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Analyzing Indonesia's Retail Sector: Opportunities for German Businesses (Case Study: Titania Fabrik GmbH)

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Abstract

Analyzing Indonesia's Retail Sector: Opportunities for German Businesses (Case Study: Titania Fabrik GmbH)

This thesis provides a comprehensive explanation of the cosmetic and body care product from German manufacture, TITANIA Fabrik GmbH and sees the opportunity for market entry in Indonesia by seeing its consumer behavior and perception about it.

Indonesia is the fourth most populous nation in the world. Indonesia is a vast country comprising many islands with a lot of business opportunity that can be explored, especially towards its consumer buying behavior. With growing of the middle-income class and its young population, given the country's good economic growth by increased of domestic consumption. In this era of Globalization, many foreign brands have been doing their business and established their brands there. Indonesia has become a good profit market for multinational company. Therefore, until now there are still new companies invest in Indonesia for strengthen their position and expand their market to Asian market.

Focusing on expanding market, it also can be applied to German Business, TITANIA Fabrik GmbH, a German medium size family company with its headquarter in Wülfrath, Germany. They have been actively on international body care market during the last 60 years and now have managed their business over 120 countries.

By seeing this opportunity that they have from the product, it's match with the behavior that still applied in Indonesian consumer perception about the German product. The product it's have special place on Indonesian consumer mind, which is high quality and a first-class exclusive product.

With this research, it will discover how consumer perception towards German cosmetic and body care product which can gain useful information for their future research and development to entering Indonesian market especially knowing as well that there is already existing foreign competitor.

DEDICATION

I dedicate this dissertation to my parents, Kresnadjaja Soerjaherdadi and Susie Nora, who has always, supports me on every condition giving me this chance to study abroad.

Thanks for being a supporting factor on starting and finishing my Master degree on International trade faculty at Hochschule Anhalt. Your tirelessly efforts, encouragement will always remain in my thoughts, and will forever be my source of life inspiration, who always be there to support me and giving me great lessons in life that no one best ever could. And last two but not least, my sisters, Siti Nur Dwiyaniti and Siti Nur Triani that always motivates me to grow better as a brother to them.

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Chapter 1

Introduction

1.1 Research Background

International trade in Indonesia have experienced rapid expansion together with its dramatic economic growth which has made the country target market for the European country producers. Indonesia is already well known for importing consumer product from European country, especially from Germany. Since the product from Germany already well known with Indonesian consumer perception for their high quality cosmetic and body care product.

Indonesian consumer can be categorized as consumptive and their consumption category can be classified from lower class, middle class and upper class. With this research, we can find the positioning and measure the acceptance of German cosmetic and body care product from Titania fabrik in Indonesian market and examine the procedure to enter the market.

1.2 Problem Statement

There are many literature review discussing more about International Trade, Distribution Channel and covering International brands with their success existence expanding market to outside its home country, but however there's no research and detail that focus on German product about how to enter Indonesian market and doing business in Indonesia. And then, lack of market research and data on the Indonesian Retail and eCommerce industry that capture what consumer perception in terms of choosing cosmetic and body care product.

1.3 Research Purpose

The main purpose and objective of this research is to forecast and measure the possibility of Titania fabrik product to be marketed in Indonesian market in the future and the acceptance of Titania fabrik product in the eye of Indonesian costumer by analyzing the current Indonesian market for cosmetic and body care product.

The second purpose of this thesis is to examine the process and procedure how to enter Indonesian market for cosmetic and body care product import from Germany.

1.4 Research Question

According to the purpose and objective, this research aimed to answer the following research questions:

1. Does Indonesian customers like to try and purchase cosmetic and body care product from Germany?
2. How Indonesian customers prefer to purchase cosmetic and body care product from Germany, by eCommerce or direct at the retail store?
3. Does the price of cosmetic and body care product from Germany are competitive to compete with local and international brand that already existed in Indonesia?
4. How is the difficulty of entering Indonesian market for cosmetic and body care product from Germany?

1.5 Scope Limitations

This study has some limitations that have impacted author interpretation of the findings and that create opportunities for future research. Through the research, the

author plans to identify the needs of beneficiaries and review the available literature on the way of problem solving.

Some approaches that will be used in this research are as follows:

- Problem identification
- Data collections and its methods
- Analysis
- Reporting

Depending on the problem identification and analysis, the author will focus around this scope and find were Titania fabrik product can giving some consideration in making decision to enter Indonesian market.

Chapter 2

Literature Review

On this chapter the author will explain more detail about each aspect of the target market that is Indonesia, discussing about their market overview, challenges, opportunity, entry strategy as well as the profile of the German company, Titania Fabrik and its product range. By seeing that aspect both internal and external that could affect the process of Titania Fabrik to expand in Indonesia, the author also explained there are several local and foreign existing rival companies that could be a challenge to face as well as a learning for them.

2.1 International Trade Theory

International trade based on the meaning is the act of process of exchanging commodities between countries, it could be divided into two main part; Exporting: selling domestically produced goods and services to buyers abroad, and Importing: Buying goods and services from other countries. The reason is quite simple for foreign trade, because some countries are better at producing certain things than others. This means for both countries who does this term will all be economically better if they specialize in what they are doing best and exchange what some products or services for the goods of other nations who also specialize in what they doing best.

As a major factor of openness, international trade has made a significant contribution to some country growth of economic. In recent years, global economy has experienced a major increase in the international movement of factors and goods, with international trade and factor flows growing much more rapidly than output.

Specifically, increased imports of capital and intermediate products, which are no available in the domestic market, may result in the rise in productivity of manufacturing (Lee, 1995). More active participation in the international market by promoting exports

leads to more intense competition and improvement in terms of productivity (Wagner, 2007).

On the other hand, before engaging to the next step of trading with other countries, it is important to be familiar with the laws and regulation of the countries that one intends to do business. There is will be some disadvantage or limitation of doing international trade, some of the example is the framework conditions and number of requirements relating to export and imports.

2.2 Market Overview

Indonesia is a vast country, with its largest archipelago, represents 17,000 islands, spending over 5,000 kilometers along the equator between the Indian and Pacific oceans. Indonesia its located in the far each of Malaysia and Singapore. Indonesia has been a hub of international trade since at least the 7th century, attracting traders and foreign powers with its few natural resources, home to more than 250 million people, speaking 583 languages and dialects, Indonesia stands as the fourth biggest population after China, India, and USA (TMF Group, 2013). Most of the area in Indonesia is rain forest, mountainous and swamps.



Picture 1: Map of Indonesia

Source: www.lonelyplanet.com, 11 November, 2016.

2.2.1 PESTLE Analysis of Indonesia

2.2.1.1 Political

Indonesia is a country that holds high democracy as their type of leadership with its significant regional economy. Indonesia got their Independence from Japan on 17 August 1945 and since then, Indonesia celebrating their Independence Day. In this country, President and vice president elected through parliament. The president and vice president are elected every five years and by the votes of public. President has authority to appoint the cabinet. Current President, Joko Widodo took office in October 2014 and has pledged to improve its infrastructure and reduce barriers to doing business in Indonesia as one of the efforts to increase its GDP growth rate to 7% by 2017. (www.indonesia-investments.com, November 2016)

2.2.1.2 Economic

Indonesia is a developing country and the new government has taken serious steps to increasing the GDP growth in the next few years. Once and under floor agrarian economy and the one of the country that worst hit by the 1997 Asian financial crisis, Indonesia has recovered to become the world's 15th largest economy, having better recovery than its G20 fellow country, Indonesia has been growing about 6 % per annum in 2013; Thanks to the large part combination of domestic consumption, an emerging middle class and productivity improvements, the latter of which accounted more than 60% of the country 's economic growth. (TMF Group, 2013).

Indonesia has the reserves of the crude oil and natural gas, and it is at 8th position in exporting the gas. Indonesia has made significantly development and it has robust their GDP growth. This country earns their GDP growth mainly from agriculture, industry and service sector. Indonesia also well known for the world largest palm oil producers and tin

exporters also produces gas, plywood, textiles, and rubbers exporting to key market of Japan, Europe, USA, Singapore and China. Indonesia is on its way to becoming one of the world's most important economies.

By 2050, Indonesia is steep to be the world's 4th largest economy behind only India, China, and USA, with a GDP of US \$ 14 Trillion by purchasing power parity, its rate of growth throughout that period will make Indonesia 8th highest growth and will be the one of planet key growth generator (TMF Group, 2013).

2.2.1.3 Social

Indonesia is a big country with large population. Indonesian people have a good average long life, which is average over 70 years. Most of the population live in big cities and urban areas. Mainly most of the people are concerned and well educated with industry and agriculture sectors. They are strived and working the best for the development of their country. The Indonesian government is supported and given specific attention to the education, this country spends 3.9% of its GDP on education. The government has its own public schools and colleges, where the education at the nominal fee charges very low to the students. Good education it's given to students by the government of the country in different disciplines and variety by its curriculum of education.

Fueled by its young population and the strong consumption habits of its expanding consumer class, its rapid rate of urbanization, and its natural resources wealth that boom is expected to continue, allowing Indonesia to set aside already developed county like Germany and the United Kingdom, to become the world's 7th largest economy by the year 2030, by then its consumer class of 45 million will have had an extra 90 million people, adding a customer base larger than any other countries except China and India. While its demographic ensures that 70 % of country's population will remain in working ages in the next eighteen years.

Today the Indonesian economy both 55 million skilled workers, with the 53% of the population based in big cities, contributing 74% of the country's GDP (TMF Group, 2013). The Javanese island cities such as Jakarta, the capital city and Surabaya as second largest city in Indonesia stand as the country's economic powerhouses. But with urbanization rate increasing in about 1.7% per year, other city such as Medan, Pekanbaru, Bandung, Pontianak, Balikpapan and Makassar are becoming increasingly important players in contributing country GDP, approximately 80% of the country's GDP will come from urban area by 2030. (TMF Group, 2013)

2.2.1.4 Technology

Since Indonesia its big country and have more than thousands of islands, this country has developed its own transport system to connected to other parts and island of the country. Indonesia already had 139 airports, including local and international airports in some big main islands. Since Indonesia location in between two big oceans, Indian and Pacific Ocean, there are more than 900 big and small ports in which 114 are registered with foreign countries for international trading.

Indonesia has developed its communication system and various new brands of the smart phones technology are available there in the market. Mostly Indonesian people like to use their cell phones for communication and internet activity. For its global awareness, Indonesians are the fourth largest user of Facebook (60.3 Million, May 2014). Per (Statista, 2014), in the 4th quarter of 2014, and in 2016 the expected users to reach 80.1 Million, Indonesia was standing tall with 84% of its online population having highest Twitter user rate in Asia Pacific.

2.2.1.5 Legal

Indonesia government has introduced new rules and regulation of doing business. Foreign company including Germany as well can encounter complex bureaucratic and regulatory requirements, which make it, time consuming to enter the Indonesian market. The Government has introduced the company law and every company has legal entity.

Even though Indonesian government has undertaken significant anti-corruption measure, corruptions still a concern for many businesses to operate in Indonesian market. Indonesia currently ranked 88th on Transparency International's Corruption Perception Index 2015 from having ranked 107th on 2014. (<https://www.transparency.org/country/IDN>, December 2016)

2.2.1.6 Environment

Indonesia geographical location its unique and interesting as the country mostly comprised of the thousands of islands and its located in equator lines between Pacific Ocean and Indian Ocean. Because of the location in Asia Pacific, Indonesia it is 7 hours ahead of GMT.

The weather conditions its warm, mild and moist round the year, its hot and humid country. Indonesia composed by mangrove swamps, rain forest and has some snowcapped mountains. There are lot of active volcanoes spread around the country, and they burst from time to time, which can create a big natural disaster in the country.

2.2.2 Market Challenges

For new business, foreign company to enter Indonesia, the environment could be challenging, with Indonesia ranked 114 out of 189 countries in the "Ease of Doing

Business 2015 Report” (World Bank, 2014). Foreign company including Germany as well can encounter complex bureaucratic and regulatory requirements, which make it, time consuming to enter the Indonesian market. Here are more current situations in Indonesia, which can be considered challenges to enter, listed below:

- Indonesian infrastructure and service networks have not been developed or maintained to keep with the level of booming consumer-led economy, causing increased in transaction costs and extra inefficiencies that exporters and investors could face while doing business in Indonesia.
- With deregulation applied. It has successfully reduced some barriers, but non-tariff barriers remain wide spread and bureaucracy can still complicate the procedure.
- Even though Indonesian government has undertaken significant anti-corruption measure, corruptions still a concern for many businesses to operate in Indonesian market. Indonesia currently ranked 88th on Transparency International’s Corruption Perception Index 2015 from having ranked 107th on 2014. Although the rank is going better, still companies are recommended to have a solid due diligence process to make sure the appointed agents and distributors are clean and conduct in the right measure, consulting with EKONID, German Chamber Network (Deutsche Auslandshandelskammer - AHKs) in Indonesia will help as they are specializing to help German companies that want to do business in Indonesia. AHKs are closely connected to the Chambers of Industry and Commerce (IHKs) in Germany. Together, they support German companies with building up and extending their business relations to foreign countries (<http://indonesien.ahk.de/en>, December 2016).
- As Indonesia in their moment to improve their rule of law. Significant rule-of-law issues persist. Formal dispute settlement mechanisms are not considered effective, while in German would generally perceived as an administrative or civil matters, may be considered criminal case in Indonesia. International arbitration is widely

discouraged by Indonesian government.

- Strong competition from neighbor ASEAN country (Singapore, Malaysia, Vietnam and Etc.) and 3rd country firms such as China, Japan, Australia and Korea is intense, German company should can adapt significantly for business model and pricing scheme in order to compete effectively.

2.2.3 Market Opportunity

As the world's fourth – largest country, Indonesia consumer related market opportunities continue to lead growth in expansion in retail, health, education, telecom and financial services. The Indonesia consumer is ranked as one of the most confident in the world with its buying power, and 50% of Indonesia's 253 million citizens are under the age of 30, shows that the market is still in good demographic.

With female residents between age of 16 to 45 of Indonesia's bigger cities as the target market, they are enjoying higher levels of disposable income, they also expected to become increasingly eager to spend money on the various health and beauty products, as a way of maintaining their appearance and these retailers represent a good source of brands for these consumers.

Halal beauty products still account for a limited amount of sales in Indonesia given the area's infancy, with many consumers still not being aware of such products. However, the large Muslim population in Indonesia is a huge potential market for halal beauty offerings, with a growing number of consumers trying such products.

The other upcoming major market segment is that of Indonesian men. Cosmetics companies have reported sales growth in their male product lines at a multiple of the growth rates seen for female products. For example, metrosexual man and male celebrity

who is especially meticulous about his grooming and appearance, typically spending a significant amount of time and money on shopping as part of this.

Important opportunity not just available in Jakarta as its capital city but also remain present in another major city like Bandung, Surabaya, Makassar, Bali etc. The government of Indonesia has also announced its intention to increase electricity generation by 35,000 MW by 2019 and growth in power generation projects to continue for the next decade, this give the sign that Indonesia will improve their situation, which will bring greater environment to its civilian as well as doing business in Indonesia for foreign investor (www.gbgindonesia.com, January 2017).

2.2.4 Market Entry Strategy

Other than due diligence that should be conducted by German companies, they also should first visit Indonesian market to get the feeling of the cultural difference they have and to properly choose an appropriate agent or distributor from Indonesia vibrant with experienced dealing in international business sector. Patience, persistence and presence are three main factors for success doing business in Indonesia.

Important factors that also affecting purchasing decision in Indonesia are how to settle pricing, financing, management technical skills, and after sales service. Since the Indonesian consumers tends like to be treated good. German firms should be prepared to invest and make allocated budget to invest in training their local staff, from entry-level personnel to experienced managers in order to meet up with the consumer demands.

Finally, the track record of the appointed agents and distributors also an important factor, since many government tenders are based by the proven track record of providers or long- established relationships between the Indonesian government agency.

