

THE EFFECT OF HALAL LABEL, PRODUCT QUALITY, PRICE PERCEPTION AND BRAND TRUST ON PURCHASE INTENTION TOWARDS LOCAL COSMETIC PRODUCTS AMONG INDONESIAN FEMALE CONSUMERS

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ABSTRACT

The growing demand of cosmetics has triggered an increasing number of local cosmetic products in Indonesia. Thus, the company will maximize its strategy to create consumer purchases. On the other hand, female consumers, as the largest market for the cosmetics industry, have many considerations to buy the products. This study aims to analyze the effect of halal label, product quality, price perception and brand trust on purchase intention towards local cosmetic products among Indonesian female consumers. 150 Indonesian female consumers were selected through the purposive sampling method. The data were analyzed using descriptive and Multiple Linear Regression to complete the study objectives. It is found that all independent variables were proven to be capable of significantly influencing Indonesian female consumers purchase intention towards local cosmetic products. Price perception has the greatest effect compared with the other independent variables. This study is expected to contribute to filling the gap in literature, particularly on local cosmetic products in Indonesia. These findings are useful as a reference for further research on similar topics. In practice, it is suggested for local cosmetics producers for formulating integrated marketing strategies which deliberate the four variables.

Keywords: Halal label, product quality, price perception, brand trust, purchase intention, cosmetics, Indonesian female consumers

INTRODUCTION

This causal study aims to analyze the effect of halal label, product quality, price perception and brand trust on purchase intention towards local cosmetics products among female consumers in Indonesia. The focus on those independent variables is based on a certain consideration. Halal label and product quality are assumed as the factors which can be controlled by the company, meanwhile the price perception and brand trust come from consumer's perspective. The results are hoped can be more comprehensive to explain the causes of purchase intention towards local cosmetic products.

According to Central Bureau of Statistics of Indonesia (2020), the total

population in Indonesia in September 2020 was 270.2 million. Of this number, based on gender, the total male population was 136.66 million or 50.58 percent and the female population was 133.54 million or 49.42 percent. When compared with previous population censuses, the sex ratio of the Indonesian population tends to increase over time. This data indicates that the large number of female population is a promising market segment for the cosmetics industry in Indonesia.

In accordance with the focus, this research discusses local cosmetic companies in Indonesia. As stated in Nusadaily.com (2020), the Indonesian Ministry of Industry encourages the domestic cosmetic industry to utilize local

natural resources as raw materials. Apart from the fact that Indonesia is rich in biodiversity, this step also spurs import substitution and realizes national independence. Relating to the use of natural resources, The Indonesian Head of the Industrial Research and Development Agency (2020) explained that Indonesia has the potential for medicinal plants to grow in many regions with a total of around 30 thousand species, out of 40 thousand species of medicinal plants in the world. And it is also very prospective to be developed, because of the potential needs in both local and global markets.

Relating to its demographic composition of the population, the majority of Indonesia's population is Muslim. Based on World Population Review data, the total Muslim population in Indonesia in 2020 reached 229 million people or 87.2% of the total population of 273.5 million. Of the large Muslim population, the Indonesian Halal Industry Roadmap states that the national halal economy contributes to Gross Domestic Product (GDP) of up to US \$ 3.8 billion per year. **Therefore, Groundbreaking Report mentions that Indonesia can be considered as the 'engine of global halal economy.** The large number of Muslims in Indonesia has two consequences. On the one hand, it makes the availability of halal labels on cosmetic packaging an important issue in consumer behavior in Indonesia. On the other hand, it creates opportunities for cosmetic manufacturers to produce halal products and make Muslims as their main market.

In 2019, the Indonesian government recorded that there were 797 large cosmetic industries and small and medium industries (IKM) in Indonesia. This figure is up from 760 companies in the previous year. Quoting Euromonitor, the beauty and personal care market in Indonesia reached around US \$ 6.03 billion in 2019 and will continue to grow to US \$ 8.46 billion in 2022. On average, the total expenditure of Indonesians for cosmetic and personal care

needs is still US \$ 20 per capita. This figure is smaller than Thailand (US \$ 56 per capita) and Malaysia (US\$ 75 per capita). In 2019, in Indonesia, there are approximately 30 local cosmetic brands. This number shows the high interest of local cosmetic manufacturers in Indonesia to fight over the female market. Some of them are existing players, and many are new companies. Among the new ones, some are designed in a modern way and use international-vibe brands. The existing local brands able to survive in the competition against the new local brands and imported brands as well. Currently, almost all beauty products in Indonesia have received halal certification from the Majelis Ulama Indonesia (MUI). The definition of halal cosmetics itself is cosmetics with ingredients that are according to Islamic law. The product must be certain that it is cruelty free or does not use animal-based ingredients and does not contain alcohol. In Indonesia, since 2017, the government initially only requires food that is labeled halal. However, starting 2018 and 2019, toiletries and medicines must be certified by MUI. As a result, female consumers in Indonesia can find it easier to find halal labeled-local cosmetics. Recorded in the history of local cosmetic products, in 1995, Wardah Beauty Cosmetics Indonesia became the first brand in the Indonesia cosmetics industry which produced halal cosmetics for the modern Muslim female consumers.

