

CHAPTER II

LITERATURE REVIEW

A. Review of Halal Industry

1. Halal

a. Definition of Halal

In Arabic, *Halal* means being allowed with the intention of all objects or activities that are permitted to be carried out in Islamic teachings. According to the Qur'an and the Sunnah, consuming legal halal products is mandatory for all Muslims. Not only halal food and beverages that must be consumed, but also all aspects of human life. The word *Halal* is usually followed by *Thayyiban*, where the meaning of word *Thayyiban* itself is good, healthy and reassuring. So, the meaning of the word *halalan thayyiban* is anything that is not bound or apart from the things that cause it to be prohibited from being consumed and the most important thing is that it can nourish the body.

As one of the countries with the largest Muslim population in the world, Indonesia puts a serious concern on the terms of *Halal* and *Haram* in daily life. But in fact, in real life there are many things that are still unclear about *Halal* and the illegality of a product. In Islam, something that is still unclear and still needs further information commonly referred to as *Mashbooh*. To conclude the concept of *Halal* in Islam it is important to know that

Islam regulates all aspects of life (manners, daily life, dress, self-caring, diet and business activities) for the benefit of Muslims throughout the world (Majid et al, 2015). So if Muslims carry out everything that is Halal, then they will get a reward from Allah SWT, and vice versa, if Muslims carry out everything that is Haram, then they will get a punishment from Allah SWT.

b. Halal Requirements

According to the Ministry of Religion of the Republic of Indonesia (www.kemenag.go.id), halal food products are products that fulfill halal requirements according to Islamic law, namely:

- Does not contain pork and ingredients derived from pigs
- Does not contain ingredients that are forbidden such as ingredients that come from human organs, blood, dirt, etc.
- All materials derived from halal animals slaughtered according to the procedures of Islamic law.
- All storage places, sales points, processing facilities, and transportation and management sites may not be used for pigs and / or other non-halal goods. If ever, it must be cleaned first with the procedure of Islamic law.
- All foods and drinks that do not contain *khamar*.

Then, from Ali et al (2016) for products that considered in Halal products must fulfil the following requirements:

- It should not include animals or parts of animals that are not permitted in Islam
- Does not include halal animal parts or products (such as cattle, goats, sheep and poultry) that are not slaughtered according to Islamic law (Sharia).
- Do not include Naj constituents (dirty or unclean) according to Islamic law.
- Safe (has no chemical hazards, or biological / microbial).
- Not equipped, processed or produced using equipment that is falsified by matters considered as Najs according to Sharia.
- Human flesh and blood are not permitted.
- During all stages of the supply chain physically separate from other items that do not meet the standards stated above or other matters that have been designated as Najs by Sharia.

2. Halal Cosmetics

Definition of cosmetics is any treatment that is applied to the skin, eyes, mouth, hair or nails which aims to cleanse, improve appearance, provide a refreshing aroma, or provide protection against the skin. The cosmetic products that women commonly use are skincare, body & oral care cosmetics, makeup, hair care, and fragrance (Saqib Ali et al, 2016). Lately, cosmetics have become an important daily necessity for women in Indonesia. In the beauty industry in Indonesia, cosmetic companies continue to increase

sales by creating beauty products with halal labels because demand from consumers continues to increase.

For Indonesian cosmetic consumers, the majority of whom are Muslim, need to be aware of beauty and skin care products that do not have a halal label. Because the halal label is a marker that cosmetic or skin care products already have halal certification, which means it can be used by a Muslim according to the fatwa of the Indonesian Ulema Council (MUI). Cosmetics can be said to be halal if released from substances containing dogs, pigs, wild animals, humans, blood, carcasses, and alcohol. The importance of ingredients in cosmetics is because the ingredients contained in cosmetic products and skin care determine whether a Muslim's worship is acceptable or not. In addition to halal ingredients, cosmetic products must also be able to absorb ablution water into the skin when used.

