FINAL PAPER

FACTORS INFLUENCING EFFECTIVE DECISION MAKING OF CONSUMERS IN ETUDE HOUSE SURABAYA
(Study on Etude House Consumers in Surabaya)

Submitted as a final requirement to obtain the degree of Sarjana Ekonomi Strata Satu

By:

NAME : DIANA PUSPA DEWI ROYANTO
NPM : 01120120023

PROGRAM STUDI MANAJEMEN
FAKULTAS EKONOMI
UNIVERSITAS PELITA HARAPAN
SURABAYA
2015
I, a student of International Business Management Study Program, Faculty of Economy, Universitas Pelita Harapan Surabaya with the following:

Student name: Diana Puspa Dewi Royanto
NPM: 01120120023
Department: Manajemen

Hereby declare that the Thesis Proposal that I have written, titled “FACTORS INFLUENCING EFFECTIVE DECISION MAKING OF CONSUMERS IN ETUDE HOUSE SURABAYA” (Study on Etude House Consumers in Surabaya) is:

1) Written and completed by myself using lecture materials, field research, textbooks, and journals listed in the references sections of this Final Paper.
2) Not a duplication of published final paper or thesis used for obtaining the Bachelor’s degree from other universities, except for the review of literature with proper reference citation; and
3) Not a translation of a book or journal listed in the references section of this Final Paper.

If I am proven for not being truthful, this Thesis Proposal will be invalid or cancelled.

Surabaya, 17 November 2015
Declared by.

Diana Puspa Dewi Royanto
AGREEMENT OF MENTORING GUIDANCE FOR THESIS PROPOSAL

FACTORS INFLUENCING EFFECTIVE DECISION MAKING OF CONSUMERS IN ETUDE HOUSE SURABAYA
(Study on Consumers of Etude House in Surabaya)

By:
Name : Diana Puspa Dewi Royanto
NPM : 01120120023
Department : Manajemen

Has been checked and recommended for final and comprehensive oral defense in order to obtain the degree of Sarjana Ekonomi at Fakultas Ekonomi, Universitas Pelita Harapan Surabaya.

Surabaya, 17 November 2015
Agreed;
Advisor

Co-Advisor

Dr. Ronald, S.T., M.M.
Oliandes Sondakh, S.E., M.M.

Head
Amelia, S.E., M.M.
Program Studi Manajemen

Dean
Dr. Ronald, S.T., M.M.
Fakultas Ekonomi
On Monday, 14 December 2015, this Thesis has been examined in a comprehensive oral presentation to fulfill one of the academic requirements to obtain the degree of Sarjana Ekonomi at Fakultas Ekonomi, Universitas Pelita Harapan Surabaya:

Name : Diana Puspa Dewi Royanto  
NPM : 01120120023  
Department : Manajemen

The members of the Examination Committee involved in the comprehensive oral examination of this Final Paper titled:  
"FACTORS INFLUENCING EFFECTIVE DECISION MAKING OF CONSUMERS IN ETUDE HOUSE SURABAYA" (Study on Etude House Consumers in Surabaya) were the following:

<table>
<thead>
<tr>
<th>Name</th>
<th>Status</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dr. Ronald, S.T., M.M.</td>
<td>as Head of the Committee and Thesis Advisor</td>
<td></td>
</tr>
<tr>
<td>2. Hananiel M. Gunawan, BA., MBA.</td>
<td>as member of the committee</td>
<td></td>
</tr>
<tr>
<td>3. Hastuti Naibaho, SE., M.Si.</td>
<td>as member of the committee</td>
<td></td>
</tr>
</tbody>
</table>
ACKNOWLEDGEMENTS

First and foremost, gratitude and praise to God, the almighty. His endless blessings and guidance throughout the research has given the author the capability to finish this study entitled “Factors Influencing Effective Decision Making of Consumers in Etude House Surabaya” successfully to fulfill the requirements to achieve a Bachelor’s degree in Economy majoring in International Business Management in the Faculty of Business School of Pelita Harapan University Surabaya.

The author would like to take this opportunity to give immeasurable appreciation and deepest gratitude for the help and support are extended to the following persons who in one way or another have contributed in making this study possible.

1. Dr. Ronald S., S.T., M.M. as the Vice Rector, Dean, and Main Thesis Advisor. Dr. Ronald has been supportive and responsive in times of need during my research. Despite his busy schedule, he always had time to help out and provide good advice in order to improve the thesis. I would like to thank Dr. Ronald for the support, encouragement, and guidance throughout the study and the years spent at UPH.

