Factors Influencing Effective Decision Making of Consumers in Etude House Surabaya (Study on Etude House Consumers in Surabaya)

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ABSTRACT
As beauty becomes an important aspect and the industry is growing, Korean cosmetics are trending all over the world with their advanced and developed technology and ingredients. In Southeast Asia, particularly Indonesia, Korean cosmetics is becoming the latest beauty trend that people are adding to their beauty routines. Therefore, the researcher has planned to analyze the factors influencing Effective Decision Making of Consumers in Etude House Surabaya.

One hundred respondents were given a questionnaire using a six point Likert Scale. Eleven hypotheses were analyzed using the multiple regression models. The result of this study showed that independent variables Social Structure, Opinion Leaders towards Personal Information Source, Perceived Risk, and Word-of-Mouth as intervening variables to Effective Decision Making had a positive and significant effect whereas independent variable Communication Medium towards the intervening variables was negative and insignificant.

The recommendation for future researchers is to add or change the variables in this study to see from different perspectives and gain new insight. For Etude House, this study can be used for evaluation purposes to further improve their marketing strategies and learn more about their consumer behavior.

Keywords: Beauty industry, Effective decision making, Consumer Behavior, Etude House

A. INTRODUCTION
For many years, beauty has been an important part for women. To appear beautiful, women choose beauty products to accentuate their features and use skincare for their face. This has made the beauty industry a large industry with vast growth over the years because beauty has become an important part of their daily lives. Roughly about 4.5% growth on average every year, it has been able to achieve stable and continuous growth despite unfavorable economic conditions such as recession (Lopaciuk & Loboda, 2013). With a vast industry filled with various brands, the beauty industry provides consumers with a large amount of choices to choose from. People have different preferences and conditions that brands are constantly catering to in order to feed the need of consumers (Loden, 2000).

The growth of the beauty industry has become dynamic and innovative due to globalization and constantly developing advanced technology. Easy air travel has given rise to a global fashion industry, and looks conceived of in one country can quickly become the desired style around the world. The Internet had made it easier for tips, tricks, reviews, recommendations, and even warnings to circulate at light speed among the world’s connected consumers. The emerging markets may be changing their routines so often because they are inspired by the globally dynamic world of beauty.

Since the era of K-Pop and K-Drama, Korea’s pop culture are quickly becoming a craze for millions of people. The term used by Koreans for this phenomenon is called “Hallyu”. Hallyu refers to the Korean Wave of entertainment that has affected almost all the countries in the region even beyond that. However, Korean expanding is far beyond only music and movie. Another interest they are expanding in is in the fashion and lifestyle industry particularly in cosmetics. The Korean cosmetic industry is slowly dominating the domestic market upfront than foreign brands; with an explosion of popularity overseas (Lizzie, 2013).

According to a report by the Korea Customs Service in December 2013 about current
export trends of major commodities in the midst of the Korean wave, cosmetics exports in Korea has shown significant increase, enlisting them at the center of the Korean wave. Particularly, skincare exports also showed an explosive growth with an impressive percentage of 1500% over the past 15 years (1998-2012). Which accounted 61% of commodity exports exemplify the popularity and quality of skincare and cosmetic products of Korea. Cosmetic brands of Korea are growing at a rapid pace in the global market with interest in Korean culture credits to innovative products, beauty trends, quality and affordability which catch the attention of global customers (Seung-hwan, 2014), one of them is Etude House.

Etude Corporation is a subsidiary of the Amore Pacific Group, which is one of the biggest cosmetic companies in Korea. Amore Pacific has claimed to reach 15 trillion won in sales and its aim is to become the number one cosmetics company in Asia also to become one of the world’s top five brands by 2020. According to Women’s Wear Daily, the company ranked as the world’s 17th biggest cosmetics company in sales. Amore Pacific has operated over 2,900 stores of their five brands (Sulhwassoo, Laneige, Mamonde, Innisfree, and Etude House) since entering the market in 1992 (Lee, 2014).

Etude offers a variety of eye shadows, eye mascaras, eye liners, eye brow products, and eye primers; lipsticks, lip glosses, lip tints, lip care products, etc; face products such as BB/CC/Foundations, powder/pacts, primers/bases, and cheek highlighter products; nail products, skincare products such as masks, sun care products, cleaning products and more. They offer products through retail stores in Korea and internationally. They also sell their products online. Prior to this, Etude Corporation was known as Oscar Corporation and changed their name to Etude in 1997.

These days, for a consumer there is possibly more than one option or alternatives available for making decision. This reflects the complexity in the consumer decision making. With the passage of time, the effective decision making is becoming difficult for the consumers because of the many alternatives and options to choose from. Therefore, the marketers are in the continuous search to investigate the factors that influence consumer to make their purchase decision (Schiffman & Kanuk, 2010).

Consumer behavior is a complex process involving the activities people engage in when seeking for, choosing, buying, using, evaluating and disposing of products and services with the goal of satisfying needs, wants and desires (Belch & Belch, 2004). The consumer’s decision to purchase or not to purchase a product or service is an important factor for the marketers (Kotler & Armstrong, 2012).

It can indicate whether a marketing plan has been successful or not. Hence, marketers are much interested in the consumer’s decision making process. Consumer’s decision making process is start with seeking have identified a product need and are seeking information that will enable them to make better decisions and increase the chance of satisfaction with product purchase outcome. Consumers do this by conducting their own research through personal information source (Shaver 2007).