2.3 Titania Company

Titania Fabrik GmbH is one of Europe's largest manufactures of body care products. The company based in Wülfrath, Germany, the medium size family company, with 300 members of employee that has been making quality instruments and cosmetics products, suitable from head to feet. The company was founded in 1950 by Friedel A. Kotte. As full range provider, currently Titania distribute their product in 120 countries and producing 36 million items each year at them headquarter in Wülfrath, Germany.

The design of the products and packaging of Titania is based on the universal design concept. This concept was developed by leading American designers at the Center for Universal Design at North Carolina State University. Their developed principles of universal design from the work group that made up of architects, engineers and designers. 7 Principles of universal design reflect the identity, quality and competence of the Titania.

- Design for all
- Accessible design
- Wide usability
- Internationality
- Emotionality
- Use of imagery
- Use of icons

Packaging sizes and type of Titania products have been optimized in order to best utilize their customer's sales areas and at the same time also to give signal for the high quality and competence of their brand to the consumer by way of the universal design. Titania also employed one leading agencies to investigate and determine the trending colors for the upcoming years. Titania selected the world's most popular trending colors for the new and strong colors for their worldwide successful Titania products.

Titania Fabrik GmbH is operated in accordance with the cosmetic directive, in accordance with C-GMP guidelines and is certified in accordance with ISO 9001 ff. The

C-GMP its Current Good Manufacturing Practice regulations. The CGMP regulations for drugs contain minimum requirements for the methods, facilities, and controls used in manufacturing, processing, and packing of a drug product. The regulations make sure that a product is safe for use, and that it has the ingredients and strength it claims to have. The ISO 9000 ff is an internationally recognized and valid series of standards that includes the design and evaluation of quality management systems.

Titania fabrik has been making quality instruments and cosmetic products, suitable from head to feet. Titania fabrik currently produced more than 1,300 different articles in their German Headquarter. Here are some of Titania fabrik top seller product (www.titania-fabrik.de, October 2016).

2.3.1 Foot Care

2.3.1.1 Shoe Deodorant Spray



Picture 2: Titania fabrik shoe spray product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016.

Spray for shoe Made in Germany to combating unpleasant shoe odors for shoes and feet.

- When used regularly helps to reliably combat shoe and foot odors.
- Gives shoes a pleasant, neutral and hygienic freshness.
- Effective ingredients prevent the decomposition of sweat.

- Best used shortly before wearing the shoes.

Ingredients: Butane, Propane, Isopropyl, Alcohol, Isobutane, Perfume, Zinc, Ricinoleate, Ethylhexyglycerin.

2.3.1.2 Foot Deodorant Spray



Picture 3: Titania fabrik foot spray product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016.

Spray for foot Made in Germany to refreshes and care for feet that helps prevent foot odors.

- Good cares for rough, over worked skin and revives tired feed.
- When used regularly helps to reliably combat foot odors.
- Gives feet a pleasant, neutral and hygienic freshness.
- Effective ingredients prevent the decomposition of sweat.

Ingredients: Butane, Propane, Isopropyl, Alcohol, Isobutane, Myristate, Perfume, Menthol, Diethylhexyl Sodium Sulfosuccinate, Alcohol Denat, Ethylhexyglycerin.

2.3.1.3 Cracked Heel Foot Cream



Picture 4: Titania fabrik foot cream product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016.

Cracked heel balm Made in Germany for spoiling feet with moisturizing and soothing feeling.

- Regenerates cracked heel and very dry skin.
- Bisabolol from Camomile provides intensive moisture for feet.
- Contains softening lanolin.

Ingredients: Bisabolol, Horse Chestnut, Camphor, Menthol.

2.3.2 Beauty Care

2.3.2.1 Tweezers, straight



Picture 5: Titania fabrik tweezers product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016.

High quality nickel plated tweezers Made in Solingen, Germany with a firm grip due to precision cut gripper edges.

2.3.2.2 Tweezer Scissors



Picture 6: Titania fabrik tweezer scissors product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016.

High quality tweezers scissors Made in Germany with curved design.

2.3.2.3 Six parts make up set in Zip pouch



Picture 7: Titania fabrik make up set product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016.

High quality make up set with pouch bag Made in Germany including medium powder brush, medium shadow brush, sponge shadow brush and concealer brush.

2.3.3 Manicure / Pedicure

2.3.3.1 Toe Nail Cutter, Chromium-Plated



Picture 8: Titania fabrik nail cutter product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016

High quality Chromium plated regular size nail cutter Made in Germany with precision ground cutting design provide just the right nail care.

2.3.3.2 Nail Cutter, Small with Chain



Picture 9: Titania fabrik small nail cutter product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016

High quality small size nail cutter Made in Germany with precision ground cutting design with chain. This nail clipper is specially designed to enable the toe nails to be cut as closely as you wish without damaging the toes or

cuticles. This nails clipper is very comfortable to use and have small design size that ideal for handbags and travelling.

2.3.3.3 Nail Scissors, Stainless



Picture 10: Titania fabrik nail scissors product

Source: www.titania-fabrik.de/index.php?id=9&L=1, 8 October 2016

High quality stainless steel scissors Made in Germany with precision ground edges with sharp even cut for use on clean and dry nails. This professional grade nail scissors are specially designed to allow the nails to be cut and trimmed on both the hands and feet.

2.4 List of Foreign and Local Company in Indonesia

Multinationals company have a strong presence in beauty and personal care products through the top players, Unilever Indonesia, Procter & Gamble Home Products Indonesia and L'Oréal Indonesia occupied the top three positions in 2015. The longstanding presence of these companies fueled consumer interest in international beauty and personal care brands, which are perceived as being of higher quality. Furthermore, international manufacturers invested strongly in product innovations over the review period that constantly maintained consumer interest, with innovation

reflecting evolving needs. These new launches were also accompanied by strong marketing campaigns that engaged celebrities as spokespersons, thus further arousing consumer interest.

While for beauty-retail concept in Indonesia, Sephora Indonesia is going to be leading company in that sector. Gehwol Indonesia is the leading foot specialist's care and has a respectable share in retail. And as the multinationals company emerges in Indonesia market, many local companies such as Stroberi Indonesia, also available in more focusing on cost efficient product that is sold in retail.

2.4.1 Gehwol Indonesia

Gehwol is recognizing as high quality foot care products from Germany. Gehwol has grown and expanded into a foot care and nail care are made with natural and high quality ingredients. The wide product range of Gehwol provides reliable help and the solution for problem of customer. With the right mix of modern, long proven and natural active substances and recipes.

Since 1991, PT. Swasti Candika Prasama, a sole distributor for Gehwol established Gehwol products in Indonesia. Now Gehwol products is already available in stores, outlets and pharmacies specialized also can be found in salons and registered hospital across Indonesia (<http://swasti.candikagroup.com>, October 2016).

2.4.2 Sephora Indonesia

Sephora is a visionary beauty-retail concept founded in France. Sephora's unique, open-sell environment features an ever-increasing amount of classic and emerging brands across a broad range of product categories including skincare, makeup, fragrance, body and hair care, in addition to Sephora's own private label.

Sephora is highly regarded as a beauty trailblazer, thanks to its unparalleled assortment of prestige products, unbiased service from experts, interactive shopping environment, disruptive spirit and constant innovation.

Sephora operates approximately 1,900 stores in 29 countries worldwide, with an expanding base of over 200 stores across the Asia Pacific region including Australia, China, Singapore, Malaysia, Thailand, Indonesia & India. Sephora open their first retail store at Indonesia in 2014 (<http://www.sephora.co.id/about>, October 2016).

2.4.3 Stroberi Indonesia

Stroberi is one of famous local brand for the leading fashion accessories brand in Indonesian market. Stroberi carries the latest and most fashionable accessories for teens and young adults at very affordable prices. Stroberi is a one-stop shopping destination for any young woman for accessories to make their outfit complete.

Stroberi already established in Indonesia for more than 10 years and already have more than 70 stores in Indonesia's big cities. Stroberi stores are characterized by unique ambience and store concepts which stand out from the other. Their also constantly refresh the stores with new arrivals and trending products (<http://stroberi.net/id/about-us>, October 2016).

2.5 Indonesian Consumer Character & Perception

Indonesian consumer has a unique characteristic compare to other countries. Indonesian markets are already familiar with imported products. Evidence shows that traditional markets and shopping malls for middle and lower class consumer group, target mostly offer imported products from China, Korea, Taiwan, and other Asian countries. Products that being imported from these countries usually sell with cheaper price than

from example country like United States of America (USA) and European countries. As well as in the other hand the upper market consumer group also reaching for the high-quality products and brands that made from USA and European country.

By knowing this phenomenon, focusing on medium- high segment is an Indonesia's urban consuming is affluent consuming class that is breaking away from the typical Indonesian profile. This group of consumers characterized by their drive to try new products, to self-indulge themselves, and would likely to pay more for premium and better high quality products and services. With these attributes, they are willing to purchase new categories of products that were barely noticeable in Indonesia until recently. These kinds of consumers are also less value conscious than the rest of the urban consuming class, and at the same time, more financially equipped. Affluent consumers have started using financial products such as mortgages and mutual funds, and have a 30 percent higher penetration rate in financial products compared with the urban average. Credit card penetration also being a factor as their willingness to spend makes them early adopters of new products, and they are much more digitally connected with their social media platform such as Facebook, Twitter, Instagram, Pinterest etc.

Positive economic conditions in Indonesia continued to stimulate beauty and personal care sales, with the area benefitting from the rising employment rate and, in turn, increasing consumer disposable incomes. Coupled with rising exposure to international beauty and grooming trends via the internet and other mediums, consumers are increasingly willing to invest in beauty and personal care products to improve their overall appearance and grooming. This trend is reflected by rising image consciousness, with a growing number of consumers wanting to look their best at work and during social occasions.

2.5.1 Customer Needs

Customer needs describe the benefits that a product or service must fulfil (Griffin and Hauser, 1993), which may address several issues, including utility, functionality, aesthetics, prestige, usability and pleasure (Khalid and Helander, 2004). A fundamental

theme of marketing is the expression of customer needs, also known as customer demands. Customers have compound needs that affect purchase decisions (Shiv and Hubber, 2000). In a business-to-business context, the selling company has a limited number of large customers, each of which must be handled individually (Håkansson et al., 1977).

2.5.2 Customer Value

Value is an abstract concept with meanings that vary according to context (Patterson and Spreng, 1997). Professionals in academia and industry have long struggled to clarify the meaning of value (Kummerow, 2002). Value concepts also differ in terms of the conditions within which customers think about value (Woodruff, 1997). There are many definitions of the term for value, is because of the way in which definitions are constructed. They rely on other terms, such as benefits, utility, worth and quality, which make cannot make well defined themselves.

Nowadays, the concept of value has expanded, however, to convenience of purchase, after-sales service, dependability and so on (Treacy and Wiersema, 1993). Before, customers judged the value of a product or service on the basis of some combination of price and quality only. The generally accepted definition for value focuses on the total worth of the benefits received for the price paid, according to Simpson et al. (2001). Bowman and Ambrosini (2000) argued that value has two components: perceived value and exchange value. Perceived value is subjective and is determined by customers, based on their priorities. Exchange value is realized when the product is sold. It is the amount paid by the buyer to the producer for the perceived use value (Bowman and Ambrosini, 2000). Value in business markets is the monetary worth of the technical, economic, service and social benefits a company receives in exchanges for the price it pays for a market offering (Brandenburger and Stuart, 1996).

The benefits provided by customer value can be easily and direct measured or indirect and hard to quantify. The direct value added by a supplier is derived from activities that can be expressed in a monetary sense, and include benefits that lead to decreased costs or increased sales. The indirect value comes from intangible aspects of

the relationship (Simpson et al., 2001). Within the marketing literature, the word “value” has a customer orientation (Woodall, 2003). On many occasions, therefore, the terms of “customer value” (e.g., Woodruff, 1997), “customer perceived value” (e.g. Monroe, 1991) appear as synonyms for value. Value is created by identifying and understanding customers’ benefits and sacrifices (Walters and Lancaster, 2000).

Customer satisfaction is often regarded as the impact of customer value, because consumers have first-hand experience and familiarity on which to base satisfaction evaluations and satisfaction, which will have an influence on re-purchase intentions (Patterson and Spreng, 1997). Overall satisfaction is the customer’s feelings in response to the evaluation of one or more use experiences with a product (Woodruff, 1997).

2.6 Closeness to Purchase Scale

Some of people think they have good reason for what they’re deciding and using, so they are not ready for a new change. To make the changes sometime can be costly and therefore not worth undertaking. In other hand, changes may be easy and very profitable. This might be to change what some consumers are deciding to the product buy or not. It also may be the change of what some retailers are deciding about which product to stock and how the price and promote them to the market. It applied to be change of what wholesaler is deciding, or to change what management of a company or exporter is deciding about their products and how to market it.

The closeness to purchase tool (CTP) is helping to build up variable around the market environment and help to construct the things that need to change and have. The specific stages on such a scale should be selected to fit the specific circumstances, but the idea is illustrated below with a general set of stages (Stewart, 1993). The Author use this scale to summarized the need of the product targeted to be marketed in Indonesia to be more precise for the need in body care and cosmetic product.

Criteria	Need	Aware	Aware of our brands	Information	Positive image	Intent to try	Take care of people	Happy loyal user
Example	Body care and cosmetics product	European brand body care and cosmetics product	-Social Media -Online ads	-Youtube Vloger -Official website -Celebrity recommendation	-Social status -Prestige level	Product launch events	Customer Service	-Proud user -Recommended to others

Table 1. Closeness to purchase scale Titania fabrik

Explanation:

1. **Need**

Customer wants to have new body care and cosmetic product. They want to feel different and be more confidence to look more healthier and fresh that matches with their lifestyle.

2. **Awareness**

Customer already aware about the criteria they need in body care and cosmetic product, especially German Brand that match with their lifestyle. They also want that the body care and cosmetic product that they choose not only make them look different but also give them good healthy effect. It's important that the product is made from the materials that do not harm their skin.

3. **Aware of our brands**

Customer need to aware of the Titania brands, that's why Titania need to set advertisement everywhere, especially in social media, online advertising and in the open public space.

4. **Information**

Customer can easily get the information of the Titania product by look in the Titania official website. Creating official YouTube channel that show video of the Titania product and Instagram account to let the customers know the Titania product and new updates better. Titania also can used local celebrity for their campaign of the product. The customer can be attracted by the celebrity recommendation to purchase the product that will help increase the sales.

5. **Positive image**

With using Titania product, the customer will get satisfaction that they want because using high quality German product and get more-higher social status level when they uploading their picture and video of using Titania product in the social media.

6. **Intent to try**

The customer can try and test the product for the first time in the upcoming new Titania launch events and testing trial on selected retail store and shopping mall. Also, Titania can routinely give tutorial and workshop in beauty events and trade show. Together with that it's a good opportunity to make the customer saw and test the product of the Titania.

7. **Take care of people who tried**

With using this Titania product, the consumer will get friendly customer service if they want to ask something regarding the Titania product information. During the launch product event and workshop, the sales representative from Titania also will answer the frequently asked question about the Titania product and give solution to the product used whether it's on live event or the official website.

8. **Happy loyal user of the product**

As for the consumer, they will feel happy and proud with using Titania product and will recommend the product to other friends that will help increasing the sales of the product.

2.7 Distribution Channel

Many multinational companies do not sell their products directly to end users. In mass production and consumption industries many manufacturers rely on distributors, representatives, sales agents, brokers, retailers or some combination of these intermediaries to distribute their products (Hughes and Ahearne, 2010). These intermediaries perform a variety of functions and constitute a marketing channel, that is also referred to a trade channel or distribution channel (Kotler and Keller, 2008).