2. Oliandes Sondakh, S.E., M.M. as the Second Thesis Advisor. Mam Oli has been a great motivator and support for me. Thank you so much for taking your time with me and being patient throughout the process of making the final paper. Thank you for replying fast and providing time from your busy schedule to help me even though I may be slow and difficult to understand. You have made it so much easier to understand the difficult vocabulary and explain to me in simple yet memorable terms.

3. Yanuar Dananjaya, B.Sc., M.M. as the Academic Advisor of International Business Management. Pak Yanuar has been a great help to the class by proving information about important dates and deadlines. Thank you for being patient and letting me help out with your study even though I may have not done the greatest job. I appreciate your help and willingness to give me work.
4. Hananiel M. Gunawan, B.A., MBA as one of the panelists. Thank you for the tricky questions and a great sense of humor. You made the presentation a bit easier to go through despite the tension.

5. Amelia, S.E., M.M. as the Head of Program. Thank you for your attentiveness and precision during the process of creating the final paper. Thank you for providing us time to teach us about SPSS and doing it with patience.

6. Hastuti Naibaho, S.E., M.Si., as one of the panelists. Thank you for your challenging questions and inspiring lectures during the Psychology of Service Class. Although the presentation was nerve-wracking, you gave me good criticism.

7. Lecturers at UPH whom I haven’t mentioned. Thank you for making my time at UPH a memorable one. I enjoyed the close knit relationships with the lecturers. I feel that the lecturers truly care and want to see their students succeed. I know I could never get the same experience anywhere else.

8. Staff at UPH Surabaya. Thank you for helping me with the complex process of administration of the final paper, handling our paperwork, and dealing with the students in general. Their deadlines make the final paper possible and I would also like to thank them for their discipline.

9. My family. Thank you for raising me and dealing with me even though I can be a pain. I hope this made you proud. Thank you for giving me space and motivation. Most of all, thank you for providing me with all that I have today. If it weren’t for you, I wouldn’t be here right now.

10. Marco <3 & Simba. Thank you for making time for me and spending time with me when I got too stressed out. Thanks for accompanying me and doing our final papers together. You motivated me and encouraged me to do better. Thank you for your love and care. You were one of my highlights of my year and more to come.

11. IBM 2012. I mean it when I said I love you all and I will forever cherish our friendship. Throughout the years, I saw each side of you both the worst and the best. I’m so grateful to have met you all. Thank you for
being my cornerstone and motivation. You build me up when I’m down and constantly challenge me to be a better version of myself.

a. Elizabeth: Thank you for always helping me no matter what. I don’t think I would’ve passed if it weren’t for you LOL. You’re a special person and I believe you can go far in this life.

b. Joe: Sometimes you annoy me, but you’ve always had my best interest. Thank you for always telling me the truth even though it hurts. You’re full of great ideas and I’m grateful for a friend like you.

c. David: Your words cut like knives but you are pure at heart. Thank you for always looking out for me and doing me favors that no one else wouldn’t. You’re a cool dude. Thanks for the late night hang out sessions with Joe.

d. Theo: Surabaya if she was a female. Thank you for accompanying me when no one else was there for me, literally. You’re always happy and see the positive in others. You give me great advice and see things from my side.

e. Dhui: A bit weird but you’re fun to be around. Thank you for making me laugh and doing crazy stuff. We always have the weird conversations and thank you for your willingness to help me during difficult times.

f. Steph: I think I’ve said it so many times but thank you for being a genuine friend who tells me when I’m wrong and praises me when I do well. I’m sorry if I couldn’t do the same for you. Thank you for helping me and being there for me when I needed to talk. You could always understand me even when the world doesn’t.

g. Jason: You have a strange personality but you have so much ahead of you. Thank you for being straightforward and telling me the truth as well. Sometimes you’re aloof but then you can be a great friend as well. Sorry if I was mean to you in any way.

h. Vendy: Thanks for everything. You helped me study so much during the 1st semester, if it weren’t for you, I wouldn’t know what
to do. Thanks for tolerating my mood swings, making jokes, and listening to me when I had problems. Gesy: We don’t see each other often but thank you for the short time we had at UPH, you were great company and a great friend until now. Chilla: Thanks for randomly talking to me and still remembering me even though you’re famous now

i. Alex: Thanks for the time you helped me with business statistics. You taught me well and loved to share your knowledge with everyone. Thank you for being kind and helping others in need.

