain product [6]. It is also defined as a key factor that customers rely on before making purchase decisions. Moreover, WOM is an informal communication regarding suggestions and experience about a brand, product, service or firm [10]. Based on the definitions found from previous studies, it can be concluded that word-of-mouth is the desire and willingness of consumers to share opinions that are expected to be good about a product or company with others.

Adjusted expectations are "post-satisfaction judgments", which are expectations that changes caused by the accumulated or current consumption experiences [11]. Consumer's repurchase behaviour can be effectively predicted by their adjusted expectations because it is influenced by cognitive judgment [5]. Adjusted expectation is customer expectations regarding the usefulness of a purchased product whether it is in accordance with the reality of the product [12].

When consumption activities take place, the expectation of the expected benefits of the product is the weighted average of a person's expectations for the product in the past and the benefits received when consuming the product [13]. Therefore, consumer expectations have always been changing according to the information they receive. Based on the theories found, it can be concluded that adjusted expectations are consumer expectations or expectations for a product that is adjusted to the experience that consumers have after using the product.

Repurchase intention is defined as "customer's personal assessment of whether or not customer will repeat another purchasing or transactional activities from the same provider in the future" [4]. Repurchase intention is the need to get a product again after considering

experiences that are usually positive [8]. Consumers with positive repurchase intentions are more likely to intend to buy more in the future [6]. Based on the definitions found, it can be concluded that repurchase intention is a situation where someone has a desire to repurchase the same product or from the same company based on experience and consideration of previous transactions.

Previous research has shown that trust positively and significantly affect repurchase intentions [14]. Trust is a key strategy for influencing customer behavioural intentions. Another study also concluded a positive relationship between trust and the intention to repurchase a smartphone in Nigeria [8]. Further research also shows that trust positively and significantly influence repurchase intention of e-commerce consumers in Indonesia [4]. Consumer's confidence in the company that increases over time can strengthen its position in consumers' mind so that the intention to repurchase in the future will also continue to increase [11]. The higher the consumer's confidence in the company, the higher the intention to repurchase consumers. Based on previous research founs, the authors would like to propose the first hypothesis:

H₁: Trust has a positive impact on Repurchase Intention.

Previous research found that online word-of-mouth positively and significantly influence consumer intentions to repurchase [15]. Companies should establish and maintain social network sites so as to encourage positive word-of-mouth among community members. Further research also shows the same result, namely word-of-mouth positively influence consumer repurchase intentions [16]. Positive word-of-mouth may influence behaviour of the intention to repurchase. There is also a further study conducted which also shows a positive and significant effect between word-of-mouth and the intention to repurchase beauty products [6]. The ease and willingness of consumers to share their thoughts or opinions about products is an important variable in increasing repurchase intentions. Based on the results from previous studies, the second hypothesis in this research was:

H₂: Word-of-Mouth has a positive impact on Repurchase Intention.

Previous study on online shopping behaviour showed a positive relationship between adjusted expectations and repurchase intentions in the online travel services industry [17]. The expectations or expectations that are in the minds of consumers will continue to change as the number of online travel service purchase transactions increases. The results are supported another research which examined the relationship between adjusted expectations and the intention to repurchase online shoppers, the results of which showed that there was a positive and significant effect [5]. Adjusted expectations are considered as an important supporting factor of repurchase intention, and it is essential for companies to understand how to control consumers' adjusted expectations. Furthermore, it is state that adjusted expectations positively affect repurchase intentions. This result is reinforced by previous research which showed a positive influence between adjusted expectations and consumer loyalty to the company [13]. Based on previous studies found, the author wants to propose the third hypothesis:

H₃: Adjusted Expectations has a positive impact on Repurchase Intention.

