A Story of Survival: How Indonesian Local Cosmetic Manufacturer Utilise Environmental and Non Environmental Variables

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ABSTRACT

Modern society sees outer appearance as the most valuable asset that everyone must have nowadays. In a society where certain appearances and figures of the face are renowned for their beauty, women invest a lot in their outward appearance. As a result, there is a rapid development of cosmetics which nowadays many cosmetic brands have sprung up both domestic and foreign brands. However, there is a brand of cosmetics that is fairly exist in the market and is able to compete with well-known other brands, namely Viva Cosmetics. This study aimed to determine the effect of Store Atmosphere, Service Quality, Product Assortment towards Customer Loyalty through Customer Satisfaction on Viva Cosmetics products in Surabaya. This study uses 150 respondents who have used Viva Cosmetics product in the past 6 months, and know other similar cosmetic products. Based on data analysis, this research show that all hypotheses are supported. Variables store atmosphere, service quality, and product assortment affect customer satisfaction significantly. Customer satisfaction also significantly affect customer loyalty.

Keywords: store atmosphere, service quality, product assortment, customer satisfaction, customer loyalty

1. INTRODUCTION

Modern society sees outer appearance as the most valuable asset that everyone must have nowadays (Korichi et. al., 2008). In a society where, certain appearances and figures of the face are renowned for their beauty, women invest a lot in their outward appearance. More specifically, young girls and women seek to attract the attention of those around them by doing so. It creates a change in behavior patterns in communities where there is a standard that women will be highly regarded if they are gorgeous (Renee E, 2017). If a woman thinks her beauty is far from ideal, she would change her appearance with the assistance of makeup and fashion (Jeon & Lee, 2005). According

to (cci-Indonesia, 2015), the industrial market average growth is 9.67% per year and it is estimated that the market size of the cosmetics market is Rp. 46.4 trillion in 2017. It can be said that, Indonesia is a potential market for beauty industry both from outside and inside the country.

Retail industry is one of the most developed industries in Indonesia (Amelia & Ronald, 2017). One of potential market in retail industry is cosmetic product. From so many cosmetic producers in Indonesia, Viva Cosmetics is one of the leading cosmetic player in Indonesia. Since 1962 Viva Cosmetics continues to develop into one of the leading cosmetics in Indonesia. Initially Viva Cosmetics was produced by a pharmaceutical company under the name of PT General Indonesian Producing Center on Jalan Karet Surabaya and changed its name to PT Paberik Pharmasi Vita in 1964. Over time, the company began developing Viva Cosmetics products whose formulas are known to be suitable for tropical climate. In addition, Viva Cosmetics is also the first cosmetic product to issue Made in Indonesia statement. The existence of Viva cosmetics happens because people already recognize Viva cosmetics products and many of the consumers are loyal to this product. Therefore, it is important for Viva cosmetics to always try to improve the customer loyalty. This study will examine the factors that significantly affect the customer loyalty to the object of research used, namely Viva cosmetics products in Surabaya through store atmosphere, service quality, product assortment, and customer satisfaction. This study will take data by distributing questionnaires containing questions to some customers who have purchased Viva cosmetics products in the past six months, which will be randomly selected in the Surabaya area, which is targeted at women and men who have used Viva cosmetics.

2. LITERATURE REVIEW

2.1 Store Atmosphere

In the study Levy and Weitz (2001) states that the Store Atmosphere aims to attract buyers who come to visit the store, retain them to linger in stores with a good atmosphere, and eventually to influence them to make a purchase. Consumers will find it easier to be satisfied and lead to purchases when the conditions of the store environment are comfortable, clean, and certainly have an attractive visual design. The results of research conducted by Lily (2014) shows that store atmosphere has a significant effect on consumer satisfaction. This occurs when the stores are able to design their stores with attractive style, the layout is easy to find, and of course the music fun, so that consumers will be pampered with a variety of features that are in the store which makes consumers feel comfortable to linger in stores. Thus, we test

the following hypothesis:

H₁: Store Atmosphere has a positive significant effect on customer satisfaction

2.2 Service Quality

Satisfied customers do not switch to another brand, so the cost in retaining customers is lower compared to acquiring new customers. These customers spread their satisfaction in a word-of-mouth manner that encouraged other people to become customers (Gronroos, 2007; Zeithaml and Bitner, 2000). Edvardsen et al., (1994) states that the measurement allowing for a comparison between before and after the change, both on the problems associated with the quality and the determination of clear standards in providing services. From these statements, we can make hypotheses that:

H₂: Service Quality has a positive significant effect on customer satisfaction.