12. Management 2012: Grace, Kartika, Novita, Jeffry, Andre: Thank you for being great company and the openness towards me. You guys were nice to me and I truly appreciate that. Rian, Savaro, Hendy, Ivan, Steven: We are completely different but I always found comfort in your group of friends. Rian, thanks for being a friend to me and being able to hang out and share stuff with me, I’m grateful for our friendship and times we spent.

13. ICA: Sheleen, Levina, Fish, Cindy, Kathleen, Cynthia, Wiky, Renee, Phil, Singgih, Ardo & Sara, Ce Yulia, Natalia: Thank you guys for being there for me throughout the stress and happy times. You’ve given me good advice and gave me the confidence to go through the final paper. I knew some of you for only a short time, but I feel very close to all of you.

14. Alumni UPH, Rabia, San, Lois: Rabia, you’ve built me up and gave me so much faith. I truly appreciate our occasional girl talks. I wish I met you earlier but I’m thankful to know you now. Lois, I don’t think I’ve ever met anyone who had such a positive attitude towards everything. Thank you for motivating me and giving me advice on how to deal with problems and stress. San, you were there when we worked on our final papers. Thanks for just being there and being great company.

15. Ciputra People: Nadiarani: You deserve a higher spot, but I’m sure you wouldn’t mind. Thanks for being my distraction (in a good way). When I was so stressed out, going out with you cleared my mind and gave me more space to deal with the paper. You listened to me no matter what and your jokes were hilarious. Cleantha: I don’t think I talk to you enough, but
thank you so much for asking me sometimes how I’m doing and checking on me. You don’t know how much that makes me happy, so thank you. Felisa: We don’t talk often but I always love our conversations. You are so interesting to listen to. Just thanks for being a friend to me throughout the years. Astrid & Johan, Dhiky, Lukito: Thanks for keeping up to date with me and knowing how I was doing.

16. Everyone else I forgot to mention. If I forgot, I apologize sincerely. Anyways, thank you.

Surabaya. 13 January 2016

Diana Royanto
# TABLE OF CONTENTS

COVER .................................................................................................................. i
STATEMENT OF ORIGINALITY ................................................................. ii
AGREEMENT OF MENTORING GUIDANCE FOR FINAL PAPER ...... iii
FINAL PAPER EXAMINATION COMMITTEE ............................................ iv
ABSTRACT ......................................................................................................... v
ACKNOWLEDGEMENTS ............................................................................... vi
TABLE OF CONTENTS .................................................................................. xi
LIST OF TABLES .............................................................................................. xv
LIST OF FIGURES ......................................................................................... xvi
LIST OF APPENDICES ................................................................................... xvii

## CHAPTER I INTRODUCTION

1.1 Background of the study ............................................................................ 1
1.2 Research problems .................................................................................. 6
1.3 Research objectives ................................................................................ 7
1.4 Research contribution ............................................................................ 8
   1.4.1 Theoretical Advantages ............................................................. 8
   1.4.2 Empirical Advantages ............................................................... 8
1.5 Research limitations .............................................................................. 8
1.6 Research outline .................................................................................... 9

## CHAPTER II REVIEW OF RELATED LITERATURE

2.1 Cosmetics: An Overview ........................................................................ 10
2.2 Social Structure .................................................................................... 12
2.3 Perceived Risk ...................................................................................... 13
2.4 Opinion Leaders ................................................................................... 14
2.5 Personal Information Source ............................................................... 16
2.6 Communication Medium...................................................................... 17
2.7 Word-of-Mouth .................................................................................... 20
2.8 Effective Decision Making ................................................................... 21
2.9 Relation among variables .................................................................... 21
   2.9.1 The Influence of Social Structure on Personal Information Source .............................................. 21
   2.9.2 The Influence of Communication Medium on Personal Information Source.......................... 22
   2.9.3 The Influence of Opinion Leaders on Personal Information Source

x
2.9.4 The Influence of Communication Medium on Perceived Risk .................................................. 23
2.9.5 The Influence of Opinion Leaders on Perceived Risk .......... 24
2.9.6 The Influence of Social Structure on Word-of-Mouth..... 24
2.9.7 The Influence of Communication Medium on Word-of-Mouth ............................................. 25
2.9.8 The Influence of Opinion Leaders on Word-of-Mouth.... 25
2.9.9 The Influence of Personal Information Source on Effective Decision Making ....................................... 26
2.9.10 The Influence of Perceived Risk on Effective Decision Making ............................................. 26
2.9.11 The Influence of Word-of-Mouth on Effective Decision Making .................................................. 27