According to the Law of the Republic of Indonesia number 33 of 2014 concerning Halal Product Guarantee (JPH) article 1 paragraph 1, products are goods and / or services related to food, beverages, drugs, cosmetics, chemical products, biological products, genetic engineering products, and goods used that are used, used, or utilized by the community. While halal products are products that have been declared halal in accordance with Islamic law (RI Law No. 33 of 2014 article 1 paragraph 2).

a. Purpose of Cosmetics

Cosmetics will be increasingly important from day to day and their importance will always increase in daily life. Previously, people used cosmetics for protection of the face and body from the dangers of the sun. In the past, people used moisturizers and oil paints to protect their bodies. In this modern life, people use cosmetics to prevent aging (anti-aging), and also as protection from the danger of sun (UVA and UVB) (Mitsui, 1997 in Ali, 2016).

b. Classification of Cosmetics

Cosmetic companies produce and provide cosmetic products based on requests from consumers. The products used by consumers in the beauty industry are for health care, facial, and skin care for external appearance or for maintaining health. Even ingredients for the manufacture of cosmetics can use natural and / or inorganic materials to prevent damage from the environment. Cosmetics can be classified into the following categories:

- **Skincare**

Skincare usually focusing on products that are used on the face. Skincare mainly used for cleansing, skin balance (toner), and skin protection. Skin cleansers, moisturizers, anti-aging products, sunscreen products, lip

product, and acne also classified into skincare category. According to State of the Global Islamic Economy in 2014, 27% skincare products are used in the total global cosmetics market (Mitsu, 1997; Schmitt 1992 in Ali 2016)

- **Body & oral care cosmetics**

Body care is a skincare that is used on the body. Soap, sun care product, hand care product, deodorant, and bath preparation are include into body care cosmetics. Then the oral care cosmetics are mainly about toothpaste and any products such as mouthwash and mouth freshener. Refer to State of Global Islamic Economy in 2014, 23% in total global cosmetics are the share of a body and oral care cosmetics (Jain, 2013; Mitsui, 1997 in Ali 2016).

- **Makeup**

Usually makeup used on the face. Nail polish is the other makeup's cosmetic that used on nails. In general, make up consist of two categories; the first one is base makeup, and the second one is point makeup. Primer, foundation, concealer, and face powder are include into base makeup. Then lipsticks, blusher, eye shadow, eye liner, mascara, eye brow, and bronzer are counted as point makeup. According to State of the Global Islamic Economy in 2014, 20% makeup products are used in the

global cosmetics segment (Masuoka 2006; Mitsui 1997 in Ali 2016).

- **Hair care**

Hair care consist of several categories such as shampoo, treatments and hair styling as well as permanent wave treatment and hair colour. The others products, hair growth treatment and scalp treatment are include into hair care too. In short, shampoos, hair treatment, hair mousses, hair liquid, hair colour, hair bleaches, hair tonic, and hair scalp treatments are counted into hair care product category. Refer to State of Global Islamic Economy in 2014, 20% share hair products are occupied in the global cosmetic segment (Jain, 2013; Mitsui 1997 in Ali 2016).

- **Fragrance**

For fragrances are mostly applied directly to the skin after bathing or shaving. The typical fragrance is perfume, but there are also *Eau de toilette* which means as toilet water is a lightly scented cologne used as a skin freshener. It is also called as “aromatic waters” and it has a high alcohol content. For Eau de toilette, it was originally composed of alcohol and various volatile oils. According to State of Global Islamic Economy in 2014, in the global

industry of cosmetics, 10% share of fragrance have played role in it.

3. Halal Cosmetics Awareness

Halal cosmetics are almost a new product in the current era and most cosmetics consumers and producers have little knowledge about halal cosmetics themselves. There are many factors that can influence consumers' awareness to consume halal cosmetics, for example the availability of halal cosmetics themselves and also the desire of consumers to buy halal cosmetics.

According to the Qur'an and Sunnah, Muslims are obliged to consume Halal products not only for food and beverages but also cosmetics used on the surface of the skin. But in fact the level of awareness will consume halal cosmetics and skin care products are still low among Muslims. In contrast, in today's era halal labeled cosmetic and skin care products are becoming a new trend in the cosmetics industry globally due to the increasing Muslim population. Because the level of religiosity of Muslims also increases, it has an impact on their awareness of what ingredients are contained in cosmetic products and the skin care they use. This forced producers in the cosmetics industry to listen to Muslim voices and try to satisfy consumers by following Islamic law (Swidi, 2010).

There are several attempts to increase the level of awareness of Muslims towards halal products that they will consume. Several government and non-government organizations (NGOs) and private companies can promote consumer awareness of halal products by holding halal conferences, halal seminars, halal auditor training, holding forums on halal industry, etc.