Coughlan et al. (2006) defined a distribution channel as a set of independent organizations involved in the process of making a product or service available for use or consumption. The ultimate goal of a distribution channel is to bridge the gap between producers and consumers by adding value to products or services (Kim and Frazier, 1996). Typically, manufacturers, intermediaries (wholesaler, retailer, specialized) and end users are perceived as the key actors of a distribution channel (Coughlan et al., 2006). Based on these definitions, it is difficult to determine where the distribution channel actually starts, since at different levels there might be multiple producers involved in manufacturing the final products. Some of these producers are closer to the end that deals with final buyers or users, while others are close to the end at which raw material is supplied.

There are two essential decisions when designing a channel of distribution: a strategic decision and a tactical decision. The former one decides the number of levels between supplier and consumer, while the latter determines the intensity of the selected structure and policies of channel management (Rangan and Jaikumar, 1991). The

complexity of these decisions is increased by widely different social, culture, economic and political patterns (Ensign, 2006). It is more common for distribution channel studies to investigate the seller-buyer dyad, and they often take either the seller's perspective or the buyer's perspective (e.g., Amato and Amato, 2009; Deusen et al., 2007).

2.7.1 Distribution Channel Matters

Strategic management of distribution channels is growing in both popularity and significance in the business world (Levi and Weitz, 2008). There are several reasons for this. First, as value has shifted towards customer, distribution has moved from being the backwater of strategy to the main stream, since it is where much of the profit in many industries can be found nowadays (Wise and Baumgartner, 1999). Distribution and its network have become an important source of success and competitive advantage. This phenomenon has been emphasized extensively. Anderson and Narus (1990) reported that it is mutually recognized and understood that the success of manufacturers and distributors depends on the other firm. Their statement indicates that a manufacturer's success cannot be reached from their own effort alone; having a good partner in distribution is very important. Hyvönen and Tuominen (2007) claimed that the changing business environment has recently challenged many firms to seek out new methods to achieve sustain performance advantage through market orientation and distribution channel collaboration. Loomba (1996) also suggested that in order to compete effectively, today's firms must re-evaluate their existing distribution and make adjustments when necessary.

Second, distribution channel strategies affect many other aspects of marketing strategies. According to Kotler and Keller (2008), distribution affects sales, since if the product is not available, it cannot be sold. Delivery is a part of the product that influences customer satisfaction. Most customers will not wait until it can be reached.

Third, the choice of distribution network has long-term consequences. The structure of the distribution network is one of the most difficult decisions to change.

According to Chopra and Meindl (2007), the impacts of selecting a distribution network often lasts for decades. In the long run, distribution channel strategies involved in strategic alliances and partnerships that are founded on trust and mutual benefits create distinguishable interests (Chopra and Meindl, 2007). Changing on the channels is too costly.

2.7.2 Channel Functions

Channel functions are categories of activities and services that add value to physical goods as they move from manufacturers to customers (Atwong and Rosenbloom, 1995). McCammon and Little (1965) argued that functions are considered to be the basic determinants of channel structure; that is, a system designed to carry out necessary tasks. The basic idea was that channel functions could be allocated in different combinations among various channel actors depending on the characteristics of the channel (Wren, 2007). Some researchers have discussed channel structure in terms of the functions performed by channel members (Mallen, 1973).

Rangan et al.'s (1992) list of eight channel functions is described briefly below:

- Product information: Provide information about products for customers, particularly for those products that are new to market and are technically complex.
- Product customization: Adjust product technical configuration to fit the customer's requirements. Even a standard product must satisfy a specific customer's requirements for factors, such as size or grade.
- Product quality assurance: Ensure product reliability for customers.
- Lot size: Provide jointed purchase effort if the product has a high value.

- Assortment: In some cases, a customer may need a broad range of products under one roof. In other cases, assortment may be related to the breadth of the product line.
- Availability: Customer demand might be difficult to predict; if so, the channel must support a high degree of product availability.
- After-sales service: Provide services, such as installation, repair, maintenance and warranty.
- Logistics: Provide transportation, sorting and supplying products to end users

The importance of channel intermediaries has grown in recent years, largely due to increased size, improved level of product knowledge, technical competence, specialization and various other factors (Kalafatis, 2000).

2.7.3 Retail Developments

2.7.3.1 Retailer Image

Retailers today take many forms, including department stores, mass merchandisers, supermarkets, convenience stores, specialty stores and online stores, etc. (Coughlan et al., 2006). Retailers are selective in terms of what merchandise lines are carried in the stores, so as to simplify the consumer shopping experience (Sternquist, 1994). The total offer to consumers is becoming more complex, involving a mix of products, services and facilities (Elg, 2003). Retailers provide manufacturers with access to market segments and consumers (Levi and Weitz, 2008). The most successful modern retailers are not only outstanding merchants but have also developed a unique and strong brand image (Levi and Weitz, 2008). For example, Carefour Indonesia has defined itself as an “Options for Indonesian Families” retailer, and Watsons Indonesia has positioned itself as the best health, wellness, and beauty solutions retailer. These retailers create

value for consumers by providing more services and a broader range of products (www.carrefour.co.id, December 2016)

In a typical distribution channel for consumer goods, for example, manufacturers sell to retailers, which sell to consumers in markets. Retailers break bulk, holds inventory, provide shelf space, create promotional displays and advertising, create one-stop-shopping convenience and a pleasant shopping environment, all of which increases demand for the manufacturer's product (Desiraju and Moorthy, 1997). Retailers gain a central position in many industries thanks to their increasing degree of concentration and internalization, successful launching of retailer brands and by controlling more and more of the value-adding functions with the distribution supply chain (Burt, 2000; Dawson, 2000; Elg, 2003).

2.7.3.2 Retail Growth and Retail Consolidation

Retail growth, especially acquisition growth, affects the retail market structure in a significant way. The retail consolidation that has occurred in Europe and North American has led to the emergence of large retailers (Dragun and Howard, 2003). Market share for small and medium retailers is shrinking and moving towards two extremes. Gagnon and Chu (2005) described these two extremes as mega retail format and focused specialist retail format. When it comes to the reasons for retail consolidation, Dragun and Howard (2003) introduced three causes of retail consolidation: greater buying power, synergies and cost-saving potentials. Modern retailers have achieved organic growth, which involves developing new products or brings existing products to new markets, and acquisition growth, which involves acquiring business or assets (Bahadir et al., 2009).

2.7.3.3 Retail Supply Management

According to Dawson and Shaw (1989), the success of multiple retailers has been based on particular management systems and philosophies. One such system has been a strong central control of operations, covering buying operations, labour policies, advertising, administration and distribution. The move by retailers towards distribution center operation can be seen primarily as a response to the risk of running out of stock (Dawson and Shaw, 1989), and also about controlling retail distribution (Ferne et al., 2000). Burt (2000) explained that reducing the number of delivery points allow smaller suppliers and new entrants without established distribution capabilities to supply retail brand ranges.

With the growing importance of purchasing as a field, in order to improve the overall performance of a supply chain, many companies are adopting the strategy of supplier base reduction and long-term collaboration development (Sarkar and Mohapatra, 2006). Supplier base reduction is often associated with purchase strategy, just-in-time (JIT), supplier management and partnership (Ogden, 2006). Many companies have adopted a competitive approach of involving many suppliers in order to obtain a better condition in prices (Ogden, 2006). However, multiple sourcing usually results in lower prices but requires more time for negotiation and might delay or disrupt production schedules (Cruz, 1996).

2.7.3.4 Retail Brands

Despite the divergence of developments, more and more authors argue that retail brands are becoming a major threat and challenge to the leading manufacturing brands (Elg and Paavola, 2008). Retail Brands In some markets, such as the UK, retail brands have reached a mature state, while in other markets, such as Spain and Italy, they are still in an early or developing phase (Elg and Paavola, 2008). From the retailer's perspective,

retail brands have a significant impact on a retailer's differentiation and competitive superiority (Lymperopoulos et al., 2010). Aliawadi et al. (2008) added that retail brands might also improve customer loyalty. Their study found out that consumers who buy retail brand from a retail chain are likely to build some chain loyalty, while those who do not buy retail brands have no such loyalty.

For Example, Watsons Indonesia its already become is a health and beauty products retailer with over 45 stores located in Jakarta, Banten, West Java and Central Java. In line with its philosophy to deliver 'more' to the lives of consumers, Watsons Indonesia sought to present the best health and beauty products to its customers at an affordable price (www.watsons.biz.id, December 2016).

2.7.4 Implications of Retail Developments

Retailers play a more active role towards manufacturers by setting product standards, promoting products and obtaining and sharing information on consumer behavior (Nordås, 2008). Retailers are also networking organizations in distribution channels, due to the fact that they coordinate products from different suppliers (Elg, 2003). Consequently, the giant retailers have made themselves attractive to manufacturers (Yan and Wang, 2010).

A small number of retailers have taken a larger portion of the market share. Consequently, the "gate-keeping" role of retailers is becoming obvious due to the fact that their location in distribution channels is believed to have become increasingly significant (Burt and Sparks, 2003). The concept of retailers acting as gatekeepers can be traced back to the 1960s. Gross (1967) adopted the term "gatekeeper" to describe the role of big retailers in distribution channels. A gatekeeper refers to an individual or a group of individuals with the power to make a decision that allows a particular item to enter or not enter a particular channel. Gross (1967) argued that large-scale retailers' go or no-go decision are very critical to ensure consumer exposure at the point of sale and, ultimately, the manufacturer's chances for success, especially the success of newly developed

products. Thus, in order for a new product to find its space on the shelves of a retail chain, it must be allowed by the gatekeepers who have the authority to accept new products (Gross, 1967). Hansen and Skytte (1998) echoed Gross's (1967) idea, saying that retail chains in most European countries have grown so large and powerful that wholesalers are removed, although their functions are shifted either forward or backwards in the distribution channel. Retail chains buy the products directly from the manufacturers, if they accept the products. If the retailers do not accept the products, however, it becomes almost impossible for the producer to market them (Hansen and Skytte, 1998).

2.7.5 ECommerce Channel

In order to respond to remain competitive and retail development, some companies have made several shifts regarding their business strategies and practices. The multiple channel strategy is widely used by companies to deliver their products and services to customers. Examples include the sales force channel, the distributor channel, the sales rep channel, the eCommerce channel (Friedman and Furey, 1999) and the newly emerged mCommerce channel including mobile telephony, SMS and text messaging, and WAP and 3G mobile services (Payne and Frow, 2004).

According to Quelch & Klein (1996) the Internet was promoted as a revolutionary vehicle that would change the dynamics of international business and allow small companies to compete in the global marketplace. This is possible because interaction with the customers, such as product searching, browsing, selecting and payment, takes place solely through the website. Koivumäki et al. (2002) found that time savings made shopping online lead to increased purchases at Web stores. Ecommerce offers many exciting opportunities, but to successfully exploit these opportunities, adopting internet and eCommerce, must be a part of a strategic plan involving top level management.

ECommerce has also opened up a channel for manufacturing companies to sell their products online as well as through retail companies. The Internet and eCommerce

have made it possible for small suppliers, that were previously hard to find, to be noticed by consumers. Companies easily can gain an online presence by increasing their online brand, with gaining traffic through the search engines. Jansen & Molina (2006) found that specified search engines returned more relevant results regarding eCommerce. They also found that there was no statistically significant difference in average relevance among average ranks for any of the search engines.

Ecommerce specifically allows Indonesian consumers to source hard-to-find goods, as opposed to other nations, where rural areas would not have as high use of internet-capable mobile devices. In fact, popular Indonesian online site BliBli.com has more than one-third of its 2.5 million customers living in rural areas, providing goods ordered almost exclusively off mobile platforms to a population whose sole form of internet access comes via smartphone (www.blibli.com, December 2016).

2.8 Import Procedure in Indonesia

Any goods coming from overseas into the Indonesian customs territory are treated as import and are generally subject to customs duty. All importation of goods into Indonesia should be verified first before release into importer. Verification of documentation and physical inspection of goods is needed to ensure that all is as per Indonesia import procedure.

2.8.1 Customs and Registration

Importation of goods into Indonesia must be declared to the Customs Authority using an Import Declaration Form (PIB). To be able to fulfill customs obligations, the importer must register with the Directorate General of Customs and Excise (DGCE) to obtain a Customs Identification Number (NIK). Customs duty and import taxes payable should be settled first before the goods are released from the customs area (airports and

harbors). If the deadline is not met, the customs duty payable is subject to an administrative penalty of 10% from the customs duty payable.

An importer can be a person or company, whether it has legal entity status or not. An importer must have a Customs Identification Number (Nomor Identitas Kepabeanan, NIK) and an Importer Identification Number (Angka Pengenal Impor, API). The API is valid for five years and can be extended. It is applicable for the entire Indonesian customs territory.

Importation of certain products requires the importer to have a Special Importer Identification Number (Nomor Pengenal Importir Khusus, NPIK) or Registered Importer Number (Importir Terdaftar Produk Tertentu, ITPT). All importers must have this license to completing the Indonesia import procedure (www.beacukai.go.id, November 2016).

2.8.2 Customs Declaration Forms

- The Importer must prepare a Customs Declaration Form (Pemberitahuan Impor Barang - PIB) upon the importation of goods.
- The customs declaration should be accompanied by supporting documents, i.e. commercial invoice, airway bill (AWB) or bill of lading (B/L), packing list (P/L), insurance letter, etc.
- Revision of an import declaration can be done under certain circumstances. Revision can be made to an import declaration, provided the imported goods have not been released from the temporary customs area, the error was not discovered by the customs officials, and no assessment has been issued.

- Arrival of Import Goods

Upon the vehicle's arrival, the carrier must submit a customs declaration, i.e. manifest, to the Head of the Customs Office within 24 hours after the arrival of the ship (eight hours for aircraft; immediately for land transport), in Indonesian or English, signed by the carrier.

- Discharge of Import Goods

The import goods shall be discharged at the customs area or other place after receiving approval from the Head of Investigation or authorized officer. The carrier shall provide a list of the containers or break bulk amount that has been discharged to the authorized officer at the Customs Office, either manually or electronically, this is part of Indonesia import procedure

- Procedure for Clearance / Release of Import Goods from Customs Area.

- The importer shall complete and submit the PIB, compute the customs duty and import taxes, and make payment to the depository bank;

- The PIB and its attachments, such as commercial invoice, P/L, B/L / AWB, customs duty and import taxes payment evidence, etc., are submitted to the Customs Authority for approval;

- The import goods can be released from the customs area after approval by the Customs Authority.

- Computation of Customs duty and import taxes

- $\text{Customs Duty} = \text{Customs duty tariff} \times \text{CIF Value (Cost, Insurance and Freight)}$

- $\text{Value Added Tax} = 10\% \times [\text{CIF Value plus customs duty}]$

- Luxury Goods Sales Tax (LGST) = Tariff x [CIF Value plus customs duty] LGST is only imposed on certain goods that are defined as luxury goods.

2.9 Product Activation

Product activation program often can be called part of marketing activation, the purpose is to create direct sales and introduction of our products to consumer and customer also to make the brand loyalty extend in long term, as what stated depending on the business objective, two types of marketing activation can be used as part of a consumer activation program, and can be divided into two parts which are:

- Brand Activation, which focuses on building a longer term emotional connection between the brand and the customer/consumer.
- Direct –response marketing, that will focus on generating immediate sales transactions.

Brand activation is the process of forming an emotional or rational attachment between a person and a brand. It comprises one aspect of brand management. What makes the topic complex is that brand engagement is partly created by institutions and organizations, but is equally created by the perceptions, attitudes, beliefs, and behaviors of those with whom these institutions and organizations are communicating or engaging with, Easy way to explain is brand activation is the process how well the products or services can “touch” consumer heart and resulted in the end loyalty to the brand compare than the other competitor, and to achieve that the company got to connect and act what things to be done in promotion that related close to the society behavior.