2.10 Theoretical Framework ........................................... 28
2.11 Operational Framework ........................................... 29
2.12 Hypotheses of Study .................................................. 30

CHAPTER III RESEARCH METHODOLOGY

3.1 Research Design ...................................................... 31
3.2 Research Variables .................................................... 31
3.2.1 Operational definitions ........................................... 31
3.2.2 Variable to be tested .............................................. 33
3.2.3 Levels of Measurement and Scaling Techniques .............. 34
3.3 Method of Data Collection ........................................... 34
3.3.1 Sources of Data ..................................................... 34
3.3.2 Sample and sampling plan ........................................ 35
3.3.3 Research instruments .............................................. 36
3.4 Methods of Data Analysis ........................................... 36
3.4.1 Validity Test ......................................................... 36
3.4.2 Reliability Test ....................................................... 37
3.4.3 Classical Assumption Test ......................................... 37
3.4.3.1 Normality Test ................................................... 37
3.4.3.2 Homoscedasticity Test .......................................... 37
3.4.3.3 Linearity Test .................................................... 38
3.4.3.4 Multicollinearity Test ........................................... 38
3.4.4 Multiple Linear Regression Analysis ............................. 38
3.4.5 Coefficient of Correlation (r) ...................................... 40
3.4.6 Coefficient of Determination (R^2) .............................. 41
3.4.7 Hypothesis testing .................................................. 41
3.4.7.1 F-test .......................................................... 41
3.4.7.2 t-test .......................................................... 41
CHAPTER IV RESULTS AND DISCUSSIONS

4.1 Description of Etude House ......................................................... 43
4.2 Data Analysis .............................................................................. 44
  4.2.1.1 Descriptive Statistics of Respondents’ Age .................. 44
  4.2.1.2 Descriptive Statistics of Respondents and Social Media. .................................................. 45
4.2.2 Descriptive Statistics ................................................................. 45
  4.2.2.1 Descriptive Statistics of Social Structure .................. 46
  4.2.2.2 Descriptive Statistics of Perceived Risk .................. 47
  4.2.2.3 Descriptive Statistics of Opinion Leaders .................. 49
  4.2.2.4 Descriptive Statistics of Personal Information Source. .................................................. 51
  4.2.2.5 Descriptive Statistics of Communication Medium ...... 53
  4.2.2.6 Descriptive Statistics of Word-of-Mouth .................. 55
  4.2.2.7 Descriptive Statistics of Effective Decision Making ...... 57
4.2.3 Validity Test ............................................................................ 58
4.2.4 Reliability Test ......................................................................... 60
4.2.5 Classical Assumption Test of Normality ............................... 61
4.2.6 Classical Assumption Test of Homoscedasticity .................. 64
4.2.7 Linearity .................................................................................. 66
4.2.8 Multicollinearity Test Results .................................................. 67
4.2.9 The influence of Social Structure, Communication Medium and Opinion Leaders on Personal Information Source (H₁, H₂, H₃) .................................................. 68
4.2.10 The influence of Communication Medium and Opinion Leaders on Perceived Risk .................................................. 69
4.2.11 The influence of Social Structure, Communication Medium, and Opinion Leaders on Word-of-Mouth (H₆, H₇, H₈) .................................................. 70
4.2.12 The influence of Personal Information Source, Perceived Risk, and Word-of-Mouth on Effective Decision Making .................................................. 70
4.2.13 Hypothesis Testing ................................................................. 71
4.3 Discussion ................................................................................... 73
  4.3.1 Analysis of Social Structure .................................................. 73
  4.3.2 Analysis of Perceived Risk .................................................... 75
  4.3.3 Analysis of Opinion Leaders .................................................. 76
  4.3.4 Analysis of Personal Information Source .......................... 78
  4.3.5 Analysis of Communication Medium ................................. 80
  4.3.6 Analysis of Word-of-Mouth .................................................. 81
  4.3.7 Analysis of Effective Decision Making ............................ 83
  4.3.8 Analysis of the influence of Social Structure, Communication Medium, and Opinion Leaders on Personal Information Source (H₁, H₂, H₃) .................................................. 84
  4.3.9 Analysis of the influence of Communication Medium and Opinion Leaders on Perceived Risk (H₄, H₅) .................................................. 88
  4.3.10 Analysis of the influence of Social Structure, Communication Medium, and Opinion Leaders on Word-of-Mouth (H₆, H₇, H₈) .................................................. 90
  4.3.11 Analysis of the Influence of Personal Information Source,
CHAPTER V SUMMARY, CONCLUSION, AND RECOMMENDATION