Personal information source includes an individual’s personal effort to collect information for the selection of the products and services (Kinley, Conrad, & Brown, 2008). The need of consumers to fulfill their information needs relating to product knowledge is the main reason for consumer information search (Grant et al, 2007). Personal information source may come from social structure, that is based on information received from friends, family, and others in customers society includes customers ability to share personal experiences, preferences of friends, peers, and family have a significant influence in a consumer’s decision making process. Inequality within the sociology literature is assessed through stratification and has historically concentrated on castes, class, status, gender and perhaps age (Lawson & Todd, 2002). Other sources of personal information source are communication medium and opinion leader.

The raise of Social Media as one of the communication medium has affected both consumers and companies in the way they communicate. Also, Social Media influences the way consumers behave during the different stages of their purchase decision-making processes. Wheat and Dodd (2009) quoted Carson, the president of Online International Nielsen, ‘the explosion in Consumer Generated Media over the last couple of years means consumers’ reliance on word-of-mouth in the decision-making process, either from people they know or online consumers they do not, has increased significantly.’

On the other hand, an opinion leader is one who leads the opinion of other people and gives opinions to other individuals (Richey, 2009).

Opinion leaders tend to have convincing personalities to convince others, thus they have more knowledge and awareness and influential roles in the community (Kautz and Larsen, 2000). Katz and Lazarsfeld (1955) suggest that opinion leaders act as mediators between mass media and mass audiences. Berelson and Steiner (1964) describe opinion leaders as people who are trusted and informed who exist in virtually all primary groups. Opinion leaders are models for opinions in their group who listen and read for information from the media and then pass them on as word-of-mouth to influence their circle of relatives, friends, and acquaintances.
Word-of-mouth plays a central role on effective decision making. Word-of-mouth is well known in the marketing area and this for decades. But today, word-of-mouth appears even more important than before in the influence of consumers’ purchasing decision-making process (Brown & Hayes, 2008). There is a wide body of literature of marketing, which addressed the word of mouth as an effective marketing tool. (Sernovitz, et al (2009) Pointed out that people love to talk about products they have bought, and services they have used, also they talk about the producer of these products, and the provider of these services. Also some people feel proud, because he bought a particular product, however, some of them provide advice to others not to think about buying a product. Marketers may spend millions of dollars on advertising campaigns but often consumer make their decision on the bases of word-of-mouth from their own trustworthy source (Sernovitz, 2012).

The last factor that should be considered when discussing effective decision making of cosmetics is perceived risk. Perceived risk has been defined as negative or harmful consequences that can occur from the purchase of a product or services (Bauer, 1967). Research has followed various features such as understanding how people make judgments concerning the risk of different situations (Slovic, 1987). This is in addition to problem solving research to minimize or manage the risks involved in a judgment or decision (Hastie, 2001). Interest in risk perception and decision making is also a stimulus for research on expert decision making, due to the differences between how experts in a particular field make judgments in comparison to non-experts. The judgment of risk by non-experts is given the label of risk perception rather than risk assessment (Slovic, 1987).

Based on this phenomena and theory, this research is aimed to gain insight on social structure, social media, opinion leaders, personal information source, perceived risk, word of mouth on effective decision making. This research is aimed to discover the importance of effective decision making in consumer behavior. The topic of this study will contribute to the author by gaining information and new knowledge about consumer behavior and marketing strategies and how the variables can influence it. The contribution of research for the brand Etude House is that it may help them with their marketing strategies and to gain more knowledge about their consumers.

B. LITERATURE REVIEW

The Oxford Dictionary (2015) defines cosmetics as a preparation applied to the body especially to the face to improve or serve to improve its appearance. The US FDC Act defines cosmetics as articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance, but soaps are not included. Wu Chen (2011) states that additionally, according to the regulation of commodity tax, cosmetic is something to improve the skin quality, to enhance the look and to please people’s smell.

Cosmetics matter because they are a means of self-investigation (Beausolil, 1994). A number of studies have addressed the impact of the representation of attractive women on female consumers. The desire to improve one’s physical attractiveness seems to be an essential characteristic of most individuals (Adams, 1977; Etcoff, 1999; Winston, 2003). Cosmetics are traditionally been confined to female consumers, and have been traditionally used by women to control their physical appearance and, presumably, their physical attractiveness. Although, the literature is by no means voluminous, several researchers have examined the psychological correlates and consequences of cosmetic use (Cash & Cash, 1982; Miller & Cox, 1982; Graham & Klginman, 1985; Cash et al., 1985; Cox & Glick, 1986; Etcoff, 1999).

The body image is an important component of the self-concept and has stimulated the demand of certain products and services, such as dietary, slimming, exercise and cosmetic items (Sturrock & Pioch, 1998). Featherstone (1991) also noticed that the self-preservation of the body pushes individuals to adopt instrumental strategies to combat its deterioration and combine them with the notion that the body is a vehicle of pleasure and self-expression. In western cultures, one of the commonly recognized reasons women uses cosmetics is to improve their physical attractiveness. For example, Cash and Cash (1982) found women to express a more positive body image and self-image when wearing makeup compared to when not wearing makeup (Cash & Cash, 1982).

Social Structure

Social class refers to groups of people who are similar in their behavior based upon their economic position in the market place (Engel, Blackwell & Miniard, 1990). Social Classes have several characteristics (Gherasim, 2013). The same social class individuals have similar behaviors, including the preferences for clothing, housing, furniture, leisure services, mass media etc. Depending on the social class to which they belong to, people lower or higher positions in society. A social class that a person belongs to is determined by several variables (such as occupation, income, wealth, education, etc.).
People can move from one class to another. In some traditional societies a social class is very difficult to change, but in some societies, any man or woman can become prime minister (Solomon et al., 2006). People who ‘cross’ social class barriers usually begin to do this when they are young. Income and education allows younger people to adopt lifestyles that are different to those of their parents (Lancaster & Reynolds, 2005).