2.2 Product Assortment

According to Wilujeng and Fakhruddin (2015), perceptions of various products are one of the variables that affect customer satisfaction. This has a positive and significant effect on customer satisfaction. This is supported by several indicators that are being research such as product variations, completeness, and product quality variations. Botti and Iyengar (2006) argue that product assortment has a special attraction for consumers because it is considered to provide many alternative choices for consumers. With a growing number of alternative options given it will encourage consumer satisfaction. According to Brown (1969), product assortment provides an opportunity for sellers and buyers to express themselves. From the point of view of sellers, sellers are able to sell a variety of products to be offered to consumers, while consumers are given the freedom to look for products that they like. From these statements, we can conclude hypotheses as follows:

H₃: Product Assortment has a positive significant effect on customer satisfaction.

2.4 Customer Satisfaction

Suh and Yi (2006) suggest that the relationship between customer satisfaction and customer loyalty is not always the same because it is influenced by several factors, one of which is the characteristics of the product itself. Customer satisfaction is one of the elements that shape customer loyalty. It can be concluded when the customer has a high sense of satisfaction on a product, it forms a high loyalty on the customer. Thus, the following hypothesis is proposed:

H₄: Customer Satisfaction has a positive significant effect on customer loyalty

2.5 Customer Loyalty

Customer loyalty is a repeat purchase made by customers because of a commitment to a particular product or brand of the company (Kotler, 2007). According to (Tjiptono, 2000), Customer loyalty is the customer's commitment to a product, store or supplier, based on a very positive aspect of long-term purchases. It can be said that, Customer loyalty is a manifestation and a continuation of customer satisfaction in terms of using the facilities and services provided by the company and to remain as the consumer of the company. From the explanation above it can be interpreted that loyalty to a certain product is obtained because of a combination of satisfaction and complaints.

3.   RESEARCH ISSUE AND METHODOLOGY

3.1 Research Issue

The method used in this research is quantitative research. The population used is all customers (Kotler and Armstrong, 2009), of Viva that has purchased and used Viva products over the past 6 months, assuming that customers of that age already have their own income to purchase Viva products without the need for other people's opinion, so they can be assumed to be homogeneous. The questionnaire was given to Viva customers so that the respondents selected would be in accordance with what the researchers expected. The characteristics of respondents determined were male and female, domiciled in Surabaya, aged between 16 and 80 (Kotler and Armstrong, 2009), have visited and purchased Viva products about 2 times in the past 6 months, have used Viva product for at least the past 6 months, and know of other similar products besides Viva. We use 150 respondents in this research.
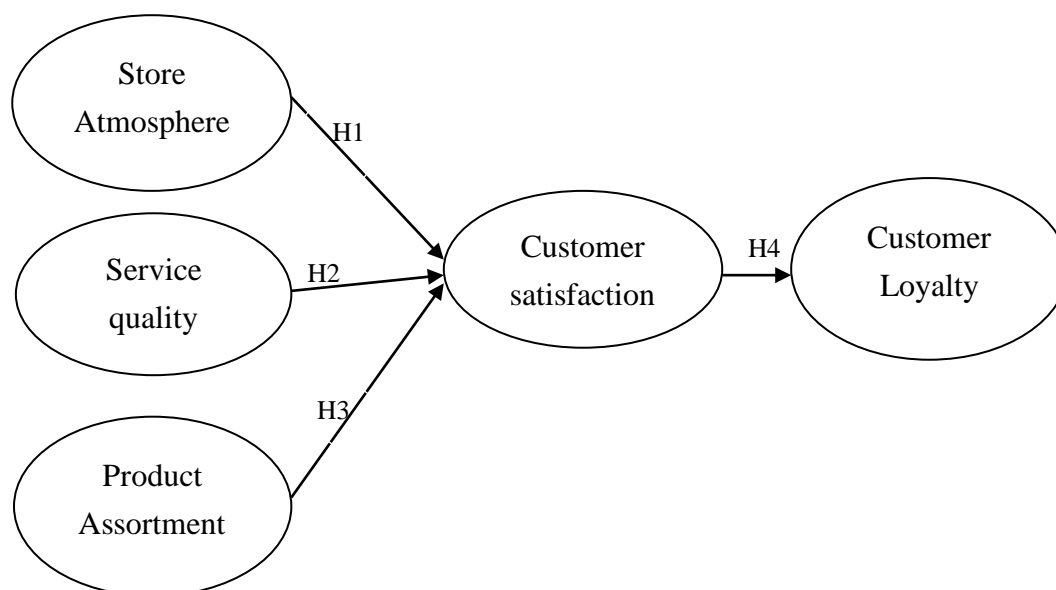