Halal certification is a written fatwa stating the Halalness of a product in accordance with Islamic provisions covering materials used up to the production process. In Indonesia, the institution that has the right to issue labels and halal certification for various products consumed by the public is the MUI Food, Drug and Cosmetics Study Institute (LPPOM). The purpose of the halal certification of MUI on food products, medicines, and cosmetics is done to provide certainty of halal status so that it can provide a sense of peace to consumers when consuming it. According to the Law of the Republic of Indonesia number 33 of 2014 concerning Halal Product Guarantee article 2, the purpose of halal certification is to protect, justice, legal certainty, accountability and transparency, effectiveness and efficiency, and professionalism.

To get halal certification from LPPOM MUI, a product must undergo a series of product tests to be certified. First, companies that produce products must implement a halal guarantee system. The Halal Guarantee System covers policies, management,

materials, production, facilities, procedures, and halal internal audits where the system is given an assessment by the team from LPPOM MUI. Second, the company registers halal certification online with documents in the form of a list of products, materials and other proof of halal policy. Third, LPPOM MUI will test cosmetic products in the laboratory including testing for ablution water. And also LPPOM MUI will visit factories where cosmetic products are produced. Fourth, if a company has completed a series of product testing, LPPOM MUI will hold a meeting to determine the halal certification decision issued for the company. After the halal certification decision has been successfully obtained, the halal certificate itself is valid for two years and can be extended by following a series of product tests (Adisasmito, 2008).

According to Majid (2015), good quality food is enough for non-Muslims, but for Muslims food must be halal accompanied by good quality. The concept of halal labelled food is increasing among Muslims day after day because consumers with high religiosity status and higher education will be very concerned about halal labels on the food they will eat.

B. Theoretical Framework

1. Willingness to Pay (WTP)

The normal definition for WTP is the maximum amount stated by individuals where they are willing to pay for an item or

service. Consumers may not be happy to pay for certain halal products or services, but they are willing to pay a certain amount of money rather than going without the halal product or service (Kamaruddin, 2012). The willingness of someone to pay or commonly called Willingness To Pay (WTP) can also be interpreted as the amount of money that a consumer is willing to spend in order to get the output of the money paid. There are several ways to estimate WTP, the first two approaches commonly called revealed preferences and the usual third approach are called stated preferences.

- a. The first approach: observe the price someone is willing to pay for goods in various markets (i.e water vending, paying from neighbours, paying local taxes).
- b. The second approach: observe individual expenses. In terms of income, time and labour to get an item or service. Or observation of how they avoid losses in their lives.
- c. The third approach: ask people directly about their willingness to pay for goods or services to be used in the future. (Wedgwood and Sansom 2003 in Kamaruddin 2012)

According to Whitehead (1994) in Karimah (2018) the calculation of WTP for consumers and producers is:

$$\mathbf{WTP = f(Q_1, Y_1, T_1, S_1)}$$

Where:

- Q_1 : Quantity
 Y_1 : Income Level
 T_1 : Taste
 S_1 : Any factors of social economy

Where in this research the author using Contingent Valuation Method (CVM) to know the value of WTP from the halal cosmetics' consumers. Then the calculation comes as follow:

$$\mathbf{WTP = f (Knowledge, Inc, Purfreq, Aware, Promotion)}$$

Where:

- Knowledge : Consumers' knowledge of product
 Inc : Income
 Purfreq : Purchase frequency
 Aware : Consumers' awareness
 Promotion : Promotion of product

2. Contingent Valuation Method (CVM)

Contingent Valuation Method (CVM) is a method that use survey technique to ask people about the value or price that they want to spend on commodities that do not have market such as environmental goods. CVM is used direct approach which basically asking people about how much their Willingness to Accept (WTA) as compensation for environmental damage to the goods. CVM approach first introduce by Davis in 1963 in the study of the behaviour of hunting in Miami. This approach technically

can be done in two ways, first by experimental techniques through simulations and games. And second way by survey technique (Zahroh, 2017).

CVM generally displays a hypothetical market by showing changes in a program arranged in a questionnaire. With the hypothetical market, respondents are asked about how many WTP they are willing to spend to get an increase in goods or services. CVM considers the WTP mentioned by respondents in a hypothetical market can be a benchmark for consumer's valuation in the actual market situation (Rose, 2016).