**Perceived Risk**

There are different types of perceived risk such as financial, social, psychological and time. Similarly, Hablemitoglu and Yildirim, (2008) argued that decision-making is influenced by the descriptive variables including gender, family, location etc. Murray (1991) suggested that word-of-mouth gives the most efficient information for reducing risk in purchases of a service.

Perceived risk is the likelihood of uncertainty and unlikable consequences headed for a purchase. To avert is human nature and to find either both perceived risk and perceived trust perceived risk plays an important role in consumer are contributors of the purchase decision of the purchase decision. Uncertainty and consequences consumer or not are two components of perceived risk and five possible losses involved: financial loss, physical loss, time loss. Consumers behave differently in accordance to the degree influence consumer decision about the particular of trust. Cheung and Lee (2001), Kaibir and Nart (2009), Ferrin, and Rao (2008) imply that trust is the predecessor to know the factors contribute to construct the perceived risk and there exists a negative relationship perceived risk and perceived trust between these terms.

**Opinion Leaders**

An opinion leader is one who leads the opinion of other people and gives opinions to other individuals (Richey, 2009). Opinion leaders tend to have convincing personalities to convince others, thus they have more knowledge and awareness and influential roles in the community (Kautz & Larsen, 2000). Opinion leaders have different attributes but what they have in common is channeling of impersonal content of mass communications into a personal stream of influence (Berelson & Steiner, 1964).

Burt (1999) states that opinion leaders are more precisely opinion agents who carry information across the social boundaries between groups. Katz and Lazarsfeld (1955) suggested opinion leaders to act as mediators between mass media and mass audience. Glock and Nicosia (1963) pointed out that opinion leaders act not only as channels of information but also as a source of social pressure toward a particular choice, and of social support to reinforce that choice once it has been made.

**Personal Information Source**

Personal information source includes an individual’s personal effort to collect information for the selection of the products and services (Kinley, Conrad, & Brown, 2008). Consumers who are conscious about their efforts to obtain information about durable goods are usually associated with high financial or social risk. Consumers that engage in pre-purchase information seeking have identified a product need and are seeking information that will enable them to make better decisions and increase the chance of satisfaction with product purchase outcome (Shaver 2007).

Information search can be influenced by environmental factors or individual differences. Environmental factors are: culture, social class, personal influences, family and the situation. Individual differences are: consumers’ resources to spare for search, motivation to search, prior knowledge, attitudes, personality values and lifestyles (Blackwell et al., 2001). Similar to Newman’s (1977) four reasons, Shaver (2007) stated the factors affecting information search as “amount of information gathered varies with individual consumers and is affected with time availability, past experiences, pre-existing knowledge, information accessibility, financial status and similar variables”.

The relationship between internal and external search is also monotonous because external search that is accepted and passed through the retention steps will be added to memory for future research (Peterson & Merino 2003). Getting information from memory affects the attention, comprehension and acceptance steps of information processing. Secondly search can be external where consumers search for or are exposed to external information. External information can be marketer dominated or non-marketer dominated (Blackwell et al, 2001). Marketer dominated information sources are controlled by the marketers designed to convince consumers to use their products such as advertisements and, salespersons. On the other hand, non-marketer dominated information sources are free of influence from marketers; these can include family, friends, and opinion leaders.

**Communication Medium**

Technological development plays an important part in this increased usage of Social Media. Nowadays with smartphones, consumers can connect and interact together from everywhere by simply using their mobile phones. According to Leung (2012), Twitter counted an increase of 182 %
in number of mobile users comparing to previous years, when YouTube explained that the traffic from mobile devices tripled in 2011.

The marketing area has thus evolved from a time where marketers had the power of influence to today where consumers have a greater power of influence on their peers instead (Jaffe, 2010). Indeed, Social Media enables consumers to share contents and ideas together, write recommendations, reviews and opinions about companies’ performance and to tell, to a wider audience than before, about their own positive or negative experience with them (Brown & Hayes, 2008).

The rise of Social Media usage by both consumers and companies seem to affect consumer behavior. Also, Social Media influences the way consumers behave during the different stages of their purchase decision-making processes. Wheat and Dodd (2009) quoted Carson, the president of Online International Nielsen said that the explosion in Consumer Generated Media over the last couple of years means consumers’ reliance on word-of-mouth in the decision-making process, either from people they know or online consumers they do not, has increased significantly.

Today, online communities have more and more influence on consumers’ purchasing decision-making. Parker (2011) stated that when people are in search of the buying cycle, they have access to a wider audience of current past, or prospective customers worldwide that they can consult with before making their decision.

**Word-of-Mouth**

Word of mouth is the way of sharing ideas, beliefs and experiences among each other by sharing; truthful ideas also creates word of mouth (Balter, 2004). Glenn and Fudenber (1995) studied for individual how word-of-mouth communication summarizes information.

There is a large variety of literature of marketing, which mentions the word-of-mouth as an effective marketing tool. Sernovitz, et al (2009) mentioned that people love to talk about products they have bought, and services they have used, about the producer of these products, and the provider of these services. Also some people feel proud, because they bought a particular product, however, some of them provide advice to other people to not think about buying a product.

**Effective Decision Making**

The Merriam Webster dictionary (2015) defines decision making as an act of making decisions especially with a group of people. According to Harvey (2007), decision making varies from strategic decisions through managerial decisions and routine operational decisions. However, decision making is not just about selecting the right choices or agreements. Drucker (1967) states in his research that unless a decision has ‘deteriorated into work’, it is not a decision but it is at best a good intention. Decision making is the practice of choosing what to do by considering the possible consequences of different choices (Brockman & Russell, 2009; Walker, 2001).