Figure 1. Research Model (Source: Analysis, 2020)

4. FINDING AND DISCUSSION

4.1 Findings

This study used Multiple Regression to test relation between the variables. Statistical analysis tool used to answer the problem formulation of this research is SPSS 22.0. Once the questionnaires were returned, the next step that must be conducted is descriptive statistic-analysis.

In Table 1, it shows that respondents who fill out questionnaires are mostly done by women, this can be seen from 150 respondents are women.

Table 1. Respondents Characteristic by Gender				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	150	100	100	100
	Total	150	100.0	100.0	
Source: SPSS, 2020					

From the results in Table 2, it can be seen that the characteristics of respondents based on age are dominated by age group 18-35 which is 85 respondents (56.6%), followed by 36-50 age group which is 51 respondents (34.1%), and last age group which is online travel agent users and become respondents ie age group 51-60 which is 14 respondents (9.3%). This shows that the majority of respondents are in the age subgroup of generation X and Y and baby boomers, the last are from the senior age group.

Table 2. Respondents Characteristic by Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 35	85	56.6	56.6	56.6
	36 - 50	51	34.1	34.1	90.7
	51 - 60	14	9.3	9.3	100.0
	Total	150	100.0	100.0	
Source: SPSS, 2020					

Table 3. Descriptive Statistics			
	N	Mean	Std. Deviation
SA1	150	3.700	.7486
SA2	150	3.673	.7463
SA3	150	3.687	.7340
SA	150	3.686	.6430
SQ1	150	3.893	.7521
SQ2	150	3.887	.8154
SQ3	150	3.733	.8328
SQ4	150	3.673	.8151
SQ	150	3.796	.71852
PA1	150	3.820	.8752
PA2	150	3.833	.8625
PA3	150	3.853	.8622
PA	150	3.835	.6795
CS1	150	3.720	.6963
CS2	150	3.713	.7079
CS3	150	3.380	.8165
CS	150	3.604	.6098
CL1	150	3.680	.6379
CL2	150	3.660	.7582
CL3	150	3.720	.7429
CL	150	3.686	.6084
Valid N (listwise)	150		
Source: SPSS, 2020			

Based on the results from data processing in table 3, it shows that all average score of the mean for overall indicator is above 3.61. It shows that all indicators of variables that tested can be perceived positive by all respondents. In addition, the standard deviation is under 2.0. It shows that the answers given by respondents are homogeneous or relatively the same. It is known that the highest mean average is product assortment is 3.835. It may indicate that the indicators of product assortment are best perceived by the respondents than other variables. Product assortment has the highest score for standard deviation, that is 0.68. It may indicate that the answers given by respondents for product assortment are the least homogeneous compared with other variables.

Before going for *Single Regression* and *Multiple Regression* testing, first steps that

must be conducted is the testing of the validity and reliability to prove that the data from the questionnaire is valid, reliable and able to be used for the next analysis.

4.1.1 Validity Test

The criteria for validity test is for the factor loading to be higher than 0.160, then the statement is considered valid, however, if the value of the factor loading is less than the 0.160, then the statement is considered invalid or failed. Based on the test of the data validity, it is prove that all indicators used to estimate each variable are valid, since the value of the factor loading for every questions are more than 0.160.

Indicator	FL	Indicator	FL	Indicator	FL	Indicator	FL	Indicator	FL
Table 4. Validity Test									
Store Atmosphere		Service Quality		Product Assortment		Customer Satisfaction		Customer Loyalty	
SA1	.732	SQ1	.857	PA1	.677	CS1	.770	CL1	.582
SA2	.648	SQ2	.811	PA2	.653	CS2	.545	CL2	.695
SA3	.698	SQ3	.782	PA3	.237	CS3	.487	CL3	.713
		SQ4	.782						
Source: SPSS, 2020									

4.1.2 Reliability Test

Reliability test is done by comparing cronbach's alpha value, if the value is higher than   0.6, then the   statement is considered reliable.