Besides the availability of halal labels on local cosmetic products, female consumers also rely on other general variables to determine purchase decisions. Consumers are faced with a wide choice of local cosmetic products. To make it easier for consumers to decide on a particular product to purchase, the manufacturer must build a unique brand in the minds of consumers. A brand is identical to a particular product, so it is often easier for consumers to call them rather than remembering the type or category of the product. But unique is not enough though.

Once the marketers established their unique brand, then the next step is to build the customers brand trust. From the facts above, the growth of this industry is definitely influenced by many factors, including: lifestyles changes; increased purchasing power; advanced technology, social media, digital platforms, and many more. This opportunity is not only attractive for cosmetic companies from abroad to enter the Indonesian market, but also triggers the growth of domestic cosmetic companies to produce and sell cosmetic products for domestic market. This condition in turn gave rise to fierce competition between the two types of companies. Variables and cosmetics as research objects have been widely studied in Indonesia. But there is no research on local cosmetics. This study is expected to fill the gap by proposing research questions about the effects of all independent variables on purchase intention.

THEORETICAL BASIS

The Effect of Halal Label on Purchase Intention

Halal label has become an important issue in global marketing, making it a very interesting topic for research and business practice. Some previous studies mention halal label as halal logo. Although it is very crucial for Muslim consumers, nowadays its existence is increasingly being considered by non-Muslim consumers. Muslim consumers buy halal products because they are in accordance with religious values. Meanwhile, non-Muslim consumers buy ones due to the perception that they are safer to use halal products rather than non-halal products. Widyaningrum (2016) found that the halal label has a significant effect on purchasing decisions for cosmetic products. Sahir (2016) found that the halal label has a positive and significant effect on purchasing decisions for local cosmetic products. Alfian and Marpaung (2017) proved that the halal label has an effect on purchasing decisions among Muslim

consumers. Previous studies mention halal label as 'halal logo. Khan, Sarwar, Tan (2020) investigated the effect of religious belief, ingredient safety, halal logo and promotion on purchase intention among Generation Y consumers in Malaysia. The halal logo was proven to have a significant effect on purchase intention even though the effect was the second highest after safety ingredients, followed by promotion and religious belief.

As the demand of halal products increase, Jumani and Sukhabot (2019) analyzed behavioral intentions among people of different religion in respect of purchasing products bearing halal logo products. They found that Muslims strictly follow the halal logo and their attitude is positive in selecting halal logo products due to subjective norms of their families and culture. Rizkitysha and Hananto (2020) conducted a research on halal non-cosmetics and non-food products. The results suggested that attitude towards halal label influence the purchase intention of halal-label detergent in Indonesia. Halal logo is also associated with customer loyalty in Malaysia (Quoquab, Sadom, Mohammad, 2019). The research collected data from fast food industry consumers in Malaysia. Purchase intention refers to desire of one's willingness to purchase something that adds value to them (Monroe, 2003).

HYPOTHESES

The purchase intention is a process of making a purchase decision which includes determining what to buy or not to make a purchase and the decision is obtained from previous experiences. In the concept of consumer behavior, purchasing decision is often the focus of research because its position goes beyond purchase interest and intention to buy. In addition, it plays an important role in predicting the next behavior even to the post-purchase behavior. Based on previous findings, the following hypothesis is proposed as follows:

H1: Halal Label has a significant effect on Purchase Intention

The Effect of Product Quality on Purchase Intention

Product quality and price perception and are closely related, because consumers tend to use price to assess product quality (Fatmawati and Soliha, 2017). Yazia (2014) stated that product quality has a positive and significant effect on purchasing decisions for mobile product. Research conducted by Mahera, Suharyono, and Musadieq (2014) states that the results of the study show that product quality has a significant effect on purchasing decisions for mobile products. Fatmawati and Soliha (2017) proved that product quality has a positive effect on purchasing decisions for automatic motorcycles. These previous studies underlie the second hypotheses as follows:

H2: Product Quality has a significant effect on Purchase Decision

The Effect of Price Perception on Purchase Intention

Munnukka (2008) described that price has been observed as an important element affecting to diffusion of new products and services. Perception is the process by which people select, organize, and interpret information to form a meaningful picture of the world. Customers' price perception is closely related on their perception of quality, value and other beliefs. According to Tawas and Wariki (2015) the price perception of each individual is relative, so that the suitability between price and product can be an appropriate reference for consumers and companies related to purchasing decisions. Price perception is how consumers perceive high, low, and reasonable prices for goods and services, which in turn, has a strong influence on consumer behavior. Previous research conducted by Samosir and Prayoga (2015) stated that price perceptions have a positive effect on purchasing decisions for multivitamin. Tawas dan Wariki (2015) states that price

perceptions have a negative effect on purchasing decisions on housing. The study of Fatmawati and Soliha (2017) resulted that price perceptions have a positive effect on purchasing decisions for motorcycles. Previous findings underlie the following hypothesis:

H3: Price Perception has a significant effect on Purchase Intention

The Effect of Brand Trust on Purchase Intention

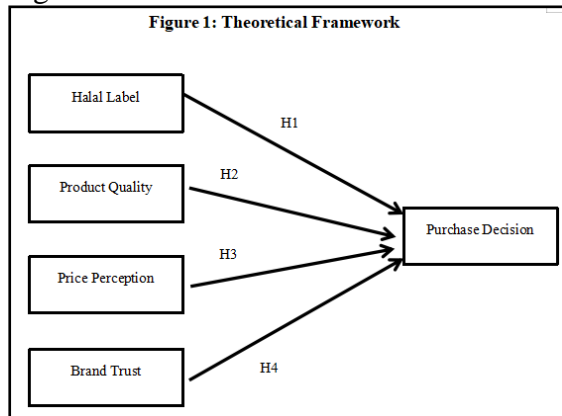
Brand trust is an important factor in the interactions between consumer and business, and represents the extent that consumers believe the functions specified by the brand can be properly carried out (Chaudhuri and Holbrook, 2001). Bart *et al* (2005) explained that a brand represents all intangible trust-generating activity, and in the absence of human interaction, and it can be a symbol of quality and assurance that helps build trust. Singh *et al.*, (2012) described brand trust is expressed in the consumer's belief that a brand will perform a specific function, and develops from past experiences and interactions (Garbarino and Johnson, 1999).

Ferinnadewi (2008) explained that brand trust is a brand's ability to be trusted (brand reliability) which is rooted in consumer confidence that the product is able to fulfill the promised value and brand intention which is based on consumer belief that the brand is able to prioritize consumer interests. Trust is a crucial part of brand management strategy (Temporal, 2011) and it becomes more important for business to build a strong relationship between a brand and customers (Matzler *et al.*, 2006; Bouhleb *et al.*, 2009). According to Morga and Hunt (1994) cited by Halim (2003) in Edris (2009), brand trust will determine consumer loyalty to the brand and trust will have the potential to create high-value relationships, so that potential consumers are interested to buy the brands. In this study, brand trust means the trust of female consumers towards local cosmetic brands

in Indonesia. Thus, the hypothesis is proposed as follows:

H4: Brand Trust has a significant effect on Purchase Intention

Based on the formulated hypothesis, the theoretical framework is then depicted as in Figure 1.



METHOD

Primary data were collected from a self-administered questionnaire filled out by 150 Indonesian female consumers who purchased local cosmetics products. Questions on demographic characteristics were included in questionnaire. Independent variables and dependent variable in this research were measured on a five-point Likert Scale, ranging from 1= strongly disagree to 5 = strongly agree. All indicators are adapted from previous studies and then modified according to the context of this study. All items were tested with validity and reliability, and hypotheses were analyzed with Multiple Linear Regression.

RESULTS AND DISCUSSION

Sample Demographic

In this study, most respondents ages ranged between 17-25 y.o (86.67%), undergraduate students (68,87%), moslem (58%), and purchase local cosmetics between 1-3 times in the last 3 months (87.33%).gshows the demographic profile of the 150 Indonesian female consumers who bought local cosmetic products.

Validity and Reliability Test

The results show that all indicators for all variables are proven valid at a significance of 0.05 and reliable at the rule of thumb for Cronbach Alpha above 0.60, namely 0.786 for halal label, 0.742 for product quality, 0.899 for price perception, 0.775 for brand trust and 0.851 for purchase intention.

Hypotheses Testing

Multiple Linear Regression Analysis is used to measure the effect of halal label, product quality, price perception and brand trust on purchase intention.