Chapter 3

Methodology

3.1 Research Purpose

The research purpose is a statement of why the study is being conducted, or the goal of the study. The goal of a study might be to identify or describe a concept or to explain or predict a situation or solution to a situation that indicates the type of study to be conducted (Beckingham, 1974). There are three types of approaches based on Yin (2003) explanation about approaches in scientific research namely exploratory, explanatory, and descriptive research.

Exploratory research, intends merely to explore the research questions and does not intend to offer final and conclusive solutions to existing problems. Conducted to determine the nature of the problem, this type of research is not intended to provide conclusive evidence, but helps us to have a better understanding of the problem. Exploratory approach is used to finding out what is happening with the current situation, to gain new insights within it and to ask questions and assess the phenomena in a new level of understanding or solve it according to Saunders and Thornhill (2000). The great advantage doing it is that flexible and adaptable to change if you are conducting exploratory research you should be commit and willing to change your direction as if there will by result of new data as well as new insights that occur to the research. (Saunders & Thornhill, 2000).

Causal research, also known as explanatory research is conducted in order to identify the extent and nature of cause-and-effect relationships. Causal research can be conducted in order to assess impacts of specific changes on existing norms, various processes etc. Causal studies focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables. Experiments are the most popular primary data collection methods in studies with causal research design. (Zikmund, Babin, Carr, & Griffin, 2012).

Descriptive research can be explained as a statement of affairs as they are at present with the researcher having no control over variable. Moreover, descriptive research may be characterized as simply the attempt to determine, describe or identify what is, while analytical research attempts to establish why it is that way or how it came to be. (Ethridge, 2004). Descriptive research is aimed at casting light on current issues or problems through a process of data collection that enables them to describe the situation more completely than was possible without employing this method. (Fox & Bayat, 2007). Descriptive research is closely associated with observational studies, but they are not limited with observation data collection method, and case studies, as well as, surveys can also be specified as popular data collection methods used with descriptive research.

This research study is mainly more to descriptive research since the purpose and the research questions are to describe and go deeper into the characteristics of Indonesian customer towards Titania a German product. This study research is also explanatory in the aspect of some extent because the author want to explain what factors and the way to marketed including finding choice of suitable international distribution channel. Furthermore, this study is to some extend of exploratory in terms of that we bring detailed questions in our questionnaire to our sample respondent as well as in depth questions list for out targeted primary sources, and we have also clarified our understanding of a problem. This also a new research being conducted in Indonesia, since this is the first time Titania set themselves to initial stage of entering Indonesian market through this research. All the research and procedure will be guide based on theories we selected.

3.2 Hypothesis

H1: Indonesian customer not afraid to try new product that they don't know and unfamiliar.

H2: Indonesian customer prefer to purchase cosmetic and body care product from Germany direct at the retail store.

H3: The price of cosmetic and body care product from Germany are competitive enough to compete with local and international brand that already existed in Indonesia.

H4: Entering Indonesian market for cosmetic and body care product from Germany is tent to be challenging.

3.3 Research Approach

There are two types of research approaches; qualitative and quantitative. The author will use this mixture of quantitative and qualitative approaches by creating the questionnaire questions from information and data received from interviews and literature studies in order to make more detailed questions that focus on the problem that the author want to solve and discover. The author will describe the reason and main information of using this approaches methods as below:

Quantitative: Aliaga and Gunderson (2002) have described the quantitative research methods very well. According to them "Quantitative research is an inquiry into a social problem, explain phenomena by gathering numerical data that are analysed using mathematically based methods e.g. in particular statistics". According to the Creswell (2003) researcher primarily uses post-positivist approach to develop knowledge when quantitative research is selected (i.e cause and effect thinking, use of measurement and observations, and test of theories), employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data. Quantitative research method is adopted because it allows the researcher to get the facts and not abstract about the aim of dissertation (Bryman and Bell, 2007). According to Matthews & Ross (2010) quantitative research methods are basically applied to the

collection of data that is structured and which could be represented numerically. Generally quantitative data is collected when researcher has adopted the positivist epistemological approach and data is collected that can be scientifically analyzed.

Qualitative: Bryman and Bell (2007) stated that qualitative research is a research strategy that indicates the relationship between theory and research and usually emphasizes on how theories were generated. As a research strategy, qualitative research is intuitivist, constructionist, and interpretivist, but qualitative researchers always don't subscribe to all three of these methods. A qualitative approach seeks to discover what may occur for certain kinds of behavior. This type of research seeks deeper understanding of factors, sometimes unseen, which influence the choice or factors that influence customer in choosing their hair-coloring product for example. It also observing and reflects the complexity of human activities, organization works and rules applied in satisfying many needs, that's basically subjective. The result of qualitative research approach cannot produce statistical evidence based on probability sampling, but it will provide unique insights to inspire and create a powerful data to be concluded in quantitative aspect of a research. It's inspire and guide the development of making the right questions for questionnaire as well creating marketing strategy and tactics. This approach is appropriate when you want thorough information and the purpose of qualitative approach is to receive a deeper understanding of the research problem (Yin, 2003). In contrast, qualitative research is mostly used in disciplines where focus is on explanation and description such as sociology, social anthropology and psychology rather than on predictions (Hakim 2000).

The purpose of this research is to understand and find the factors that affecting Indonesian costumers as well as the distributor and wholesaler perception about their decision in choosing body care and cosmetic products from Germany.

The first approaches that being conducted is the Quantitative research approach, the purpose of this research approach being used is to understand and to find out factors that affect Indonesian costumer in choosing their body care and cosmetics products. Deductive approach was applied in this research because it supported the author to confirm and reject all issues (Hypothesis) that were form based on previous researches

and theories. Furthermore, Quantitative approach is a solid way of approach to end and bring conclusion about the Indonesian costumer perspective towards Titania German body care and cosmetics product. Moreover, quantitative approach was also useful to evaluate, summarize and report finding accurately based on the statistical data.

The next approach is using Qualitative research approach, as the purpose of this also was to gain deeper understanding of how international distribution channels are used, from the perspective of exporting companies and from the importing distributor/wholesaler in Indonesia and to the costumer market in the end.

3.4 Research Strategy

The research approach is the mix of quantitative data (questionnaire data gathering) and qualitative data (observation and product research). Quantitative data is being used to help strengthen the questions for qualitative data seeking.

For quantitative method, according to Saunders, Lewis and Thornhill (2003) survey methodology is the best way to measure attitudes and to describe behavioural patterns. Zikmund (2003) defined survey as a method of gathering primary data based on communication with a representative sample of individuals. Usually the type of information gathered in surveys varies considerably, depending on a survey's objectives and typically survey investigations attempt to describe what is happening and reasons for particular business activity.

For qualitative method, there is five research strategies available to collect the data: experiments, surveys, archival analysis, histories, and case studies (Yin, 2003). Each strategy is either suitable or not depending on what type of study is on the research question. There are three conditions that distinguish these five strategies:

- Form of research questions

- Requires control over behavioral events
- Focuses on contemporary events

3.5 Population and Sample Size

Regarding to the purpose of this research, the author attempt to study the relationship between factors that can affected on the Indonesian customers and German body care and cosmetics products.

Population is a common unity of the samples taken. Population is also generalization region consisting of objects or subjects that have certain characteristics of the quantity and can be applied to study and then drawn the conclusion (Sarwono, 2012). Polit and Hungler (1999) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications.

The process of selecting a portion of the population to represent the entire population is known as sampling (Hungler 1999). In this study the population was Indonesian customer of all races, age groups, educational status, socio-economic status and residential areas. Furthermore, there is more convenient, accessible and directly to the point of the question that being asked, in order to target the customers who are in the age range of the research between 16 – 45 years old and living in Indonesia, as the respondents for the questionnaire survey facilitating to the geographically residence.

A general rule of the thumb is to always use the largest sample possible. The larger the sample the more representative it is going to be, smaller samples produce less accurate results because they are likely to be less representative of the population (LoBiondo-Wood & Haber 1998). In this study a convenience sample 99 respondent's mixture of Indonesian women and men were selected to take part on this research. By using online survey during December 2016, time and money was saved by selecting a

sample to be studied rather than attempting to study the entire population of Indonesian customer.

3.6 Data Collection

This data can be seen as primary because it's importance, uniqueness and its collected and observed according specific design and purpose by researcher (Brymen & Bell, 2007). In this research, the author conducted questionnaire for gathering all concrete information to analyze and answer all the issues from research questions. Primary data is valuable and essential data in the research regarding to an exclusive result that the author get directly from the survey.

3.7 Questionnaire

Questionnaires and interviews are often used together in mixed method studies investigating educational assessment (Lai & Waltman, 2008). While questionnaires can provide evidence of patterns amongst large populations, qualitative interview data often gather more in-depth insights on participant attitudes, thoughts, and actions (Kendall, 2008). The main reason for choosing the questionnaires as the predominant research method is because questionnaires are a practical way of collecting a large quantity of first-hand primary data. The benefit of collecting data through questionnaire is that data will be up-to-date. The advantage of using questionnaire as a data collection method is they are a safe way of gathering data as they require a little involvement from the researcher. They are less dangerous to carryout than other research methods such as participant observation as the exchange is briefer and carried out in a safe, public environment. Furthermore, questionnaire enables hypotheses to be tested, correlations to be identified and straight forward descriptive data to be obtained (Bryman and Bell, 2007). Selltiz et al (1981) argued that questionnaires are convenient for the respondent to

complete, cheap and are a relatively easy research method to implement when gathering first hand primary data.

The questionnaire consisted of 2 parts; that are personal data and consumption data. The questions in personal data part asked about gender and age. More to details, the questions number 1 to the questions number 6 are discussing about the respondent's habit and perception about German body care and cosmetic products. For the questions number 7 to the questions number 10 it's how the respondent's perception about buying body care and cosmetic product from the retail store and via online website (e-commerce). For the questions number 11 to the questions number 15 is more detailed about comparison between German and local products to Indonesian consumer perception for body care and cosmetic products. And for the questions number 16 to the questions 18 its likeliness to buy and satisfaction level regarding the product offered. This questionnaire was created to understand more about Indonesian customers toward Titania body care and cosmetics product.

3.8 Data Analysis

To analyze the collected data from questionnaire, the author using Microsoft Excel 2016 and SPSS version 23, to analyze all answer, by summarized it as a descriptive statistic in empirical finding, chapter 4. And for the beginning in chapter 5: Conclusion. The descriptive statistic is employed for the basic features of data in this study research. It offers simple conclusions about the sample and the measures (Trochim, 2008). On the first part of analysis, summarizing the data deriving from mean value by *frequency* is mainly considered. Corresponding with simple graphic analysis, it helps to shapes the basic of virtually every quantitative data analysis of result. More precisely, the analysis of the data, which are being answered as a rating.

Data analysis according to (Miles and Huberman, 1994) consists of three flows of activity, explained below:

- **Data reduction:** considered to be the part of the analysis and not separate from it, the reduction of is analysis that helps to sharpen, sort, focus, discard, and organize the data in a way that created for final conclusions to be drawn and verified. Data can be reduced and then transformed through such means as selection, summary, paraphrasing, or being enlarge in a larger pattern. It is also being used to reduce the data in the research, by taking empirical findings and take out the variables that cannot be compared to the existing theory.
- **Data display:** considered a second major activity, which researcher should have passed through, meaning that after taking the reduced data and displaying it in a organized and compressed way, so the conclusions can be more simplify and easily drawn. As with data reduction being done previously, the creation and use of displays is a part from analysis. In our study, we used the data analysis to display the data in our research. The author did this be performing within- case study and experiment on each targeted sample and salon, and put together both cases in a cross-case analysis.
- **Conclusion drawing and verification:** it is the final analytical activity for the qualitative researcher. Here the author begins to decide what all the findings means. Noting all regularities, patterns, explanations, possible configurations, flows, results and the propositions. It will be describing more in detail in conclusion chapter, because at that time author can use the data analysis to state the findings and draw into final conclusion.

(Yin, 2003) stated that the analysis of the case study evidence is one of the least developed and most difficult aspects of doing case studies. There are no clear guidelines on how to analyze the material from a case study. However, to solve this matter, every case study can be analyzed with general strategy, here are the main three strategies:

1. Relying on theoretical propositions is the most common and used one. The result of this strategy is from collection of data based on research questions taken from previous studies. And can be compared by the result from the findings of the study.

2. Second strategy is by thinking about rival explanations tries to define and test rival explanation that can be related to the first strategy, in position that the original theoretical propositions might have included hypotheses. It's relevant even in the absence of such theoretical propositions and is also useful in doing case study evaluations.
3. And the third strategy is by developing a case description, but this considered less favorable and should only be used once there is just little previous research has been done. This strategy can be conduct by analyzing data in two analytic ways that are within-case analysis and cross-case analysis. Within case analysis can be conducted by comparing case study with existing theories and cross-case analysis is appropriate if data are collected from more than one case. In the cross-case analysis data are not only compared to theory data, but also to the data from the other cases. (Eriksson & Wiedersheim-Paul, 1999) The general analytical strategy decided for this case study is one where we relied on theoretical propositions. This strategy is appropriate since the research questions are taken from theoretical data and also have aimed to compare the empirical data from research findings against the results in existing theories.

The three strategies described by (Yin, 2003) are the basis for the data analysis. Data are reduced for the research questions in a within-case analysis. In the within – case analysis empirical findings are compared to the conceptual theory. The cross- case analysis additionally reduces and displays data. The different findings that being found are compared to each other in the cross-case analysis. In the final chapter, the author going to present and explain a contribution to a conclusion drawing and verification is provided.

3.9 Quality Standards

Reducing the possibility of getting the wrong answer from the research questions, means that attention has to be focus to two particular quality standards on research design that are: Reliability and Validity (Chisnall, 1997).

3.9.1 Reliability

Reliability is the extent to which the same observational procedure in the same context yields by the same information (Kirk & Miller, 1987). Reliability from it words meaning refers to the stability and consistency of the results received from the research: to the probability that the same result could be obtained if the measures used in the research were simulated. Perfect coincidence of such measures would not be likely. However, acceptance level could range over specified limits, expressed in the form of correlation coefficients. Essentially, reliability is concerned with the consistency, accuracy and predictability of specific research findings (Chisnall, 1997).

According to Yin (2003) the objective with reliability is to be sure that if a researcher would follow the exact same procedures described as an earlier investigator and would conduct the same case study all over again, as the later investigator should arrive at the same findings and conclusions. One prerequisite for allowing another investigator to repeat an earlier case study is to document the procedures that author currently work on. For example: case study protocol. Another way is also to develop a case study database. The stages in our study are well documented since we have the questionnaire and the interviews authors conducted were recorded in video. Furthermore, authors have all the contacts (phone numbers and e-mail address to the source of information, in this case are trial respondents, salon owners and hairdressers).

The reliability of this study can be reduced in two ways. First is if someone else would do the interviews again the respondents are likely to be more prepared because it

has been done before and the respondents will know what to answer. They might remember more and possibly will add more depth into conversation in the interviews. Secondly, is that over years the procedures, techniques, trends and processes might be changed or improved which means the result of the study with the same nature of what authors did might take another turn of results.

3.9.2 Validity

Validity is the quality of fit between an observation and the basis on which it is made (Kirk and Miller, 1987). Validity is concerned with the findings are really about and what they appear to be about (Saunders and Thornhill, 2000). It refers to how well a specific research measure what it claims to be measure. Taking one for example, a thermometer is used to measure a temperature and a speedometer is used for measuring the speed of vehicle. It's generally more difficult to resolve validity and reliability, for a research measure should be more than just valid but also reliable (Chisnall, 1997).

Validity involves the agreement between the measurable value you get when using a measurable definition and the reality. It does not depend on the internal validity and it cannot estimate without knowing how the empirical material that already been gathered. High validity usually hard to obtain since people might be lying or answering the questions incorrectly (Eriksson and Wiedersheim-Paul, 1999). We took this into consideration by ensuring that the respondents we choose for our interviews are the in the right criteria and were the right person to talk with. However, it's difficult to know whether the person has been honest with their answer or did answer incorrectly.