Effective decision making is defined as the process through which alternatives are selected and then managed through implementation to achieve business objectives. ‘Effective decisions result from a systematic process, with clearly defined elements, that is handled in a distinct sequence of steps’ (Drucker, 1967).

**The Influence of Social Structure on Personal Information Source**

Social class has a significant impact on consumer behavior and this impact may start during childhood. Some researches debate that children or young people start learning behaviors and obtain the habits of lifestyle from their family based on social class of family. Riesman, Glaser, and Denny (1950) argued that in the more affluent families, children acquire some understanding of the purchasing processes at a relatively early age. Previous research findings appear to support this line of reasoning, showing that young people from upper socioeconomic backgrounds have greater awareness of, and preference for, commercial stimuli in their consumer environment. Specifically, some research suggests that young people from upper social classes may have stronger brand preferences and are more likely to seek information prior to decision making than their lower class counterparts (Moschis & Moore, 1979). Social class influences where and how people feel they should shop. Upper middle consumers feel more confident in their shopping ability. They will venture to new places to shop and will range throughout a store to find what they want (Engel, Blackwell & Miniard, 1990).

Thus, the hypothesis suggested is:

H$_1$: Social structure has a significant influence on personal information source

**The Influence of Communication Medium on Personal Information Source**

A computer with an internet connection is a range of interactions in a variety of media and a gateway to an array of social spaces for work and play. Social networking sites like Facebook and MySpace have become online meeting spaces where users—members, residents, or players—can interact and express themselves. They offer a way to keep in touch with existing communities that users belong to offline, such as social and professional groups. Sites like YouTube and Flickr represent another forum for online communication that is centered on sharing.
The Influence of Opinion Leaders on Personal Information Source

In a society, opinion leaders play an important role in advice networks and communities of practice (Cross et al., 2006). In e-commerce settings, opinion leaders are vital in determining trends (Herring et al., 2005) and in influencing shopping behaviors (Chan & Misra, 1990). Opinion leaders are defined as “individuals who exert an unequal amount of influence on the decision of others” (Rogers & Cartano, 1962). Two parties are applicable in the opinion leadership process: the information seeker (i.e. the recipient who seeks advice or opinion) and the information source (i.e. the opinion leader who provides the advice) (Flynn et al., 1996).

Thus, the hypothesis suggested is:

**H₂**: Opinion leaders has a significant influence on personal information source

The Influence of Communication medium on Perceived Risk

Reviews are one of the key aspects that have emerged from social media. Customer reviews are widely available for products and services, generating great value for both consumers and companies (Nambisan, 2002). In fact, consumers are actively encouraged by firms to rate and review products and services online (Bronner & de Hoog, 2010). These activities produce electronic word-of-mouth. This word-of-mouth, produced through social media, helps consumers in their purchasing decisions (Pan & Chioiu, 2011). Research shows that customer reviews have increased rapidly on the Internet (Chris et al., 2008). Online communities are now a place to share information and gain knowledge about products and services (Chen et al., 2011). Research has shown that potential consumers are more interested in other users’ recommendations rather than merely product information generated from vendors (Ridings & Gefen, 2004). Hence, such interactions, provided through social media, help increase the level of trust and reduce perceived risk.

Thus, the hypothesis suggested is:

**H₃**: Communication medium has a significant influence on perceived risk

The Influence of Opinion Leaders on Perceived Risk

For the financial aspect of risk, an investment considered “risky” by a consumer is deemed so only to the extent that such risk is perceived. A consumer may deem an item is too pricey in contrast with the opinion of an “expert” who claims that the cost really is acceptable. They suggest that some people have a higher level of involvement in a consumption area than other people do and are therefore more eager to express their opinions to others. Because opinion leaders do not represent commercial sources, their views are given more credibility by consumers than advertising does (Rogers & Cartano, 1962; Rogers, 1995). Those who are influenced use opinion seeking as a risk-reduction practice in making decisions (Engel et al., 1993).

Thus, the hypothesis suggested is:

**H₄**: Opinion leaders has a significant influence on perceived risk

The Influence of Social Structure on Word-of-Mouth

Consumers tend to place more trust in Word-Of-Mouth from people they know personally (Keller 2007) in the form of in-groups. However, both internal and external group Word-Of-Mouth is important to product acceptance. Strong ties among members of an internal-group would more likely activate product referral communication and help transmit information quickly within the group (Reingen & Kernan 1986). Contrariwise, Word-Of-Mouth with an external-group facilitates product information flow from one in-group to another group (Brown & Reingen 1987). Thus, external-group Word-Of-Mouth is essential in new product diffusion because it moves information from an internal-group level to the entire market (Smith 2007). The rate of Word-Of-Mouth diffusion and the groups to which the Word-Of-Mouth is spread may be affected by the population’s cultural values.

Thus, the hypothesis suggested is:

**H₅**: Social structure has a significant influence on word-of-mouth

The Influence of Communication Medium on Word-of-Mouth

Opinion leaders act as “channels of information” between mass media and mass audiences (Glock, et al., 1963). In other words, opinion leaders legitimize the contents of a mass
communication when and if they "pass it on to their circle of relatives, friends, and acquaintances (Berelson & Steiner, 1964)." The distribution of content may also depend upon the intermediation of opinion leaders. The direction and intensity of their response to a commercial, for example, may have a direct influence on its effectiveness in a total audience. Thus, the hypothesis suggested is:

H7: Communication medium has a significant influence on word-of-mouth

The Influence of Opinion Leaders on Word-of-Mouth

Opinion leaders act as "channels of information" between mass media and mass audiences (Glock, et al., 1963). In other words, opinion leaders legitimatize the contents of a mass communication when and if they "pass it on to their circle of relatives, friends, and acquaintances (Berelson & Steiner, 1964)." The distribution of content may also depend upon the intermediation of opinion leaders. The direction and intensity of their response to a commercial, for example, may have a direct influence on its effectiveness in a total audience. Thus, the hypothesis suggested is:

H8: Opinion leaders has a significant influence on word-of-mouth

The Influence of Personal Information Source on Effective Decision Making

The first step in the consumer decision making model is the need recognition (Blackwell et al., 2001). Only after realizing a problem, a need or a demand, consumers begin searching for information that will solve their problem or satisfy their needs or demands. However, with internet the information search process has changed substantially; the ability for marketers to control the information flow has weakened and consumers now have access to sources that are independent of marketers (Shaver 2007). According to Chen (2009), with easy access to the internet, consumers now have access to the marketing mix of sellers/manufacturers before they make a purchase. Thus, the hypothesis suggested is:

H9: Personal information source has a significant influence on effective decision making

The Influence of Perceived Risk on Effective Decision Making

Research has followed various features such as understanding how people make judgments concerning the risk of different situations (Slovic, 1987). This is in addition to problem solving research to minimize or manage the risks involved in a judgment or decision (Hastie, 2001). Interest in risk perception and decision making is also a stimulus for research on expert decision making, due to the differences between how experts in a particular field make judgments in comparison to non-experts. The judgment of risk by non-experts is given the label of risk perception rather than risk assessment (Slovic, 1987). The emphasis on perception could mean that for a non-expert other factors come into play such as how controllable a risk is seen to be.

Thus, the hypothesis suggested is:

H10: Perceived risk has a significant influence on effective decision making

The Influence of Word-of-Mouth on Effective Decision Making

Silverman (2001) defines word of mouth as communication about products and services between people who are perceived to be independent of company providing the product or service, in a medium perceived to be independent of the company. Word of mouth is accepted as the most powerful way to make decisions easier and quickens decision processes because it cuts through all the advertising clutter and simplifies marketing decisions (Silverman 2001).

Thus, the hypothesis suggested is:

H11: Word-of-mouth has a significant influence on effective decision making

Research Model

![Research Model Diagram]

Figure 1: Research Model


C. RESEARCH METHOD

Research Design

After identifying the variables in the proposed problem and the development of the theoretical framework, the requisite data can be complied and analyzed to formulate the solutions of the research problems to design the research and gain solutions of the research problems (Sekaran, 2003). The purpose of the research was to perform the hypothesis testing to see if any relationship between the variable is present and is true to the main goal of the research. The type of investigation being done in the study is causal descriptive. Sekaran (2003) explains causal study as the study which states whether a variable(s) will affect other variable(s). The unit of analysis of the research is
individual, which means that the data gathered is evaluated as individual data source and evaluated on basis of each individual. Time horizon of this study is cross sectional because the questionnaire was spread out for only a certain period of time that is during June-November 2015.

Levels of Measurement and Scaling Techniques

Measuring the variables of the theoretical framework proposed in the research is an integral part of the research and also a crucial aspect of the research design (Sekaran, 2003). The nominal scale and the interval scale were used in the research. The nominal scale was used to assign subjects to certain categories or groups i.e. the data gathering of the respondent’s personal data. The interval scale was used to measure the distance between two extreme points of the scale. To measure the variable, a six point Likert scale was used to avoid neutral position in the research since odd numbered scale tends to be neutral and number scales are more direct on agree or disagree. Previous studies show that the broader Likert response format is overly differential and the results from the participants are more absolute and less reliable (Kaiser et. al., 2003), this is why a six-point is used in the study. The Likert scale is applied to examine how strongly the respondents agree or disagree on the statements given. The measurement of the six-point Likert scale that will be used in this research, developed by Likert (1932) is as follows:

1 = Strongly Disagree 4 = Moderately Agree
2 = Disagree 5 = Agree
3 = Moderately Disagree 6 = Strongly Agree

Sample and Sampling Plan

Population referred to the entire group of people that were investigated in the research and sample was the subset of the population (Sekaran, 2003). Roscoe (1975) proposes the following rules of thumb for determining sample size:

1. Sample sizes larger than 30 and less than 500 are appropriate for most research.
2. Where samples are to be broken into subsamples (male/females, juniors/seniors, etc.), a minimum sample size of 30 for each category is necessary.
3. In multivariate research (including multiple regression analyses), the sample size should be several times (preferably 10 times or more) as large as the number of variables in the study.
4. For simple experimental research with tight experimental controls (matched pairs, etc.), a successful research is possible with samples as small as 10 to 20 in size.

Thus, based on the rules of thumb, the variables for this research are 7 variables, and then it means the minimum number of samples in this research is 70 variables (7 x 10). This research used 100 samples in order to give adequate results.

The research will use purposive random sampling in the selection of respondents. Only women who fulfilled the criteria are considered as the respondents of this research. The criteria used in selecting the samples were:

1. Ages 15-35
2. Domicile in Surabaya
3. Uses social media (Instagram, Youtube, Twitter, Facebook)
4. Has bought and used a product from Etude House in the last one year
5. Have bought a product from Etude House in the last three month
6. Minimum visitation of at least once a month in the last three months in Etude House stores

Research Instrument

For this study, the data collection method used is by means of constructing and distributing questionnaires. According to Sekaran (2003), a questionnaire is a pre-composed written set of questions to which respondents record their perspectives and answers by choosing from different closely related alternatives. For this research compiled in the Appendix A, is an adaptation of a previously tested and used questionnaire done by Khalid, Ahmed, and Ahmad (2013). However, to better suit the subject of study, some items were altered and constructed by the author to fit the research topic of beauty products.