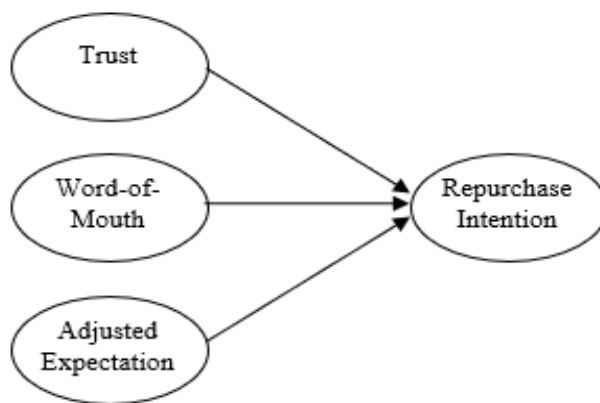


Figure 1. Research Model

In this study, data was gathered using an online survey. A total of 191 respondents took part in this study, but only 163 data were found to be valid for this study after further analysis. The survey in this study used a five-point Likert scale, where the scale “1” implies respondent’s “Strong Disagreement”, “2” implies respondent’s “Disagreement”; “3” implies respondent’s “Neutrality”, “4” implies respondent’s “Agreement”, and “5” implies respondent’s “Strong Agreement” toward the statements. In the questionnaires, there are a total of 12 items representing 4 variables, with 3 (three) indicators adopted from [18] representing the variable of trust; 3 (three) indicators adopted from [15] representing the variable of word-of-mouth; 3 (three) indicators adopted from [17] representing the variable of adjusted expectations; and 3 (three) indicators adopted from [18] representing the variable of repurchase intention.

3. RESULTS AND DISCUSSIONS

163 valid data were analyzed to evaluate the correlations between variables. The data was obtained and processed using PLS-SEM approach. The purpose of outer model analysis was to ensure both the validity and reliability of the data, while the purpose of inner model analysis was to determine the relationships between variables. Table 1, 2, and 3 present the results of outer-model analysis

Table 1. Outer Model Analysis – Convergent Validity

Indicators	Variable	Factor Loadings	AVE	Cut-Off Value
TR1	Trust	0.809	0.653	≥ 0.50
TR2		0.773		
TR3		0.841		
WOM1	Word-of-Mouth	0.769	0.636	≥ 0.50
WOM2		0.830		
WOM3		0.794		
AE1	Adjusted Expectations	0.732	0.537	≥ 0.50
AE2		0.723		
AE3		0.743		
RI1	Repurchase Intention	0.793	0.583	≥ 0.50
RI2		0.709		
RI3		0.785		

Table 2. Outer Model Analysis – Discriminant Validity

	Adjusted Expectations	Repurchase Intention	Trust	Word-of-Mouth
Adjusted Expectations	0.733			
Repurchase Intention	0.430	0.764		
Trust	0.270	0.483	0.808	
Word-of-Mouth	0.449	0.585	0.601	0.799

Table 3. Outer Model Analysis – Reliability Analysis

	Cronbach's Alpha	Composite Reliability	Conclusion
Trust	0.737	0.849	Reliable
Word-of-Mouth	0.716	0.840	Reliable
Adjusted Expectations	0.572	0.777	Reliable
Repurchase Intention	0.642	0.807	Reliable

Table 1, 2, and 3 showed that both the data are valid and reliable. The value of factor loadings, AVE and Cronbach's Alpha of each indicator and variable are higher than 0.50, each variable's composite reliability is higher than 0.70, while the squared-root of the AVE for each variable is higher than the correlation values with other variables. The research model fulfilled. Hence, it could be concluded that the outer-model criteria for the data and the research model are met. After the outer-model analysis was completed, an inner-model analysis was performed to examine the relationships between variables. The results of inner model assessment and hypothesis testing are shown in Table 4, 5, and 6.

Table 4. R-Squared Results

Variable	R-Squared	Conclusion
Repurchase Intention	0.404	Moderate Effect

Table 5. Predictive Relevance Results

Variable	Predictive Relevance (Q²)	Conclusion
Repurchase Intention	0.206	The Variable could Well-Predicted the Model

Table 6. Hypotheses Testing Results

	Hypothesis	t-Statistics	Conclusion
H ₁	Trust has a positive impact on Repurchase Intention	2.287	Hypothesis was Supported
H ₂	Word-of-Mouth has a positive impact on Repurchase	3.541	Hypothesis

Intention			was Supported
H ₃	Adjusted Expectations has a positive impact on Repurchase Intention	2.814	Hypothesis was Supported