There are several stages in the application of CVM analysis according to Fauzi (2006) and Rahmawati (2014) in Karimah (2018), there are:

a. Set Up the Hypothetical Market

Market hypotheses are used to provide and determine the reason why a person must pay for resources that cannot be valued by the currency of the price of the goods or services. The market hypothesis explains in detail how the mechanism or stages in the transaction are carried out. When about to construct a hypothesis, use a questionnaire technique which should be clearly explained so that the respondent understands the resources in question and the participation of the

community in the activity. That way, changes can occur when individuals or communities make payments.

b. Obtain value of WTP

The process of obtaining the amount of WTP value is by using a questionnaire. Which in addition to using a questionnaire can also be by interviewing techniques or face to face, via telephone and can also be by mail or email. There are several ways to obtain WTP values, namely:

1. Bidding Game, that is, respondents were asked questions about how much they wanted to pay them for a certain resource. This value can be the highest to the lowest value or vice versa until you get the exact value to pay it.
2. Referendum model, that is, the respondent is given the amount of the offer several amount of money then the respondent only responds to agree or not.
3. Payment Card, it is a method using a card so the respondent is asked a question about the amount of the fee to be paid then this amount is indicated by using the card to the respondent. Open questions are about maximum WTP provided by individuals for a particular commodity without an offer for these commodities, however, in this method respondents or individuals tend to be difficult to

answer, especially for those who do not have experience with the value of the commodity asked.

c. Estimate Mean of WTP

Calculation of how much the value of the offer for an item uses the value of the average item used. Usually a value that is higher than the value previously generated will be obtained, therefore it is better to use a middle value so that there is no influence from a high bid. The middle value of this offer is usually smaller than the average value of the offer. In this study using summation between the results of the magnitude of the PAP value with the number of respondents used. So that the average WTP is formulated as follows:

$$EWTP = \sum_{I=1}^n Wi$$

Where:

EWTP : estimate mean of WTP

Wi : the value of WTP to-i

N : total respondent

I : respondent to-I that willing to pay (= 1,2,...n)

d. Estimate bid curve of WTP

The WTP curve can be illustrated by using the value of WTP as the dependent variable and other factors considered to affect the WTP variable as independent variables. The use of this WTP curve is to estimate changes in the value of WTP because

of changes in some of the independent variables. In addition, the WTP curve can also be used to test the sensitivity of the number of WTP to variations in changes in environmental quality. The supply curve can be made in:

Regress WTP as a dependent variable with several independent variables.

$$W = f(X1, X2, X3, \dots, Xn)$$

Where:

W : value of WTP

X1, X2, X3 : independent variables (factors that influence the value of WTP)

To answer how much the WTP value is, then the total or cumulative number of individuals is used. The assumption of this method is that individuals who are willing to pay a certain WTP value will also be willing to pay a smaller WTP value. The cumulative amount will be less, parallel with the increasing value of WTP.

e. **Aggregating Data**

Aggregate data is the process by which supply value is changed from the total population. After getting a mid-level score from the WTP, the result will eventually get the total estimated value of the WTP from the community. Total WTP formula:

$$TWTP = \sum_{t=0}^n WTP_i P$$

Where:

TWTP : total WTP

WTP_i : WTP individual sample to-i

P : population

I : respondent to-I that willing to pay (= 1,2,...n)

f. Evaluation of the implementation of CVM

In this last stage, the evaluation of the use of CVM is to assess the extent to which CVM has succeeded in its research. The advantages in analyzing using CVM compared to the others are:

- Often used in determining policies for the environment and is often an important analytical tool for estimating benefits. The use of CVM can be used for all conditions and has both important things as explained earlier.
- Can be used to assess the conditions and conditions of the surrounding environment.
- When compared with other analysis tools, CVM can know the value of non-use value. The mean is CVM can know the amount of utility of an item if not used though.

- Analysis with CVM requires competent researchers, but in using this analysis the researcher will not find it difficult to explain his research.

After all, Contingent Valuation Method (CVM) has several weaknesses such as the emergence of bias in data collection. Bias in the CVM approach according to Hanley and Spash in Amanda (2009) in Zahroh (2017) are as follows:

- a. Bias strategic because of respondent relatively gave a small value of WTP in order that there were the other respondent that would pay higher price to improve the environment quality. The alternative for this weakness is give the explanation clearly to the respondent that everyone would pay the average bid value or emphasis hypothetical nature of the treatment. In this case, it will encourage the respondent to give the actual value of WTP.
- b. Bias that designed in CVM study includes that way of information is presented to the respondents, the instructor given, the question format, and the number and type of information presented.
- c. Bias that related to the condition of the obligation of its respondent (Mental Account Bias), this bias is related to decision-making to take a step to process of an individual in

deciding how big the income, wealth, and the time that may be spent on the specific environmental in certain time period.

d. Hypothetical market may be occurred when the facts are asked to respondents in a hypothetical market make the responses of respondent different from the concept of research.