Chapter 4 Results and Discussion

In this chapter, the author will present the information gathered through the research; such as interview and questionnaire result. This chapter sets out the results of the questionnaire, initially assessing the descriptive statistics to establish the control variables and the basic characteristics of the market. This will be followed by a critical discussion of the findings and their linkages to the existing literature and research in order to ascertain whether this new data supports or contradicts the existing information.

4.1 Respondent Demographic

- Gender

Gender	Male	Female
Percentage	17.17%	82.83%
No. of Panel	17	82

Table 2. Respondents gender

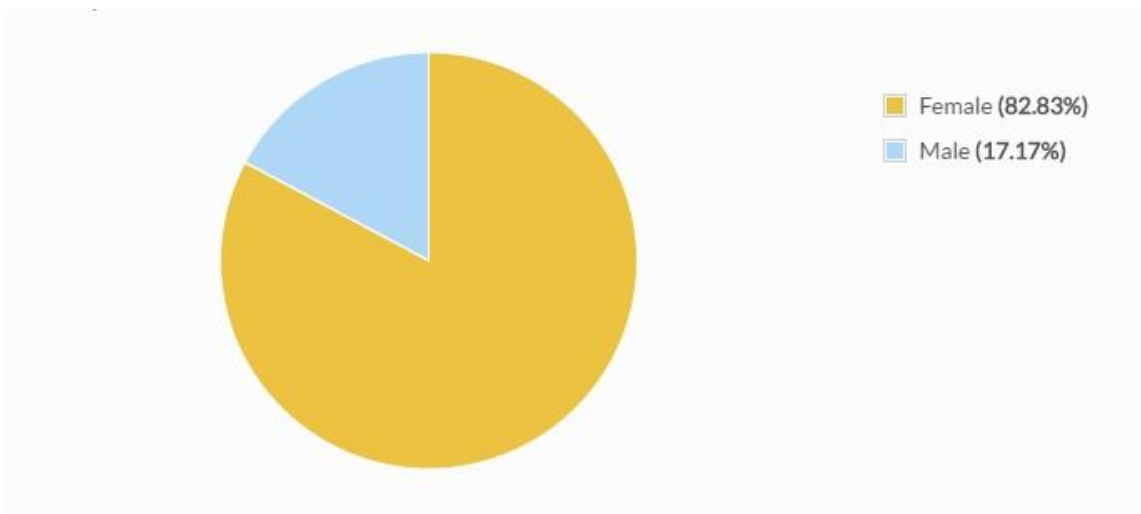


Figure 1. Respondents gender percentage

The table above illustrates the respondent data by gender. Accordingly, the research population gender distribution was calculated as being 82.83% female and 17.17% male in order to ensure that 99 questionnaires were gathered. This equates to 82 females and 17 males.

- Age

Age Range	< 16	16-19	20-25	26-29	30-35	36-39	40-45	> 45
Percentage	0.00%	4.04%	45.45%	23.23%	18.18%	6.06%	3.03%	0.00%
No. of Panel	0	4	45	23	18	6	3	0

Table 3. Respondents age

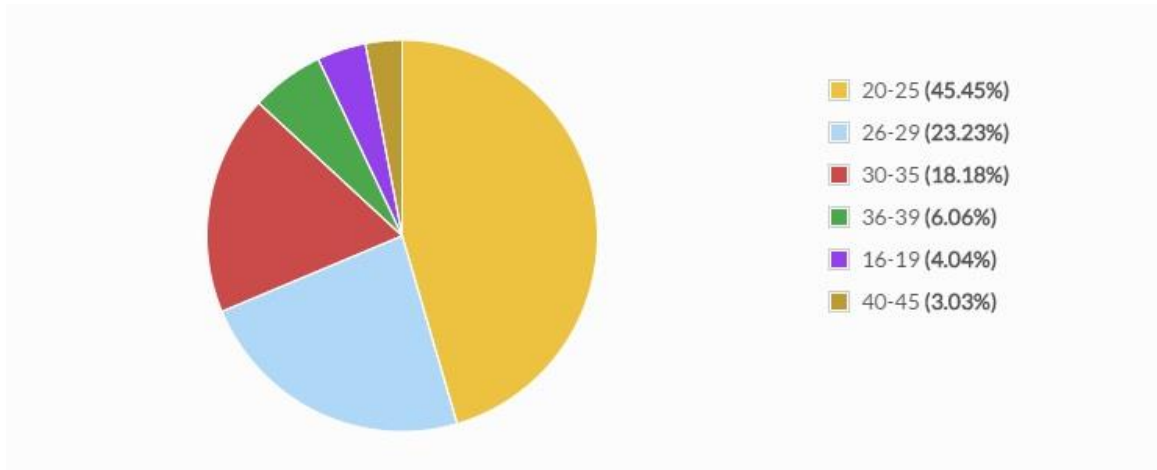


Figure 2. Respondents age

The table above illustrates the respondent data by age for this research target group. Of the 99 respondents as can be seen from the table above, 45.45% of the research population are between the ages of 20 to 25, as many as 45 people. Followed by 23.23% between the ages of 26 to 29, as many as 23 people and 18.18% between ages of 30 to 35, as many as 18 people.

- Monthly spending (exclude mortgage, credit, leasing and insurance payment)

Monthly Spending	< USD 100	USD 101 - 200	USD 201 - 300	USD 301 - 500	USD 501 - 750	> USD 750
Percentage	19.19%	36.36%	22.22%	14.14%	6.06%	2.02%
No of Panel	19	36	22	14	6	2

Table 4. Respondents monthly spending

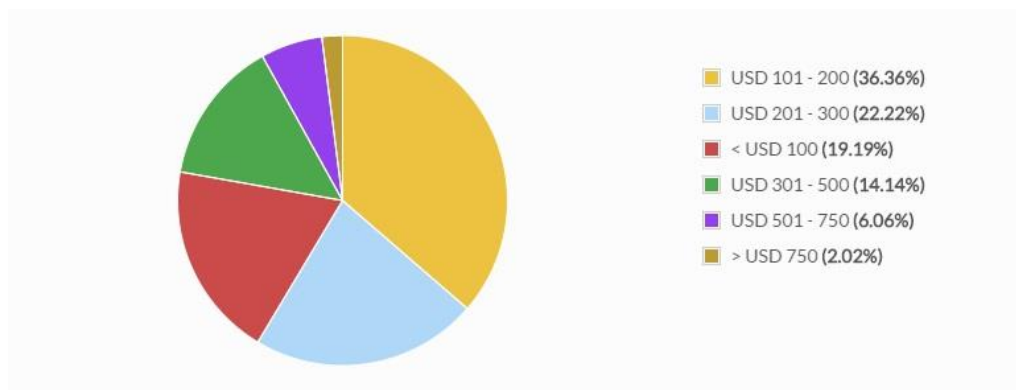


Figure 3. Respondents monthly spending percentage

The table above illustrates the respondent data by monthly spending exclude mortgage, credit, leasing and insurance payment. Of the 99 respondents as can be seen from the table above, 36.36% of the research population are able to spend money between USD 101 – USD 200 per month, as many as 36 people. Followed by 22.22% of the research population are able to spend money between USD 201 – USD 300 per month, as many as 22 people.

4.2 Testing Correspondent Result

This chapter provides the facts of the results received from the filled questionnaire by 99 respondents, and to be understandable, the grouping of the questions to the hypothesis that author want to test.

Author can measure attitudes by asking the respondents to respond to a series of statements about a topic, in terms of the extent to which they agree with them, from strongly agree to strongly disagree, and makes the assumption that attitudes can be measured.

4.2.1 Hypothesis Testing 1 – H1

H1: Indonesian customer not afraid to try new product that they don't know and unfamiliar.

To test this **H1** statements, the authors using six specific questions that can measure is Indonesian customers like to try and purchase body care and cosmetic product from Germany, the questions listed as below:

1. Indonesian consumers like to purchase German cosmetic and body care products.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

2. Indonesian consumer feeling proud when purchase German cosmetic and body care products.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

3. Packaging influence Indonesian consumer in purchasing of German cosmetic and body care products.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

4. Quality influence purchasing decision of Indonesian consumers for German cosmetic and body care products.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

5. Price and its quantity influence purchasing decision of Indonesian consumers for German cosmetic and body care products.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

6. Consider Titania brand is manufactured in Germany, would you have an intention to try and later to purchase for your cosmetic and body care product?
- If yes, please explain the reason.
 - If no, please explain the reason.

On the first questions, author asked about how the respondents will express how much they agree or disagree with the statement that Indonesian consumers like to purchase German cosmetic and body care products. And based on the questionnaire given to 99 respondents, here are the results:

Indonesian consumers like to purchase German cosmetic and body care products.	
Strongly agree	6
	6.06%
Agree	51
	51.52%
Don't know	18
	18.18%
Disagree	14
	14.14%
Strongly disagree	10
	10.10%
Total	99
	100.00%

Table 5. Consumers like to purchase

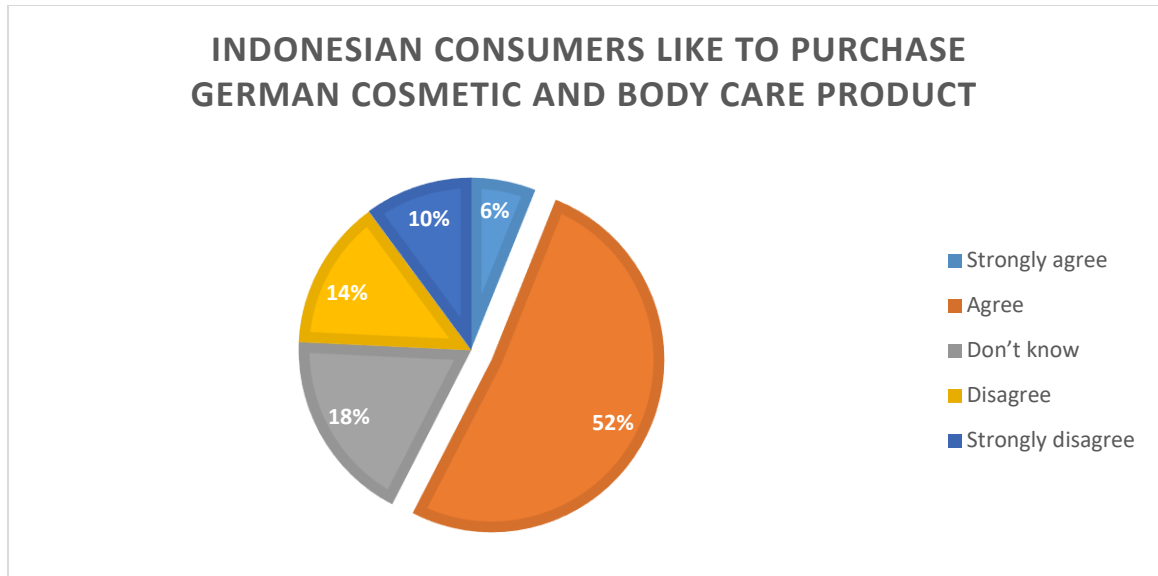


Figure 4. Consumers like to purchase percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 51.52% of the research population are answer agree with this statement. Because, In Indonesian market there are already established some well known German manufacturer cosmetic and body care product. For example, Gehwol, Wella and Nivea is already familiar with Indonesian consumers. As can be seen from the table above, 18.18% of the research population are answer don't know and 14.14% of the research population are answer disagree with this statement. Since there is many import cosmetic and body care product in Indonesian market, there are chance Indonesian consumer to use other brand from another country for their cosmetic and body care product. For example, L'Oréal and Garnier from France is quite famous in Indonesian market.

On the second questions, author asked about how the respondents will express how much they agree or disagree with the statement that Indonesian consumer feeling proud when purchase German cosmetic and body care products. And based on the questionnaire given to 99 respondents, here are the results:

Indonesian consumer feeling proud when purchase German cosmetic and body care products.	
Strongly agree	7
	7.07%
Agree	47
	47.47%
Don't know	22
	22.22%
Disagree	16
	16.16%
Strongly disagree	7
	7.07%
Total	99
	100.00%

Table 6. Consumers feeling proud

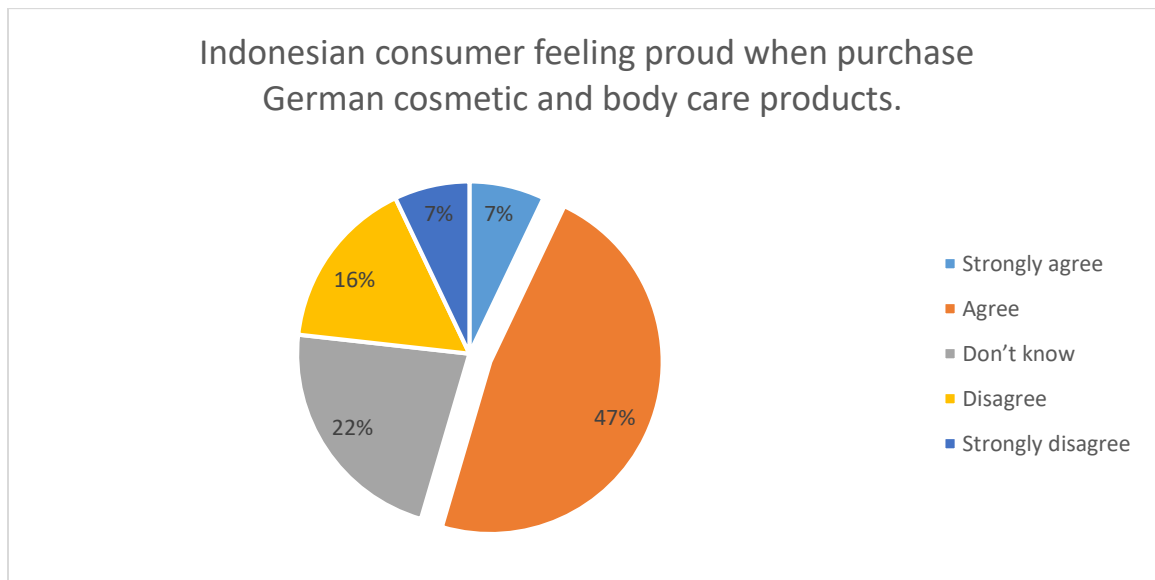


Figure 5. Consumers feeling proud percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 47.47% of the research population are answer agree with this statement. And 22.22% of the research population are answer don't know and 16.16% of the research

population are answer disagree with this statement. Since in Indonesian market there are already available German and other import cosmetic and body care products, Indonesian consumers can have their choice to use and felling proud about the product that they are using for cosmetic and body care products.

On the third questions, author asked about how the respondents will express how much they agree or disagree with the statement that packaging influences Indonesian consumer in purchasing of German cosmetic and body care products. And based on the questionnaire given to 99 respondents, here are the results:

Packaging influences Indonesian consumer in purchasing of German cosmetic and body care products.	
Strongly agree	13
	13.13%
Agree	45
	45.45%
Don't know	25
	25.25%
Disagree	12
	12.12%
Strongly disagree	4
	4.04%
Total	99
	100.00%

Table 7. Packaging influences

PACKAGING INFLUENCES INDONESIAN CONSUMER IN PURCHASING OF GERMAN COSMETIC AND BODY CARE PRODUCTS.