The information that can be gathered from the first section includes the respondent’s age and social media they currently use. The second part of the questionnaire used a six-point Likert scale to assess.

1. Social Structure (SS) is measured using three items (items 1 to 3).
2. Perceived risk is measured using six items (items 4 to 8).
3. Opinion leaders is measured using four items (items 9 to 12).
4. Personal Information Source is measured using seven items (items 13 to 19).
5. Communication Medium is measured using six items (items 20 to 25).
6. Word of mouth is measured using six items (items 26 to 31).
7. Decision Making is measured using six items (items 32 to 37)

Validity Test

Validity helps in the measurement of the indicators and helps give the certainty that the concept being measured is in accordance with the research objective. A questionnaire will be
considered to be good when it has already passed the validity test. Bivariate Pearson correlation is used to determine the validity of the research instrument. Instrument is considered valid when the Pearson correlation or r significance Value is higher than the rtable value for significance level of 0.05 (Hair et al., 2006)

Reliability Test
Reliability of a measure will help in showing the degree to which it is without bias and guarantees the consistency and stability with which the instruments measures the concept/idea. Cronbach’s alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. The reliability is considered to be good when the Cronbach’s alpha is equal to or higher than 0.60 (Sekaran, 2003).

Classical Assumption Test of Normality
The purpose of this test is to understand the normal distribution of data in accordance with the shape of data distribution. The variation from the normal distribution should be as least as possible because large variations are invalid. Data will be seen from the dot connection of the normal probability dot (Hair et al., 2006; Wijaya, 2009). To further confirm whether the data being used in the data is normal or not, the use of One-Sample Kolmorgorov-Smirnov Test was made. The data is considered to be normal if the asympt. Significance value is more than 0.05.

Classical Test of Heteroscedasticity
The purpose of performing the homoscedasticity test is to check if there are sub populations with different variability from one another. Homoscedasticity will be expected because the variance of the dependent variable in the dependence relationship should not be condensed in limited range of independent variables. Data will be seen from the distribution of the random dots in the scatterplot (Hair et al., 2006). Another test that is used to know whether the data is homogenous or not is by performing the Spearman Rho’s test. The data is considered to be homogenous if the significance unstandardized residual is more than 0.05

Classical Assumption Test of Linearity
The purpose of this test is to get the level of relationship between the dependent variables and the independent variables. Linearity helps in the calculation of the degree of changes in dependent variable in association with the independent variable. The level of linearity should be less than 0.05 to consider the data to be linear (Hair et al., 2006)

Classical Assumption Test of Multicollinearity
The purpose of multicollinearity is to test whether or not the regression model has correlation between the independent variables of the study. If there is correlation between the independent variables, then that problem is called multicollinearity (Santoso, 2000). The multicollinearity tests works by looking at the ‘tolerance value’ and ‘Variance Inflation Factor (VIF)’. If the result of the ‘tolerance value’ is more than 0.10 or the ‘Variance Inflation Factor (VIF)’ is less than 10, it means that the data is free from multicollinearity (Ghozali, 2005).

D. RESULT AND DISCUSSION

Multiple Linear Regression of Social Structure, Communication Medium, Opinion Leaders on Personal Information Source (H1, H2, H3)

Based on table 17, the three independent variables, which are Social Structure, Communication Medium, and Opinion Leaders are found to be correlated to the dependent variable which is Personal Information Source. There is a positive relationship among the variables and this can be seen from the r-value of 0.608, this means that the level of relationship is large/strong. The Adjusted R² value is found to be 0.350. This means that Social Structure, Communication Medium, and Opinion Leaders can explain the variance of Personal Information Source by 35%, while 65% are explained by other factors. From the data, the regression equation is as following:

\[ Z_t = 1.978 + 0.147X_1 + 0.051X_2 + 0.388X_3 \]

Where: 
- \( Z_t \) = Personal Information Source
- \( X_1 \) = Social Structure
- \( X_2 \) = Communication Medium
- \( X_3 \) = Opinion Leaders

The influence of Social Structure on Personal Information Source (H1) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for H1 is 0.046 which is below 0.05. This means that the hypothesis ‘Social Structure has a significant influence on Personal Information Source’ is accepted.

The influence of Communication Medium on Personal Information Source (H2) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for H2 is 0.499 which is above 0.05. This means that the hypothesis ‘Communication Medium has a significant influence on Personal Information Source’ is rejected.

The influence of Opinion Leaders on Personal Information Source (H3) From the results
of the hypothesis testing as shown in table 17, it can be seen that the significance level for $H_3$ is 0.000 which is below 0.05. This means that the hypothesis ‘Opinion Leaders has a significant influence on Personal Information Source’ is accepted.

Based on Table 17, the value of $R$ is 0.608 which means that the correlation between the independent and dependent variable are strong. The value of adjusted $R^2$ is 0.350, meaning that 35% of Personal Information Source is influenced by Social Structure, Communication Medium, and Opinion Leaders whereas 65% is influenced by other variables such as advertisements, friends, or unconsciously being exposed to information about the brand. The significance of $F$ is less than 0.05 which means that the overall regression model is good.

The highest amount of influence comes from opinion leaders with an unstandardized $B$ 0.388. The second highest amount of influence comes from social structure with an unstandardized $B$ 0.147. The lowest influence comes from communication medium with an unstandardized $B$ 0.051.