From the Table 4, Table 5, and Table 6 presented, it can be concluded that the accumulation of variable trust, word-of-mouth, and adjusted expectations affected 40.4% of the repurchase intention of local brand beauty product in the millennial generation who are currently living in Jakarta. It is concluded that all of the hypothesis are supported. After analysing the valid data collected, the results show that there's a positive influence of trust, word-of-mouth, and adjusted expectations on repurchase intention in the Indonesian local beauty product sector. The results achieved in this study are supported by previous studies conducted by [4] [8] [11] [18] where it was also found that trust positively affect repurchase intention. This means when a good trust is developed between consumers and the company, especially local beauty brands, consumers will be more encouraged to repurchase products from local beauty brands. However, when a company failed to be honest to the consumer and affects the consumers judgement in the company's trustworthiness, there is a real possibility that consumers will tend "avoid" local beauty brand and more likely to use the products from foreign companies in the future. The results of this research also supported by previous studies conducted by [6] [15] [16] who also found a positive effect from word-of-mouth towards repurchase intention. This shows that consumers have a good desire and willingness to share opinions about a product or company with others. Lastly, the result is also consistent with studies conducted by [5] [13] [17] which shows that adjusted expectations positively affect consumers repurchase intention on Indonesian local beauty brand. Consumer expectations or expectations for a product that is adjusted to the experience that consumers have after using local beauty product is good. Thus, it is likely for consumers to repurchase the products if their adjusted expectations towards local beauty products are good. Overall, this study concluded that all of the hypotheses proposed are accepted.

4. CONCLUSIONS AND SUGGESTIONS

First, it was found that although the majority of respondents thought that the consumer confidence felt after using local brand beauty products was good. The results also showed a significant and positive influence of trust on repurchase intentions. This means that if the trust that consumers have in local beauty brands increases, the intention to repurchase local brand beauty products will also increase. When consumers feel that the company cares about consumers and consistently maintains their honesty, the trust felt by consumers will increase. Therefore, local brand beauty product companies must play an active role in showing the company's concern for consumers and maintain honesty in various communication channels between companies and consumers. That way, the company can build overall consumer trust which can then increase repurchase intention. Satisfied consumers tend to have a higher repurchase intentions.

Second, it was found that the majority of respondents had a good willingness to share good word-of-mouth about local brand beauty products. The results also showed a significant positive influence of word-of-mouth on repurchase intentions. What companies have to do is encourage consumers to continue to be willing to share good opinions and views about local brand beauty products. This can be done through activities such as providing media for

consumers to share positive things about the product after use. By holding reference promos or bundle purchase packages, consumers will be encouraged to invite others to buy local brand beauty products. Consumers will also be encouraged to share good opinions about the product, either with friends or relatives, or even with other people through the platform provided by the company. In this way, the word-of-mouth that is shared will increase and the tendency of the intention to repurchase the product will also increase.

Lastly, it was found that the adjusted expectations felt by the majority of consumers after using local brand beauty products were good and the results showed a significant positive effect on repurchase intentions. This means that if the better the adjusted expectations in the minds of consumers, the higher consumers repurchase intention on local beauty brand. What companies can do to maintain consumers' adjusted expectations which can be done by providing a platform or media for consumers to share their expectations for future products. The product being sold must be good enough to increase the expectations from before they use the product with after the consumer used the product. Excellent product performance can be one factor that can increase consumer expectations. When consumers have a good experience with a local beauty product, expectations such as the benefits that can be received or the price offered will then arise. The more consumer expectations of the product or company increase, the better the adjusted expectations of consumers. That way, the tendency of consumers to repurchase local beauty products will also be higher.

The research carried out still has its limitations. There are some aspects can be considered for future researchers who are interested in conducting research on the same topic such as the fact that the majority of respondents are private employees aged 20-25 years. The research conducted in the future may show different results if the majority of respondents have different characteristics such as different majority employment background or are over 25 years old. As described in the Introduction of this study, there are many variables that can influence repurchase intentions. The future researcher could use the same variables as this study but using different research subjects. It could also be conducted a study with different research model containing a combination of variables both studied and not studied in this research, such as perceived ease of use and customer satisfaction [19], with or without mediating or moderating variables as well as with the same or different research subjects. Lastly, more research samples could be considered to increase the validity.

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