5.1 Summary .............................................................................................................97
5.2 Conclusions .........................................................................................................100
5.3 Recommendations ..............................................................................................101
  5.3.1 For Etude House .........................................................................................101
  5.3.2 Recommendation for future research .........................................................104

REFERENCES ............................................................................................................105

APPENDICES
LIST OF TABLES

Table 1 Variables and Indicators.................................................................33
Table 2 Interpretation of r value..................................................................41
Table 3 Categories of Respondents’ Answers..............................................45
Table 4 Mean rating and Standard Deviation of Each Indicator of Social Structure .....................................................................................45
Table 5 Mean rating and Standard Deviation of Each Indicator of Perceived Risk .........................................................................................46
Table 6 Mean rating and Standard Deviation of Each Indicator of Opinion Leaders .........................................................................................48
Table 7 Mean rating and Standard Deviation of Each Indicator of Personal Information Source .................................................................50
Table 8 Mean rating and Standard Deviation of Each Indicator of Communication Medium ..................................................................................52
Table 9 Mean rating and Standard Deviation of Each Indicator of Word of Mouth .........................................................................................54
Table 10 Mean Rating and Standard Deviation of Each Indicator of Effective Decision Making ..............................................................56
Table 11 Validity Test Results ......................................................................58
Table 12 Reliability Test Results .................................................................60
Table 13 One Sample Kolmogorov-Smirnov Test Results .........................62
Table 14 Homoscedasticity Test Results ......................................................65
Table 15 Linearity Test Results ....................................................................66
Table 16 Multicollinearity Test Results .......................................................67
Table 17 Multiple Linear Regression of Social Structure, Communication Medium, Opinion Leaders on Personal Information Source ........67
Table 18 Multiple Linear Regression of Communication Medium and Opinion Leaders on Perceived Risk ..................................................68
Table 19 Multiple Linear Regression of Social Structure, Communication Medium, Opinion Leaders on Word-of-Mouth..............................69
Table 20 Multiple Linear Regression of Social Structure, Communication Medium, Opinion Leaders on Personal Information Source ....69
LIST OF FIGURES

Figure 1  Theoretical Framework  .................................................................28
Figure 2  Operational Framework .................................................................29
Figure 3  Pie Graph of the Respondents’ Age classified into groups ........43
Figure 4  Pie Graph of Social Networks used by the Respondents ..........44
Figure 5  Normal Probability Plot for Indicators of Social Structure,
Communication Medium, and Opinion Leaders to Personal
Information Source ..................................................................................60
Figure 6  Normal Probability Plot for Indicators of Communication Medium
and Opinion Leaders to Perceived Risk ..................................................61
Figure 7  Normal Probability Plot for Indicators of Social Structure,
Communication Medium, and Opinion Leaders to
Word-of-Mouth ....................................................................................61
Figure 8  Normal Probability Plot for Indicators of Personal Information
Source, Perceived Risk, Word-of-Mouth to Effective Decision
Making ....................................................................................................62
Figure 9  Scatterplot for Social Structure, Communication Medium, and
Opinion Leaders to Personal Information Source ................................63
Figure 10 Scatterplot for Communication Medium, and Opinion Leaders to
Perceived Risk ....................................................................................64
Figure 11 Scatterplot for Social Structure, Communication Medium, and
Opinion Leaders to Word-of-Mouth .......................................................64
Figure 12 Scatterplot for Personal Information Source, Perceived Risk, and
Word-of-Mouth to Effective Decision Making ......................................64
LIST OF APPENDICES

Appendix A  Questionnaire in English ......................................................... A-1
Appendix B  Questionnaire in Bahasa Indonesia ........................................ B-1
Appendix C  Results from SPSS ................................................................. C-1