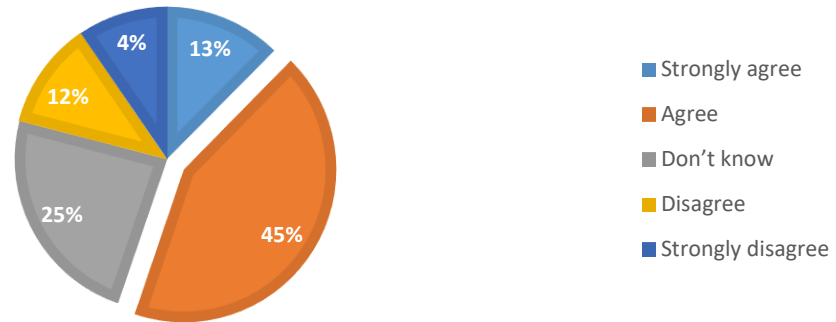


Figure 6. Packaging influences percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 45.45% of the research population are answer agree with this statement. And 13.13% of the research population are answer strongly agree with this statement. Because, there is a relationship between Indonesian consumer preference and packaging design. The more attractive the packaging, can be seen as an attractive language to stimulate consumer preference and buying decision. As can be seen from the table above, 25.25% of the research population are answer don't know and 12.12% of the research population are answer disagree with this statement. As we know, the typical packaging from European manufacturer is not as attractive as Korea or Japan manufacturer.

On the fourth questions, author asked about how the respondents will express how much they agree or disagree with the statement that quality influences purchasing decision of Indonesian consumers for German cosmetic and body care products. And based on the questionnaire given to 99 respondents, here are the results:

Quality influences purchasing decision of Indonesian consumers for German cosmetic and body care products.	
Strongly agree	42
	42.42%
Agree	35
	35.35%
Don't know	11
	11.11%
Disagree	6
	6.06%
Strongly disagree	5
	5.05%
Total	99
	100.00%

Table 8. Quality influences

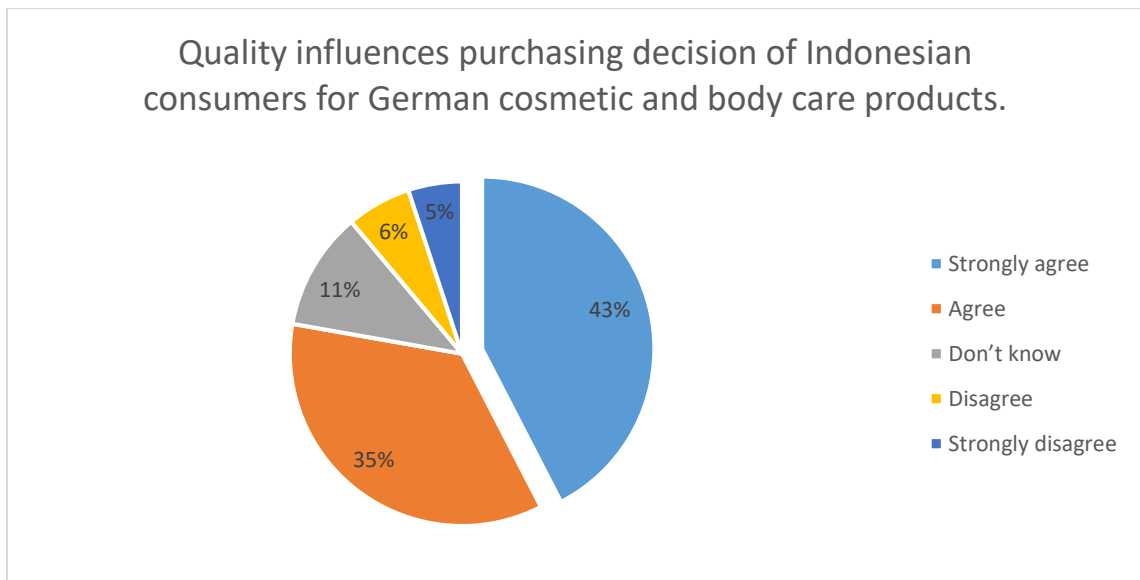


Figure 7. Quality influences percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 42.42% of the research population are answer strongly agree with this statement. And 35.35% of the research population are answer strongly agree with this statement.

Where in the Indonesian consumer perception, German cosmetic and body care product still have the image of high quality product.

On the fifth questions, author asked about how the respondents will express how much they agree or disagree with the statement that price and its quantity influences purchasing decision of Indonesian consumers for German cosmetic and body care products. And based on the questionnaire given to 99 respondents, here are the results:

Price and its quantity influences purchasing decision of Indonesian consumers for German cosmetic and body care products.	
Strongly agree	26
	26.26%
Agree	42
	42.42%
Don't know	17
	17.17%
Disagree	9
	9.09%
Strongly disagree	5
	5.05%
Total	99
	100.00%

Table 9. Prices and its quantity influences

**PRICE AND ITS QUANTITY INFLUENCES PURCHASING
DECISION OF INDONESIAN CONSUMERS FOR GERMAN
COSMETIC AND BODY CARE PRODUCTS.**



Figure 8. Prices and its quantity influences percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 42.42% of the research population are answer agree with this statement. And 26.26% of the research population are answer strongly agree with this statement. Because, in almost all cases, consumer choices are driven by prices. Then consumer will also compare the same exact quantity with other product for the prices for their final decision.

For the last question, author asked the respondents how the respondent is interested for try and later to purchase, consider Titania brand its product manufactured in Germany. And based on the questionnaire given to 99 respondents, here are the results:

Consider Titania brand its product manufactured in Germany, would you have an intention to try and later to purchase for your cosmetic and body care product?	Total
Yes	63
	63.54%
No	36
	36.46%
Total	99
	100.00%

Table 10. Intention to try

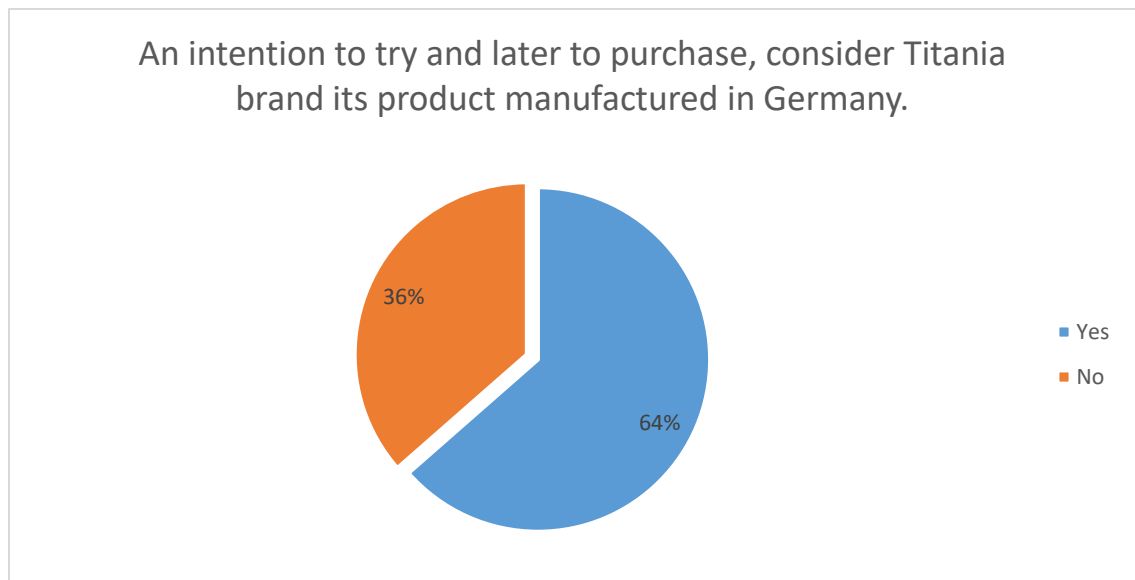


Figure 9. Intention to try percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 63.54% of the research population are answer yes with this questions. Most of the respondent have interested to try and buy Titania product. Because they want to try a new high quality product Made in Germany for their cosmetic and body care products. And 36.46% of the research population are answer no with this questions. Some of the respondents feels not familiar with this product and never heard of the brand before.

4.2.2 Hypothesis Testing 2 – H2

H2: Indonesian customer prefer to purchase cosmetic and beauty product from Germany direct at the retail store.

To test this **H2** statements, the authors using four specific questions that can measure is Indonesian customers prefer to purchase body care and cosmetic product from Germany, by eCommerce or direct at the retail store. For this research, author choose only two channel for distribution the product in Indonesian market. Since Indonesian customer more prefer to choose this way of channel for purchase cosmetic and beauty product from Germany. The questions listed as below:

1. Indonesian consumer like to purchase German cosmetic and body care products direct from the retail store.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

2. Purchase made direct from retail store giving a sense of secure in consumer perception.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree

5. Strongly disagree
-
3. Indonesian consumer like to purchase German cosmetic and body care products from online website shopping via PC, Tablet or Smartphone.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree
-
4. E-commerce benefits such as time saving and accessibility through device are the asset why consumers use the format of buying.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

On the first questions, author asked about how the respondents will express how much they agree or disagree with the statement that Indonesian consumer like to purchase German cosmetic and body care products direct from the retail store. And based on the questionnaire given to 99 respondents, here are the results:

Indonesian consumer like to purchase German cosmetic and body care products direct from the retail store.	
Strongly agree	12
	12.12%
Agree	46
	46.46%
Don't know	30
	30.30%
Disagree	7
	7.07%
Strongly disagree	4
	4.04%
Total	99
	100.00%

Table 11. Purchase direct from the retail

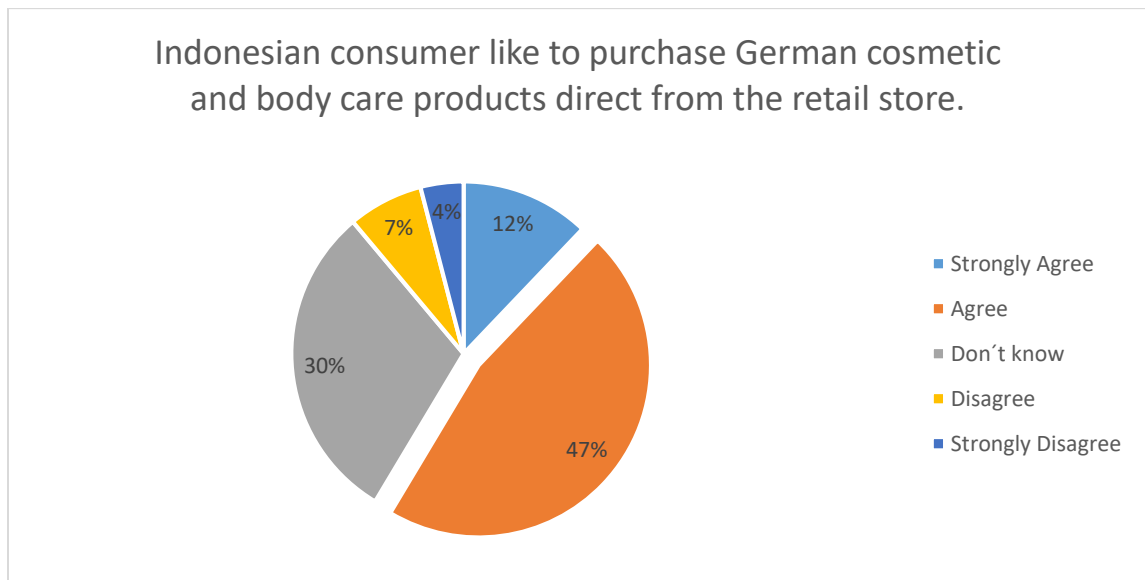


Figure 10. Purchase direct from the retail percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 46.46% of the research population are answer agree with this statement and 12.12% of the research population are answer strongly agree with this statement.

Because, buying product direct from retail stores requires the consumer to be an aware person. Aware of the product, quality, packaging and everything that influences their decision to buy the product.

On the second questions, author asked about how the respondents will express how much they agree or disagree with the statement that purchase made direct from retail store giving a sense of secure in consumer perception. And based on the questionnaire given to 99 respondents, here are the results:

Purchase made direct from retail store giving a sense of secure in consumer perception.	
Strongly agree	25
	25.25%
Agree	48
	48.48%
Don't know	16
	16.16%
Disagree	8
	8.08%
Strongly disagree	2
	2.02%
Total	99
	100.00%

Table 12. Sense of secure in consumer perception

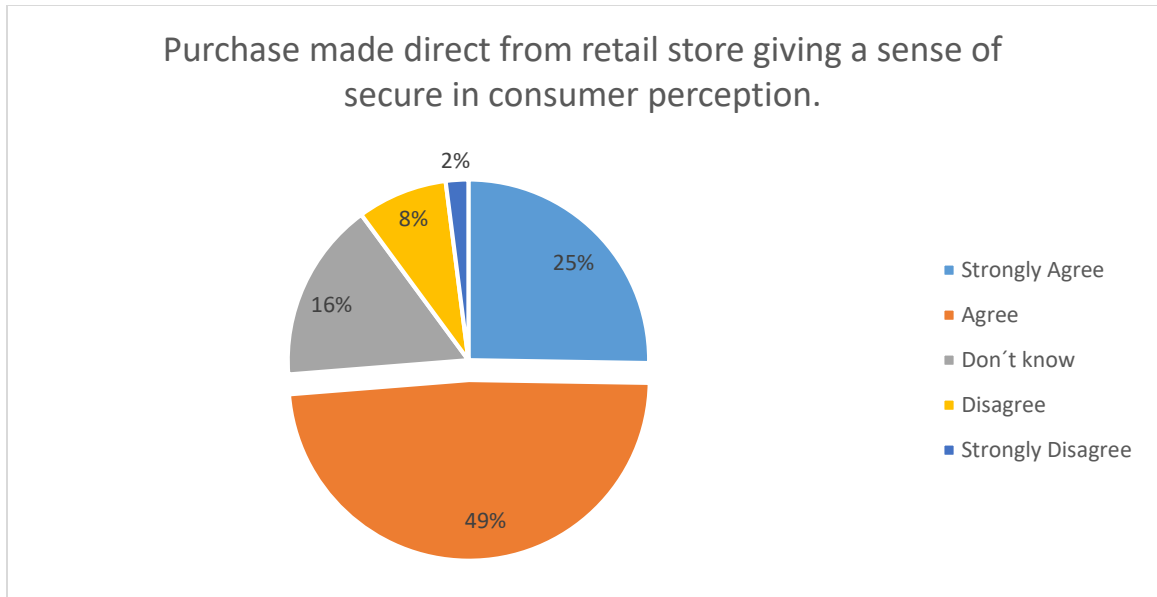


Figure 11. Sense of secure in consumer perception percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 48.48% of the research population are answer agree with this statement and 25.25% of the research population are answer strongly agree with this statement. Because, purchasing product direct in the retail store will give the consumer sense of secure about the product that they purchase. New customer can try and feel the product that they unfamiliar before they made decision to purchase the product.