3. Promotion

Promotion is an activity that communicates the benefits of a product and persuades the target consumer to buy the product. According to Kotler and Armstrong (2012) in Amelia (2016), promotion means activities that communicate the merits of the product and persuade the target consumers to buy it. According to Hermawan (2012) in Amelia (2016), promotion is one of the priority components of marketing activities that tells consumers that a company launches a new product that tempts consumers to conduct purchasing activities. Promotion is a very important activity carried out by companies in marketing their products or services. One that supports the success of sales is promotion, promotion is used by companies to introduce products to the public so that awareness of a company's products increases. Promotions are also used by companies to inform the benefits of a product.

a. The Objective of Promotion

Promotion is designed as attractive as possible to reach the wider community through a variety of media, this is so that

companies can communicate with consumers. The objectives of promotion according to Kuncoro (2010) in Amelia (2016) divided into three types, as follows:

1. Give the information about the new product to the consumers
2. Remind the consumers about the brand
3. Persuade the consumers to buy the product

b. Indicators of Promotion

According to Kotler and Armstrong (2012: 432) in Amelia (2016), the way to promote consists of five promotional tools, as follow:

1. Advertising, is all forms of non-personal presentations and promotions paid by sponsors to present ideas, goods or services. Advertising is considered as image management that aims to create and maintain copyright and meaning in the minds of consumers. The forms of promotion used include broadcast, print, internet, outdoor, and other forms.
2. Sales Promotion, is a short-term incentives to encourage the purchase or sale of a product or service. The forms of promotion used include discounts, coupons, displays, demonstrations, contests, sweepstakes, and events.

3. Personal Selling, is personal presentation by salespeople with the aim of generating sales and building relationships with consumers. The forms of promotion used include presentations, trade shows, and incentive programs.
4. Public Relation, is build good relationships with various public companies to gain favourable publicity, build a good corporate image, and handle or rectify unfavourable rumours, stories and events. The forms of promotion used include press releases, sponsorships, special events, and web pages.
5. Direct Marketing, is direct relationship with consumers' goals with the aim of obtaining immediate responses and fostering lasting relationships with consumers. The forms of promotion used include catalogues, telephone marketing, kiosks, internet, mobile marketing, and others.

4. Product Knowledge

Product knowledge is consumer knowledge related to knowledge about product characteristics, consequences of using products and value (level) of satisfaction to be achieved by products. According to James and Engel (1994) in Rochmanto (2014), product knowledge includes: a) Awareness of product categories and brands in the product category; b) Product

terminology: c) Product attributes / characteristics; and d) Trust about product categories in general.

There are 3 ways to measure product knowledge (Alba & Hutchinson, 1987) in Rochmanto (2014), namely:

1. Subjective knowledge, is the level of understanding of consumers of a product, often called self-assessed knowledge.
2. Objective Knowledge, is the level and type of product knowledge that is truly stored in consumer memory, often called actual knowledge.
3. Experience-based knowledge, is a previous experience of purchasing or using a product

C. Previous Research

In this previous study include studies that have been done by the other researchers in the form of regular study, thesis and journal this existing research has underpinned the author in the preparation of thesis, while the previous study as follow:

The research that has been done by Priambodo and Najib (2014) with the title “Analysis of Willingness to Pay Organic Vegetables and the Affecting Factors”. The purpose of this research is to analyse the influence of attitude of consumer and socio economic status and obstacle to purchase on willingness to pay (WTP). The method of this research is use Contingent Valuation Method (CVM) and to analyse factors that influence WTP is using Structural Equation Modelling

(SEM) with LISREL. This research is use primary data that spread into 140 respondent with quota sampling. Based on the result of this research, attitude and obstacle are significantly affect WTP meanwhile the socio economic status is not significantly affect WTP.

The research that has been done by Putri et al (2017) with title “Consumers’ Willingness to Pay for Halal Labelled Chicken Meat”. The purpose of this research is to analyse the level of society’s awareness of halal-certified chicken meat and estimate the value of society’s willingness to pay for halal-certified chicken meat. This research use several independent variable namely income, education, age, chicken meat consumption, awareness, awareness of the importance of halal-certified products and number of family number then the dependent variable is value of respondent’s willingness to pay. This research use primary data that spread to 102 female married Muslim with accidental sampling and the research using regression model of ordinary least square to test the observation. Based on the result of this research, income, education, consumption of chicken meat, halal awareness of products and number of family are positively and significantly influence consumer’s willingness to pay. Meanwhile, age affected significantly at negative direction.