Table 5. Reliability Test	
Variable	**Cronbach's Alpha Based on Standardized Items**
Store Atmosphere	.832
Service Quality	.917
Product Assortment	.686
Customer Satisfaction	.768
Customer Loyalty	.809
Source: SPSS, 2020	

From the table 5, it is proven that all variables having the Cronbach alpha value higher than 0.60. So, it can be concluded that the statements developed for the variables can be said to be consistent/reliable and can be used for further analysis.

4.1.3 Results of Multiple Regression

1. Store Atmosphere, Service Quality, and Product Assortment to Customer Satisfaction

The results of multiple regression are as follows:

Table 8. Coefisien Regression Model 1						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	.157	.335		.470	.639
	SA	.218	.059	.230	3.707	.000
	SQ	.346	.053	.407	6.500	.000
	PA	.347	.056	.387	6.163	.000
a. Dependent Variable: CS						
Source: SPSS, 2020						

From table 8, the regression equation can be written as follows:

$$CS = b1SA + b_2SQ + b_3PA$$
$$CS = 0.230SA + 0.407SQ + 0.387PA$$

Based on table 8, all the independent variables have positive influence towards customer satisfaction. Product Assortment has the greatest regression coefficient compare to other variables, that is 0.407. Therefore, Product Assortment is the most influential variable to customer satisfaction. In the other side, store atmosphere has the smallest effect on customer satisfaction, that is 0.230.

2. Customer Satisfaction to Customer Loyalty

Based on table 9, customer satisfaction has positive influence towards customer loyalty with coefficient 0.520.

From table 9, the regression equation can be written as follows:

$$CL = b4CS$$
$$CL = 0.520CS$$

Table 9. Coefisien Regression Model 2

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.817	.256		7.096	.000
	CS	.519	.070	.520	7.403	.000
a. Dependent Variable: CL						

Source: SPSS, 2020

4.1.4 F-test

Based on the calculation of SPSS, the significance of F test value in the model 1 and model 2 are 0.000, this mean H0 is rejected, so it can be concluded each model's independent variables together influencing dependent variable significantly.

Table 10. Result of F-test 1

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.543	3	8.181	38.685	.000[b]
	Residual	30.876	146	.211		
	Total	55.419	149			
a. Dependent Variable: CS						
b. Predictors: (Constant), PA, SA, SQ						

Source: own calculation

Table 11. Result of F-test 2

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.907	1	14.907	54.804	.000[b]
	Residual	40.256	148	.272		
	Total	55.162	149			
a. Dependent Variable: CL						
b. Predictors: (Constant), CS						

Source: SPSS, 2020

4.1.5 t-test

1. Store Atmosphere, Service Quality, and Product Assortment to Customer Satisfaction

The t test is used to determine whether the independent variables of Store

Atmosphere, Service Quality, and Product Assortment partially (independently) have significant influence on Customer Satisfaction. If the value of t test is below 0.05, then it can be stated that the variable is significantly influenced by partially. From table 12, it can be seen that Store Atmosphere, Service Quality, and Product Assortment partially (independently) have significant influence on Customer Satisfaction.

Table 12. Result of t-test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.157	.335		.470	.639
	SA	.218	.059	.230	3.707	.000
	SQ	.346	.053	.407	6.500	.000
	PA	.347	.056	.387	6.163	.000
a. Dependent Variable: CS						
Source: SPSS, 2020						

2. Customer Satisfaction to Customer Loyalty

The t test is used to determine whether the independent variables of Customer Satisfaction partially (independently) have significant influence on Customer Loyalty. If the value of t test is below 0.05, then it can be stated that the variable is significantly influenced by partially. From table 13, it can be seen that Customer Satisfaction partially (independently) have significant influence on Customer Loyalty.