**Multiple Linear Regression of Communication Medium and Opinion Leaders on Perceived Risk (H4, H5)**

Based on table 18, the two independent variables, which are Communication Medium and Opinion Leaders are found to be correlated to the dependent variable which is Perceived Risk. There is a positive relationship among the variables and this can be seen from the $r$-value of 0.749, this means that the level of relationship is large/strong. The Adjusted $R^2$ value is found to be 0.552. This means that Communication Medium and Opinion Leaders can explain the variance of Personal Information Source by 55.2% and 44.8% is affected by other factors. From the data, the regression equation is as following:

$$Z_2 = 2.287 - 0.109X_2 + 0.655X_3$$

Where: $Z_2$ = Perceived Risk  
$X_2$ = Communication Medium  
$X_3$ = Opinion Leaders

The influence of Communication Medium on Perceived Risk ($H_4$) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for $H_4$ is 0.065 which is above 0.05. This means that the hypothesis ‘Communication Medium has a significant influence on Perceived Risk’ is rejected.

The influence of Opinion Leaders on Perceived Risk ($H_5$) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for $H_5$ is 0.000 which is below 0.05. This means that the hypothesis ‘Opinion Leaders has a significant influence on Perceived Risk’ is accepted.

Based on Table 17, the value of $R$ is 0.749 which means that the correlation between the independent and dependent variable are strong. The value of adjusted $R^2$ is 0.552, meaning that 55.2% of Perceived Risk is influenced Communication Medium and Opinion Leaders whereas 44.8% is influenced by other variables such as friends or family, personal preference or past experiences. The highest amount of influence comes from opinion leaders with an unstandardized $B$ 0.655. The lowest influence comes from communication medium with an unstandardized $B$ -1.109. The significance of $F$ is less than 0.05 which means that the overall regression model is good.

**Multiple Linear Regression of Social Structure, Communication Medium, Opinion Leaders on Word-of-Mouth (H6, H7, H8)**

Based on Table 19, the three independent variables, which are Social Structure, Communication Medium and Opinion Leaders are found to be correlated to the dependent variable which is Word-of-Mouth. There is a positive relationship among the variables and this can be seen from the $r$-value of 0.736, this means that the level of relationship is large/strong. The Adjusted $R^2$ value is found to be 0.528. This means that Social Structure, Communication Medium and Opinion Leaders can explain the variance of Word-of-Mouth by 52.8% and 47.2% is affected by other factors. From the data, the regression equation is as following:

$$Z_3 = 1.336 + 0.221X_1 + 0.083X_2 + 0.471X_3$$

Where: $Z_3$ = Word-of-Mouth  
$X_1$ = Social Structure  
$X_2$ = Communication Medium  
$X_3$ = Opinion Leaders

The influence of Social Structure on Word-of-Mouth ($H_6$) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for $H_6$ is 0.001 which is below 0.05. This means that the hypothesis ‘Social Structure has a significant influence on Word-of-Mouth’ is accepted.

The influence of Communication Medium on Word-of-Mouth ($H_7$) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for $H_7$ is 0.233 which is above 0.05. This means that the hypothesis ‘Communication Medium has a significant influence on Word-of-Mouth’ is rejected.

The influence of Opinion Leaders on Word-of-Mouth ($H_8$) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for $H_8$ is 0.000 which is below 0.05. This means that the hypothesis ‘Opinion Leaders has a significant influence on Word-of-Mouth’ is accepted.
Leaders has a significant influence on Word-of-Mouth’ is accepted.

Based on Table 17, the value of R is 0.736 which means that the correlation between the independent and dependent variable are strong. The value of adjusted R2 is 0.528, meaning that 52.8% of Word-of-Mouth is influenced Social Structure, Communication Medium , and Opinion Leaders whereas 47.2% is influenced by other variables such as personal knowledge about cosmetics, past experiences, and passive exposure of the brand. The highest amount of influence is opinion leaders with the unstandardized B 0.471. The second highest amount of influence is social structure with the unstandardized B 0.221. The lowest amount of influence is communication medium with the unstandardized B 0.083. The significance of F is less than 0.05 which means that the overall regression model is good.

Multiple Linear Regression of Social Structure, Communication Medium, Opinion Leaders on Personal Information Source (H9, H10, H11)

Based on Table 20, the three independent variables, which are Personal Information Source, Perceived Risk, and Word-of-Mouth are found to be correlated to the dependent variable which is Effective Decision Making. There is a positive relationship among the variables and this can be seen from the r-value of 0.814, this means that the level of relationship is large/strong. The Adjusted R2 value is found to be 0.651. This means that Personal Information Source, Perceived Risk, and Word-of-Mouth can explain the variance of Effective Decision Making by 65.1% and 34.9% is affected by other factors. From the data, the regression equation is as following:

\[ Y = -0.229 + 0.236Z_1 + 0.339Z_2 + 0.472Z_3 \]

Where: 
- \( Y \) = Effective Decision Making
- \( Z_1 \) = Personal Information Source
- \( Z_2 \) = Perceived Risk
- \( Z_3 \) = Word-of-Mouth

The influence of Personal Information Source on Effective Decision Making (H9) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for H9 is 0.007 which is below 0.05. This means that the hypothesis ‘Personal Information Source has a significant influence on Effective Decision Making’ is accepted.

The influence of Perceived Risk on Effective Decision Making (H10) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for H10 is 0.001 which is below 0.05. This means that the hypothesis ‘Perceived Risk has a significant influence on Effective Decision Making’ is accepted.

The influence of Word-of-Mouth on Effective Decision Making (H11) From the results of the hypothesis testing as shown in table 17, it can be seen that the significance level for H11 is 0.000 which is below 0.05. This means that the hypothesis ‘Word-of-Mouth has a significant influence on Effective Decision Making’ is accepted.