On the third questions, author asked about how the respondents will express how much they agree or disagree with the statement that Indonesian consumer like to purchase German cosmetic and body care products from online website shopping via PC, Tablet or Smartphone. And based on the questionnaire given to 99 respondents, here are the results:

Indonesian consumer like to purchase German cosmetic and body care products from online website shopping via PC, Tablet or Smartphone.	
Strongly agree	7
	7.07%
Agree	49
	49.49%
Don't know	28
	28.28%
Disagree	10
	10.10%
Strongly disagree	5
	5.05%
Total	99
	100.00%

Table 13. Purchase from online website

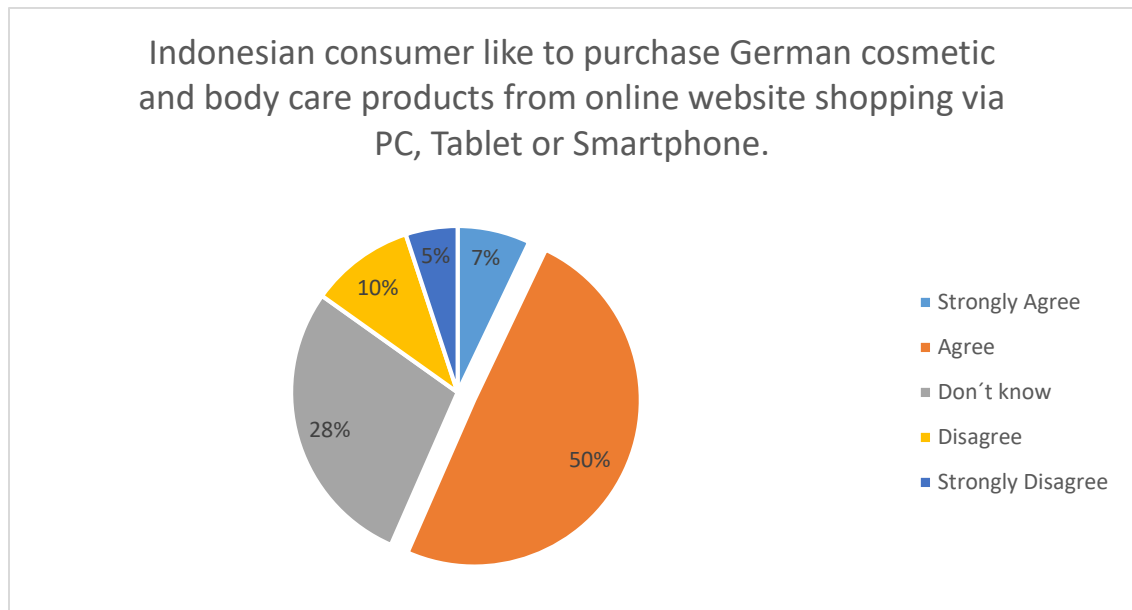


Figure 12. Purchase from online website percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 49.49% of the research population are answer agree with this statement. Because,

Ecommerce in Indonesia has emerged as an alternative buying channel. Due to better internet access in Indonesia, online website shopping is make purchase everything become very comfortable and easy. Some of famous and well trusted online website shopping in Indonesia are Lazada, Tokopedia and BliBli. Now they offer build in application for smartphone and table to make online shopping in Indonesia more easy and comfortable.

On the third questions, author asked about how the respondents will express how much they agree or disagree with the statement that Ecommerce benefits such as time saving and accessibility through device are the asset why consumers use the format of buying. And based on the questionnaire given to 99 respondents, here are the results:

E-commerce benefits such as time saving and accessibility through device are the asset why consumers use the format of buying.	
Strongly agree	29
	29.29%
Agree	45
	45.45%
Don't know	18
	18.18%
Disagree	3
	3.03%
Strongly disagree	4
	4.04%
Total	99
	100.00%

Table 14. E-commerce benefits

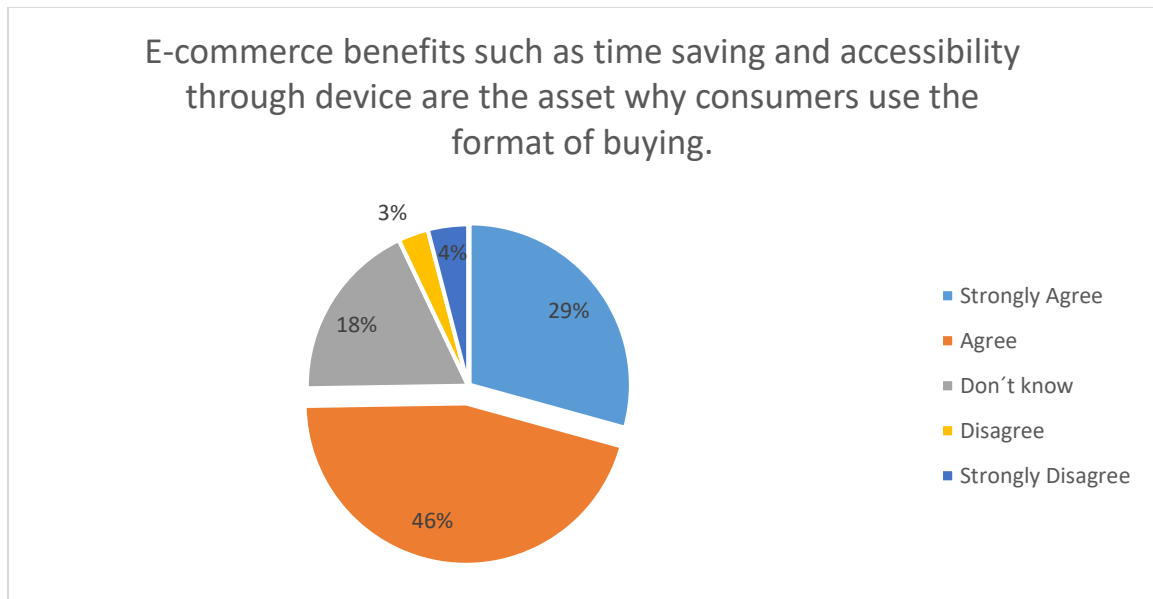


Figure 13. E-commerce benefits percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 45.45% of the research population are answer agree with this statement and 29.29% of the research population are answer strongly agree with this statement. Ecommerce benefits such as time saving and accessibility. In major metropolitan area, moving between shopping locations it's really time consuming and inconvenient because of the traffic jam. Also, online shopping enables easy comparisons between different product from the comfort of consumers own homes.

4.2.3 Hypothesis Testing 3 – H3

H3: The price of cosmetic and body care product from Germany are competitive enough to compete with local and international brand that already existed in Indonesia.

To test this **H3** statements, the authors using four specific questions that can measure is the price of body care and beauty product from Germany are competitive to compete with local and international brand that already existed in Indonesia. For the purpose of this research, the author also calculated the estimated pricing for Titania fabrik product for Indonesian market and make comparison with the foreign product that already available in the market. The questions listed as below:

1. Local cosmetic and body care product have higher quality than imported German cosmetic and body care products.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

2. Local cosmetic and body care product have higher price than imported German cosmetic and body care products.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

3. Regardless to the excellent quality, imported German cosmetic and body care product is more expensive than local products.

1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree
-
4. German cosmetic and body care products can compete with local and International brand that already existed in the market.
 1. Strongly agree
 2. Agree
 3. Don't know
 4. Disagree
 5. Strongly disagree

On the first questions, author asked about how the respondents will express how much they agree or disagree with the statement that local cosmetic and body care product have higher quality than imported German cosmetic and body care products. And based on the questionnaire given to 99 respondents, here are the results:

Local cosmetic and body care product have higher quality than imported German cosmetic and body care products.	
Strongly agree	5
	5.05%
Agree	6
	6.06%
Don't know	35
	35.35%
Disagree	54
	54.54%
Strongly disagree	9
	9.09%
Total	99
	100.00%

Table 15. Local products have higher quality

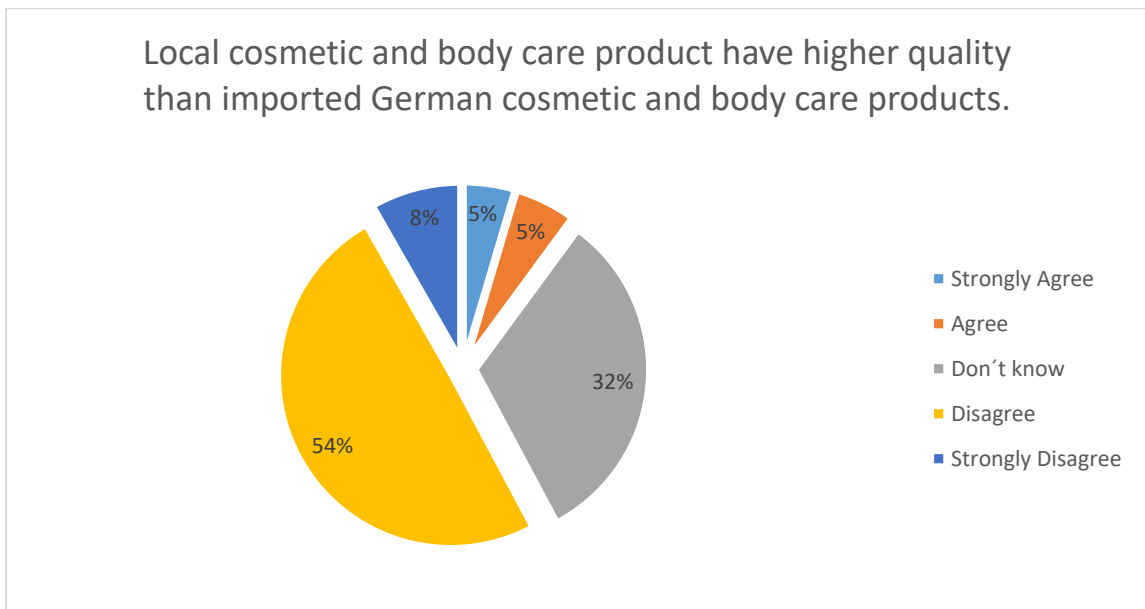


Figure 14. Local products have higher quality percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 54.54% of the research population are answer disagree with this statement. Since there are already famous imported German cosmetic and body care product in Indonesian

market, consumer already aware that product from Germany have higher quality than local product.

On the second questions, author asked about how the respondents will express how much they agree or disagree with the statement that local cosmetic and body care product have higher price than imported German cosmetic and body care products. And based on the questionnaire given to 99 respondents, here are the results:

Local cosmetic and body care product have higher price than imported German cosmetic and body care products.	
Strongly agree	3
	3.03%
Agree	6
	6.06%
Don't know	25
	25.25%
Disagree	53
	53.53%
Strongly disagree	12
	12.12%
Total	99
	100.00%

Table 16. Local products have higher price

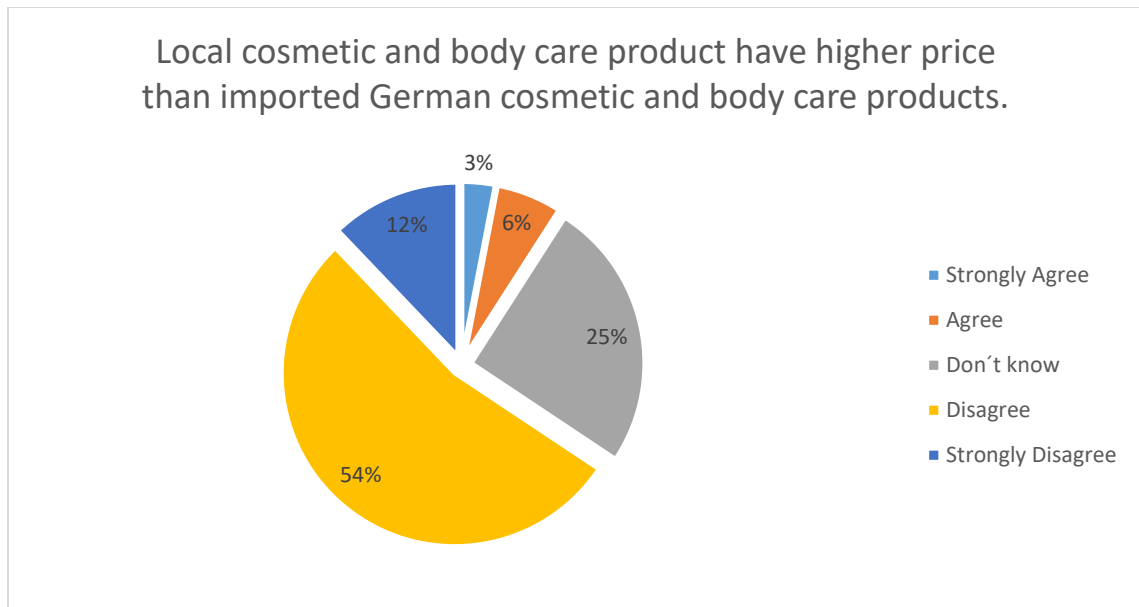


Figure 15. Local products have higher price percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 53.53% of the research population are answer disagree with this statement. Since there are already famous imported German cosmetic and body care product in Indonesian market, consumer already aware that product from Germany have higher price than local product.

On the third questions, author asked about how the respondents will express how much they agree or disagree with the statement that to the excellent quality, imported German cosmetic and body care product is more expensive than local products. And based on the questionnaire given to 99 respondents, here are the results:

Regardless to the excellent quality, imported German cosmetic and body care product is more expensive than local products.	
Strongly agree	31
	31.31%
Agree	42
	42.42%
Don't know	16
	16.16%
Disagree	6
	6.06%
Strongly disagree	4
	4.04%
Total	99
	100.00%

Table 17. German products have higher price

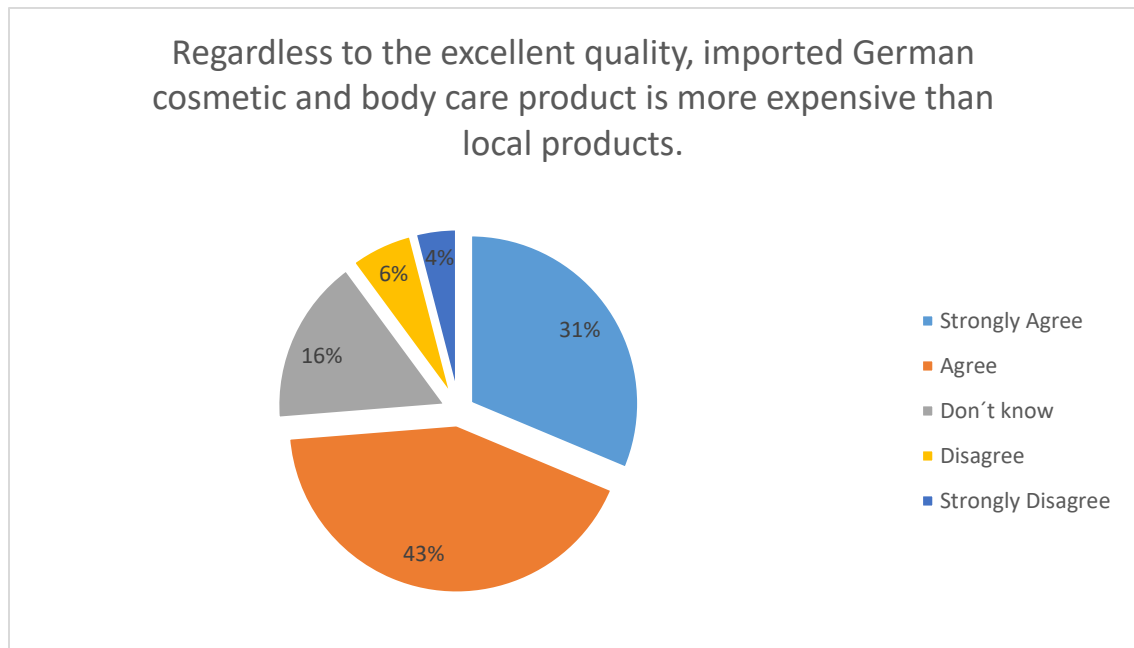


Figure 16. German products have higher price percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 42.42% of the research population are answer agree with this statement and

31.31% of the research population are answer strongly agree with this statement. Since there are already famous imported German cosmetic and body care product in Indonesian market, consumer already aware that product from Germany have higher price than local product but have more excellent quality than local product.