Table 1. Multiple Linear Regression

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	4.549	3.288			1.384	.170
Halal Label	.322	.145	.002		.017	.007
Product Quality	.366	.141	.301		2.601	.011
Price Perception	.439	.074	.561		3.128	.000
Brand Trust	.120	.100	.115		1.203	.006

The results of the data analysis for the first hypothesis show that the statistical results of the t test for the halal label obtained a significant value of 0.007 and less than 0.05. this result indicates that halal label has a significant effect on purchasing decisions. Thus, the first hypothesis is supported. The finding is consistent with Alfian and Marpaung (2017) who found that Halal Labels have a significant effect on Purchasing Decisions. The logical reason behind this result is that consumers believe that local products can be confirmed as halal because halal certification is an important aspect that must be present in products circulating in the market, especially cosmetics produced in Indonesia. Or in other words, local product means halal product.

Based on the results of the regression analysis, the product quality has a significant value of 0.011 which is lower than 0.05. This result indicates that product quality has a significant effect on purchasing intention, thus, the second hypothesis is supported. This finding is consistent with previous research (Yazia, 2014), Amron (2018) which proves that

there is a significant effect of product quality on purchase decision.

Cosmetics are important needs for female consumers because of their widespread benefits, not only for beauty or appearance, but also for health reasons. It takes a consequence that cosmetics are important but risky products if they are not suitable for the user's condition. The risk of losses incurred may require a longer recovery, and that means consumers have to make sacrifices. Due to its nature, consumers must choose cosmetics that are suitable for themselves. Cosmetics are a very personal necessity. In line with this logic, female consumers will pay close attention to the quality of cosmetic products. They seek information about the quality, among others, from the information listed on the label or packaging. Female consumers must be think that local cosmetic products contain ingredients originating from Indonesia, so they believe these are more suitable and safe for their skin, thus minimizing the risks arising from misuse. Trust in product quality, in the end, will lead consumers to buy cosmetic products.

The results of Multiple Linear Regression analysis prove that the significance for price perception is 0.000 which is less than 0.05. Therefore, it can be concluded that price perceptions have a significant effect on purchase intention. It means that the third hypothesis is supported. This finding is consistent with Samosir and Prayoga (2015) who found that price perception has a significant effect on purchase decision. Price perception is how price information is understood by consumers and made meaningful to them. Inside cognitive processing price information, consumers can compare between the stated prices with a price or price range they envision the product (Paul and Olson, 2014). Price perception is a trend in which consumers to use price for making judgments about suitability of product benefits. Assessment of the price of a product benefit said to be expensive,

cheap or medium by individuals is not the same, because it depends on individual perceptions based on the environment and the condition of the individual itself. In this case, female consumers may perceive that local products mean reasonable prices. This reason which then underlies them to purchases local cosmetic products.

The same as other independent variables, brand trust has a significance value of 0.006 which is smaller than 0.05. Again, the fourth hypothesis which stated that trust brand has a significant effect on purchase intention, is supported. It seems that female consumers put their trust in brands for local cosmetics products. Female consumers seem to be familiar with several local cosmetic brands that have been around for a long time in the Indonesian market. They understand that to become a local brand that is able to compete in the market is certainly not easy and certainly has good management. Especially for new brands, consumers believe that the brand must have passed the market test. Their trust in brand in turn will influence them to buy local cosmetics products. The result is in accordance with previous study conducted by Jennifer and Hatane (2014), Adria and Zeprin (2017) who found that Brand Trust has a significant effect on purchase decision. Brand trust is about how consumers view a particular brand. Brand represent the performance of the product and companies. To build brand trust, companies need to fulfill its promise made to consumers. Product performance is very close to the trust in the brand. Trust is built by the hope that the other party will act in accordance with the needs and desires of consumers (Han & Sung, 2008).

In addition, this study resulted Adjusted R square of 0.807. It means that halal label, product quality, price perception and brand trust able to explain the purchase decision of 0.807, meanwhile the remaining 0.193 is explained by other independent variables which are not examined in this investigation. This result is probably due to this study examining

variables originating from the producer and consumer side. This gives a signal that this research is good at predicting purchasing intention.

CONCLUSION

Although the results of this study proved that the four independent variables influenced the female consumers purchase decision, but in fact price perception has the highest effect compared to other independent variables, with the t statistic is 3,128 and significant at the level 0.000, followed by Local cosmetic manufacturers need to pay attention to labeling on packaging. in this case, female consumers may not look very closely at the existence of a halal statement on a product, not because the halal label is not important to them, but perhaps because they automatically assume that the local product is definitely halal. Based on the findings, this study suggests to local cosmetics company managements to set the pricing strategy carefully. The study also suggests that marketers should improve product quality and strengthen brand trust in order to create purchase. Finally, an integrative strategy of the four variables in this study can be used as an effort to strengthen the existence of local cosmetic products which of course compete with imported cosmetic products.

This study has limitations that can be followed up by further research. First, only four independent variables were studied, while in theory there are many factors that influence purchase intentions. Further research could develop the model and involve a larger sample to assure the generalization of the study.

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