Based on Table 17, the value of R is 0.814 which means that the correlation between the independent and dependent variable are strong. The value of adjusted R2 is 0.651, meaning that 65.1% of Effective Decision Making is influenced Personal Information Source, Perceived Risk, and Word-of-Mouth whereas 34.9 % is influenced by other variables such as advertisements, friends, or unconsciously being exposed to information about the brand. The highest amount of influence comes from word of mouth with the unstandardized B 0.472. The second highest amount of influence comes from perceived risk with the unstandardized B 0.339. The lowest amount of influence comes from personal information source with the unstandardized B 0.236. The significance of F is less than 0.05 which means that the fit of the model is good.

E. RECOMMENDATION

There are major recommendations for Etude House Surabaya:

1. To increase the role of influence of Social Structure it is recommended to:
   a) Use family oriented models or artists as their spokespeople, such as a K-pop artist with their siblings or other family members (advertisement using sisters)
   b) Create family memberships with special benefits such as promos or discounts on special days such as National Siblings Day, Mother’s day, buy one get one programs for siblings or family members
   c) Sell products in bulk size and family packs (cosmetics for siblings, skincare lines for mothers, bath products for the whole family).
   d) Buy one get one promo for families: When purchasing a gift for mothers or siblings, the customer gets a free gift.
   e) Create promos and discounts for couples on Valentine’s Day or anniversaries.
   f) Sell Valentine’s day and anniversary themed packs for couples
   g) Sell Spa packs filled with masks, treatment creams and beauty tools for close friends.

2. To lower Perceived Risk it is recommended to:

...
a) Be aware of the people they choose to represent their brand.
b) Get artists to use their products on screen such as on Korean dramas or music videos.
c) Choose trending people in the beauty industry to be the face of their brand such as: CL from 2NE1
d) Create more products that have an instant effect after each use.
e) Create a more informative package with instructions on how to use the product to its maximum potential
f) Create more essential products for natural makeup and heavier makeup (blushes, bronzers, base makeup products) for different skin types
g) Show certifications or approval that their product is safe for use.
h) Get featured in Cosmopolitan’s products of the year or Allure magazine’s best products.
i) Get featured on beauty blogs and gain approval from different organizations.

3. To increase the role of influence of Opinion Leaders it is recommended to:
   a) Reach out to consumer’s friends who are fond of cosmetics and beauty
   b) Make a makeup tutorial competition for non-professionals
   c) Reach out to beauty experts who are fond of cosmetics and beauty
   d) Give free samples to beauty blogs and YouTube makeup artists to get featured on their blogs and videos.
   e) Endorse the beauty experts and get them to incorporate Etude House’s products in their videos and blogs.
   f) Create products for both professionals and non-professionals: natural makeup products for non-professionals, something to wear everyday and heavier makeup products for professionals with heavier pigments and opaque coverage.
   g) Use Park Min Hye (Pony) who has a good presence online to incorporate the products in her videos to create new looks for the brand.
   h) Create more skincare products that enhance and improve the skin such as adding more serums, moisturizers, and treatments.
   i) Expose their products into the beauty blogging community by sending samples to beauty blogs and getting them to review it.
   j) Get beauty bloggers to recreate new looks by using Etude House in their makeup looks.

4. To increase the role of influence of Personal Information Source it is recommended to:
   a) Make a complete and accessible database for consumers to find information about the brand and its products
   b) Provide the database in different languages.
   c) Combine information about the products with product reviews also with suggested products consumers might like
   d) Give free samples to customers after purchasing up to a certain amount. Customers can choose their choice of samples
   e) Educate their consumers on the ingredients used, create more informative commercials and videos about the ingredients (e.g. Snail jelly and its benefits in its masks)
   f) Provide instructions about the product with a detailed list of ingredients

5. To increase the role of influence of Communication Medium it is recommended to:
   a) Showcase their products in magazines more often (appear in the essential products section)
   b) Create informative booklets monthly or a few times a year about their brand, newest products, products in development, with different models or artists being featured with different looks and makeup tutorials using their products
   c) Branch out to beauty blogs to get featured in different beauty blog sites to gain exposure.
   d) Improve social networking presence on Facebook by being more active on the site with challenges, giveaways, interacting with the consumers.
   e) Make an application that lets consumers connect with the brand and provide information about the products and keep people up to date with the brand.

6. To increase the role of influence of Word-of-mouth it is recommended to:
   a) Encourage customers to try products from the brand and to review their products.
b) Endorse makeup artists and get beauty blogs to feature products from Etude House.

c) Reach out to well known YouTube makeup artists such as Michelle Phan, Karen O, and Jenn Im to post about Etude House on their channels and Instagram profiles.

d) Continue to increase and develop their line of products so consumers can continue to refer their products to friends to encourage testimonies.

7. To increase Effective Decision Making it is recommended to:
   a) Create a program that allows customers to get a free sample or bonus when they succeed in referring the product to a friend or family member.
   b) Create a loyalty program for customers so they can receive a special discount or gift after a number of purchases. There will be membership requirements customers can achieve to get special gifts or discounts.

   c) Etude House should create products that focus on radiant and healthy skin by incorporating ingredients such as snail jelly and aloe vera.

For future research:

1. The object of the research is limited to Etude House users in Surabaya. Future researcher is recommended to research the same topic on a different company, to get a different perspective.

2. The variables in this research are limited to social structure, communication medium, opinion leaders, personal information source, perceived risk, word-of-mouth, and effective decision making. The future researcher is encouraged to add more variables to explain the relations more comprehensively, such as perceived quality, customer loyalty, price, and others related variables.

3. Future research is recommended to have more respondents to have a clearer understanding about the research problems.

4. Future research is recommended to classify the respondents according to salary or occupation in order to have a more precise understanding on different segments.

REFERENCES