Table 13. Result of t-test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.817	.256		7.096	.000
	CS	.519	.070	.520	7.403	.000
a. Dependent Variable: CL						
Source: SPSS, 2020						

4.2 Discussion

The results of this study shows that variables Store Atmosphere, Service

Quality, and Product Assortment, have positive and significant effects on Customer Satisfaction. Also, Customer Satisfaction have positive and significant effect on Customer Loyalty. So, the conclusion is that from four proposed hypotheses, all hypotheses are supported.

The first hypothesis stating that Store Atmosphere has a positive significant effect on Customer Satisfaction is supported. The first hypothesis stating that Store Atmosphere has a positive effect on Customer Satisfaction is supported because the t test value is 0.000, below 0.05. It shows the consistency results of this study with Lily (2014) that states that Store Atmosphere have a significant positive effect on Customer Satisfaction.

The second hypothesis stating that Service Quality has a positive significant effect on Customer Satisfaction is supported. The second hypothesis stating that Service Quality has a positive effect on Customer Satisfaction is supported because the t test value is 0.000, below 0.05. It shows the consistency results of this study that Service Quality affects Customer Satisfaction (Zeithaml and Bitner, 2000)

The third hypothesis stating that Product Assortment has a positive significant effect on Customer Satisfaction is supported. The third hypothesis stating that Product Assortment has a positive effect on Customer Satisfaction is supported because the t test value is 0.000, below 0.05. It shows the consistency results of this study that Product Assortment affects Customer Satisfaction (Wilujeng and Fakhruddin, 2015).

The fourth hypothesis stating that Customer Satisfaction has a positive significant effect on Customer Loyalty is supported. The fourth hypothesis stating that Customer Satisfaction has a positive effect on Customer Loyalty is supported because the t test value is 0.004, below 0.05. It shows the consistency results of this study that Customer Satisfaction affects Customer Loyalty (Suh and Yi, 2006).

5. CONCLUSION

This model was developed in order to research Customer Loyalty for Viva products in Surabaya. This research finds relationships between Store Atmosphere, Service Quality, Product Assortment, and Customer Satisfaction to Customer Loyalty where the Customer Satisfaction variable was influenced by the variable Store Atmosphere, Service Quality, and Product Assortment. From four hypotheses formulated in this research, all hypotheses are supported.

Store Atmosphere will positively affect Customer Satisfaction. The results of the model analysis that has been done in this study shows that Store Atmosphere has a positive effect on Customer Satisfaction. This positive relationship occurs when the store is able to provide good facilities such as the layout of items that are easy to find, shop cleanliness is maintained, and also other factors such as fragrant odour will make

customers satisfied when they are in the store when going to purchase goods.

Service Quality will positively affect Customer Satisfaction. The results of the model analysis that has been done in this study shows that Service Quality has a positive effect on Customer Satisfaction. From the results of the study, it was found that at the time Service Quality Viva was able to provide the best services such as workers who were able to be relied on, know well the products sold, were able to answer consumer questions well, and were also friendly to consumers. Then it will increase Customer Satisfaction, when customers feel satisfied, there will be repeat purchase in the future.

Product Assortment will positively affect Customer Satisfaction. The results of the model analysis that has been done in this study shows that Product Assortment has a positive effect on Customer Satisfaction. When customers are given many choices in choosing goods, especially the items provided are of course diverse and have different functions and effects, so customers tend to have a positive impression on a store. From the results of the study, it was found that Viva Cosmetics Product Assortment, namely the products offered varied, met the needs of consumers, and of course goods sold in various ways depending on the customer's skin, it will increase Customer Satisfaction.

Customer Satisfaction will positively affect Customer Loyalty. The results of the model analysis that has been done in this study shows that Customer Satisfaction has a positive effect on Customer Loyalty. Based on research examined by Tunjungsari et al., (2016) which shows that a customer loyalty to a product produced by the company is formed when consumers are satisfied with the product. This means that consumers will repurchase more than one purchase and will recommend to friends or family. From the results of the study, it was found that in the case of Customer Satisfaction on Viva Cosmetics; customers were satisfied with the services provided, customers were satisfied with their decision to make purchases at Viva Cosmetics, customers were satisfied with the quality of Viva Cosmetics products.

6. RESEARCH LIMITATION

This study has limitation which is only examining in Indonesia, especially in Surabaya only. Future study can conduct comparative studies between Indonesia and other countries where there are cultural differences that can add to research attractiveness. Also, this research only uses Viva Cosmetics as research object. Using other cosmetics companies can produce different results.

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