On the fourth questions, author asked about how the respondents will express how much they agree or disagree with the statement that German cosmetic and body care products can compete with local and International brand that already existed in the market. And based on the questionnaire given to 99 respondents, here are the results:

German cosmetic and body care products can compete with local and International brand that already existed in the market.	
Strongly agree	28
	28.28%
Agree	48
	48.48%
Don't know	18
	18.18%
Disagree	3
	3.03%
Strongly disagree	2
	2.02%
Total	99
	100.00%

Table 18. German products can compete

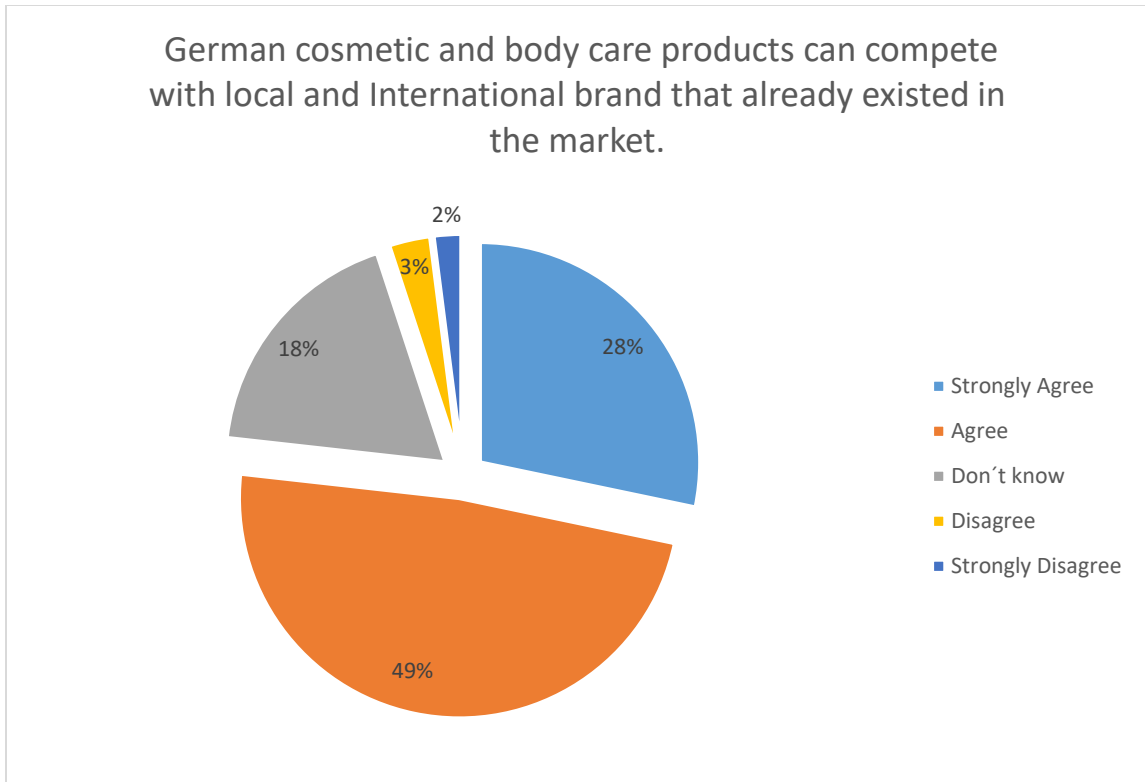


Figure 17. German products can compete percentage

Based on the result from questionnaire gathered, as can be seen from the table above, 48.48% of the research population are answer agree with this statement and 28.28% of the research population are answer strongly agree with this statement. Since there are famous imported German product in Indonesian market that already tested to compete with other local and International brands, this results was proved that German cosmetic and body care product are being accepted to the Indonesian customer and can compete with other brands that already existing in Indonesia market.

Pricing

- **Computation of Customs duty and import taxes in Indonesia**

- Customs Duty = Customs duty tariff x CIF Value (Cost, Insurance and Freight)
- Value Added Tax = 10% x [CIF Value plus customs duty]

- **Estimated price per unit calculation**

$$\frac{\text{CIF} + \text{Customs Duty} + \text{Value Added Tax} + \text{Other Expenses}}{\text{Quantity of Product}}$$

Parameters on others expenses considered include:

Transportation, Porters on Delivery, Storage, Marketing, Product Registration etc.

Example 1

Here is the example calculation for the pricing comparison between Cracked Heel Foot Cream product from Titania pabrik with Gehwol foot care product.

- The price of the imported goods (C) = 0,99 € x 1200 unit = 1188 €
- The cost of freight (F) = 180 €
- Insurance (I) = 2,5% x 1188 € = 29,7 €
- Customs Duty = 20% x 1397,7 € = 279,54 €
- Value added tax = 10% x (279,54 € + 1397,7 €) = 167,72 €
- Estimated price per unit calculation =

$$\frac{1397,7 \text{ €} + 279,54 \text{ €} + 167,72 \text{ €} + 500 \text{ €}}$$

1200

= **1,96 € / unit or IDR 29.400**



Picture 12: Gehwol foot care product

Source: www.tokopedia.com, 10 January 2017.

Gehwol product price per unit: IDR 135.000

Example 2

Here is the example calculation for the pricing comparison between Beauty Make up Set product from Titania pabrik with Sephora product.

- The price of the imported goods (C) = 3,39 € x 960 unit = 3254,4 €
- The cost of freight (F) = 180 €
- Insurance (I) = 2,5% x 3254,4 € = 81,36 €
- Customs Duty = 20% x 3515,76 € = 703,15 €
- Value added tax = 10% x (703,15 € + 3254,4 €) = 395,75 €
- Estimated price per unit calculation =

$$\frac{3515,76 \text{ €} + 703,15 \text{ €} + 395,75 \text{ €} + 500 \text{ €}}{960}$$

= 5,33 € / unit or IDR 79.950



Picture 13: Sephora make up set product

Source: www.sephora.co.id 10January 2017.

Sephora make up set product price per unit: IDR 350.000

4.2.4 Hypothesis Testing 4 – **H4**

H4: Entering Indonesian market for cosmetic and body care product from Germany is tent to be challenging.

To test this **H4** statement, author using open ended questions as a based interview opener question then continue to its way once the conversation started. The questions are designed especially for expert that the author contacted and specifically asked about how to entering Indonesian market for cosmetic and body care product imported from Germany.

And then the question narrowed down about how to export product into Indonesia market, import service institutions, regulations for new business and the procedures for importing products in the eye of the experts, as they have their own expertise and judgment.

During this interview, the author contact the expert via email and video call interviews, first expert, Mr. Rinaldi Raymond. Currently working as Senior Associate Customs & Global Trade in Deloitte Indonesia. His expertise passionate in the business development and firm's growth by focusing on knowledge in trade compliance & controversy services, customs advisory, customs audit, customs appeal, customs compliance & health check and import license. Since joining the firm in 2014, Mr. Rinaldi has provided support services in the following industries: Mining, Oil & Gas, Energy, Automotive, Consumer Goods, Textile, Printing and Packaging Industry. And second expert, Mrs. Sofitri Pulungan. Currently working as Senior Merchandiser at PT. Mitra Adiperkasa, Tbk. in Jakarta, Indonesia. PT Mitra Adiperkasa Tbk is engaged in the retail trading of import clothing, shoes, accessories, bags, and sports equipment. It operates through the following segments: Retail Sales, Department Stores, Café and Restaurant, and Others. PT Mitra Adiperkasa Tbk is the leading lifestyle retailer import product in Indonesia with over 1,900 retail stores in 66 major cities of Indonesia and a diversified portfolio that includes Sports, Fashion, Department Stores, Kids, Food & Beverage, and Lifestyle products. With over 100 retail concepts, PT Mitra Adiperkasa Tbk. has been an Anchor Tenant in major mall in Indonesia. And based on the interviews given to the experts, here are the summary results:

Interview with Mr. Rinaldi Raymond.

In general, he stated exporting product to Indonesia can prove challenging due to lengthy processes required for the release of goods from seaports. Certain products are the subject of more protectionist policy, namely those that may compete with locally produced goods. Also, every importer, whether a company or an individual, should have the following administrative elements (depending on the goods and the purpose of the import).

Here are some requirements for importers, procedures for importing products and administrative elements that Mr. Rinaldi Raymond suggested to enter Indonesian market for German cosmetic and body care product.

Requirements for The Importers to Enter Indonesia.

1. Importer Identification Number (Angka Pengenal Impor - API).

The API, regulated by Ministry of Trade Regulation No. 27/2012, is the importers' mandatory proof of identification. It is valid for five years, and may be extended. There are two types of API:

- **API-U (General Importer Identification Number – Angka Pengenal Impor Umum),**

This is granted to importers that import goods only for trading purposes. It is issued by the Ministry of Trade (or the related Head of Provincial Service).

- **API-P (Producer Importer Identification Number – Angka Pengenal Impor Produsen),**

That is granted to importers that import goods for their own use, such as raw materials and or others, which are intended to support the production process. In turn, there are three types of API-P, as follows:

- API-P for Production Sharing Contracts, issued by the Indonesian Directorate General of Foreign Trade;
- API-P for Foreign and Local Liability Companies.
- API-P for other purposes issued by Ministry of Trade (Head of Provincial Service).

Please note that importation without an API can only be performed after approval of the Ministry of Trade and it is only possible for infrequent importation of self-consumed goods (which are not for trading purposes).

2. Customs Identification Number (Nomor Identitas Kepabeanan - NIK)

The NIK is a required personal identity number used to access the importers' record file in the system of the DGCE which uses both information technology and manual procedures in monitoring customs obligations. The NIK must be obtained from the DGCE and will remain valid unless cancelled by the same authority.

3. Special Importer Identification Number (Nomor Pengenal Importir Khusus - NPIK)

The NPIK is only necessary for the importation of certain products, namely commodities and goods such as: rice, electronics, sugar, corn, soybeans, toys, footwear and textiles. The NPIK is issued by the Ministry of Trade. In addition, NPIK importers are required to report their import realization by the 15th day of every month.

4. The Registered Importer Number (Importir Terdaftar Produk Tertentu - ITPT)

ITPT is mandatory for a company or person to be able to import goods related to electronics, ready-made garments, toys, footwear, food and drink products, cosmetic products, as well as traditional and herbal medicines.

5. Import Approval for Used Capital Goods (Persetujuan Impor Barang Modal Non Baru)

This is issued by the Ministry of Trade and necessary for imports of used capital goods conducted by direct users, reconditioning and remanufacturing companies and or hospital equipment suppliers.

6. Company Master Number (Nomor Induk Perusahaan - NIPE)

The NIPE is a registration certification number that is needed for entitlement to the exemption or drawback of import duties, value added tax and sales tax on luxury goods.

Procedures for Importing Product and Clearance of The Goods In Indonesia.

1. Before:

1. Find an importer/distributor with importing license.
2. Check the Indonesian list of Harmonized System (HS) codes (some products may need a certain license registration from related institution).
3. Assure a clear agreement with the partner (importer/distributor).

4. Be certain to complete the required supporting documents for the importer to process.

2. In the process of exporting:

1. Notify the Customs Office that the goods are coming.
2. Pay the duty / VAT (check the tariff on the website of Ministry of Finance).
3. Submit Customs declaration form, payment evidence, and required documents (will be provided by the importer).
4. Verification of documents from Customs Office.

Once the importer completes the payment, the Customs Declaration Form (Pemberitahuan Impor Barang - PIB) needs to be submitted along with its supporting documents to the Customs Office, in order to obtain the Customs Clearance (Surat Persetujuan Pengeluaran Barang - SPPB). The supporting documents should comprise the following:

- Payment Evidence;
- Import Identification Number (API);
- Tax Registration Number (Nomor Pokok Wajib Pajak - NPWP);
- Customs Registration Letter (Surat Registrasi Pabean - SRP);
- Letter of Deposit of Customs Duty, Excise and Taxation (Surat Setoran Pabean, Cukai dan Pajak - SSPCP);
- Commercial Invoice;
- Bill of Lading (B/L) or Airway Bill (AWB);
- Insurance Letter;
- An Authorization Letter, if the informant is a Customs Clearance Services Company.

For every importation by a Registered Importer, a Verification or Import Technical Investigation shall be carried out by a surveyor at the loading port prior to shipment in the loading port. The results of the Verification or Investigation by the surveyor shall be contained in the form of a Surveyor Report (Laporan Surveyor - LS).

3. Clearence procedure:

In principal imported goods should be released immediately; nevertheless, when an offence is detected, a thorough re-examination will be carried out by Customs. The release of goods will be subject to normal customs procedures. There are three types of import treatments according to the goods category.

- Red channel, process of release imported goods by conducting physical inspection and document verification prior to the issuance of Approval Letter for Release of Goods (SPPB). The criteria of the red channel:
 - New importer;
 - High risk importer;
 - Temporary imported goods;
 - Re-import goods;
 - Random inspection;
 - Certain imported goods imposed by Government;
 - High risk commodities/ coming from high risk countries.

- Green channel, process of release imported goods without physical inspection, but conducting document verification after the issuance of Approval Letter for Release of Goods (SPPB). The criteria of green channel is importer and importation that are not included in the criteria of red channel.

- Yellow channel, process of release imported goods without physical inspection, but conducting document verification before the issuance of Approval Letter for Release of Goods (SPPB). If more information needed, go to red channel. When there is no more inspection needed, go to green channel.

Interview with Mrs. Sofitri Pulungan.

In general, she stated that exporting a product to Indonesia can be a challenging process, but a worthwhile one, given the potential of the country's large consumer market, which is seeing middle-class and premium consumption growth. Most products need to be registered at different governmental authorities and undergo several stages of bureaucratic and technical before they can be imported to Indonesia. She also suggested that having a reliable local partner makes every difference in the facilitation of import authorization procedures, but persistence and openness are of the highest importance.

Every product entering Indonesian market should follow the standardizations that the government has set, including some tests that the product should go through, the production process, specific labeling techniques and requirements, as well as packaging method. All ingredients and product descriptions stated on the packaging should also be translated into proper and standardized Indonesian. Any misleading information in the package and in advertising will be considered as violating Indonesian law.

The Indonesian government has implemented a control system for medicines and food, which is administered by the National Agency for Food and Drug Control (Badan Pengawas Obat dan Makanan - BPOM). As a result, all imported or locally-produced foods and beverages its applying also to cosmetics, medicines and complementary products are required to be registered at BPOM before they can be distributed in Indonesia. This registration should be undertaken by a local business agent or partner. As the registration process in BPOM can be time-consuming, it is advisable for the exporter to allow for the finalization of the process prior to exporting the goods to Indonesia.

Cosmetics product registration in BPOM

1. BPOM registration.

Request Registration at <http://e-bpom.pom.go.id> by signing up online. The documents needed are:

- Health Certificate from the respective parent company's country

- Letter of Statement
- Import Identification Number (API) / General Import Identification Number
- Trade Business License
- Taxpayer Identification Number
- HS Code of Product

2. Application for SKI / certificate of import (Surat Keterangan Import).

Request Registration at <http://e-bpom.pom.go.id> by signing up online. The documents needed are:

- Approval of Distributing License (Izin Edar)
- Invoice, Packing List, Bill of Lading (B/L) or Airway Bill (AWB)
- Proof of Payment for Non-Tax State Revenue (Penerimaan Negara Bukan Pajak - PNBP)

3. Product test by BPOM LAB.

Length of this procedure is up to 4 months and depending on the product. When get approved, the product will have BPOM License and ready to distributed in Indonesian market.

Chapter 5

Conclusion

This thesis creates an opportunity to understand what Indonesian customers' perception about cosmetic and body care product imported from Germany and creating new information for Titania Fabrik GmbH for their current and future research development purpose to get insight about Asian market, especially in this case is Indonesia. Author also provides an overview about the response of the Indonesian customer regarding cosmetic and body care product imported from Germany and gain more information about its prospects in Indonesian market. Author believes with the results it could help Titania Fabrik GmbH to develop in a future marketing strategy to enter Indonesian market for their cosmetic and body care product.

Secondly, purpose of this thesis also give an overview for Titania Fabrik GmbH to exporting product into Indonesia and the way to distribute in Indonesian market with its rules and regulations. With the purpose of getting more accurate information about the Indonesia current situation, some in depth interview with primary source was conducted to support this research.

It is highly advised that further research need to be carried out with some sample of product test and correspondent in the market, to make the results on this thesis more reliable than what's already being cover now to achieve the next step for Titania Fabrik GmbH that is entering Indonesian market and successfully distributed the products to the right channel and costumers.

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Declaration

I hereby declare that I prepared the dissertation submitted independently and no other means and sources apart from specified were applied. Furthermore, I have NOT made payments to third parties for any part of the submitted dissertation. The paper has not submitted in a different degree program at the same time or in a similar form and has also not been published yet as a whole.

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