The research that has been done by Zailani et al (2016) with title “Driver of Consumers’ Willingness to Pay for Halal Logistics”. The purpose of this research is to analyse consumer’s demand for halal

logistics certification, the perception of the usefulness of the halal logistics certification, consumer's concern over halal, media coverage of halal logistics certification, capability of the service providers and image of the service providers are on consumer's willingness to pay. This research use primary data that 313 valid responses collected out of 400 questioners spread to society in Johor, Penang, Kuala Lumpur, and Sabah. To test the research model, this research use the Partial Least Square (PLS) with SmartPLS version 3.0 which this research apply the two-step approach for data analysis. The first step is to analyse the model for measurement and the second step is to evaluate the relationship among the structures of the underlying constructs. Based on the result of this research, willingness to pay has a positive effect on the consumers' extent of demand for the halal logistics certification.

The research that has been done by Nuriana (2013) with title "Analysis of Willingness to Pay on Halal Certification of Wardah Cosmetic Products in The Two Sales Location in Bogor". The purpose of this research are to identify the characteristics of Wardah cosmetic products' consumer, analyse the factors and calculate respondents' willingness to pay (WTP) for an additional payment to the halal certification on Wardah cosmetic products. The research use descriptive analysis, logistic regression and Contingent Valuation Method (CVM) as analysis tool. This research use primary data and

secondary data that spread to 100 respondents where 50 respondents from counter of Wardah in Matahari Department Store Taman Topi Bogor and the other 50 respondents from Toko Anisha Babakan Tenaga Dramaga Kabupaten Bogor. To get the sample, in this research use Convenience Sampling (spontaneous data) as sampling technique. This research has several independent variables namely age, education level, income level, intensity of product purchases, intensity of halal label observation, price level, marriage status, type of work, product usage time, and source of respondents' knowledge toward halal certified cosmetics while the dependent variable is respondents' willingness to pay on additional payment for halal certification. Based on the result of this research, education level and intensity of halal label observation are significantly influence the respondents' willingness to pay on additional payment for Wardah cosmetic products' halal certification.

The research that has been done by Majid et al (2015) with title "Consumer Purchase Intention towards Halal Cosmetics & Personal Care Products in Pakistan". The purpose of this quantitative research is to know the relationship between awareness, religious belief and halal product certification toward consumer purchase intention in geographical region of Sahwal, Pakistan. The data of this research is primary data which the questioners spread to 300 female students. This research use Cronbach alpha to know reliability. Mean, standard

deviation, variance, Picher bar chart are used to know the sample characteristics. Linear regression and correlation were used to analyse the data because the hypothesis are rational. Then, Scatter plot and Durban Watson test were applied to fulfil the linearity and autocorrelation assumption. Based on the result of this research found that awareness, religious belief and halal certified brand of cosmetics positively influence the intention of cosmetics consumer female toward halal brand.

The research that has been done by Kamaruddin et al (2012) with title “Willingness to Pay for Halal Logistics: The Lifestyle Choice”. The purpose of this research is to explore the underlying determinants that are likely to influence the consumer’s willingness to pay for halal logistics. This research is use descriptive statistics method to identify respondents’ background, consumption behaviour and whether the respondents are able to recognize JAKIM halal logo or not. And also this research use Logit model to determine the extent to which selected consumer variables (demand, cost and awareness) influence the respondent’s willingness to pay for halal logistic. This research has several independent variables as follow: age, status in family (father/mother/children), price bought, family members, demand, cost, awareness and important while the dependent variable is respondent’s willingness to pay for halal logistic. Based on the result of this research, the determinants of demand and cost have positive impact

that associated with respondent's willingness to pay. This research concludes that consumer trend of consumption not only toward halal product but also in halal logistic.

The research that has been done by Zahroh (2017) with titled "The Factors That Influencing Willingness to Pay the Visitors of Pangandaran Beach Using Contingent Valuation Method (CVM)". The purposes of this research is to examine how age, education level, income level, recreation fee and visit frequency affect on willingness to pay (WTP) of Pangandaran Beach's visitors. This research use primary data with 100 respondent that constructed by random sampling method and the willingness to pay (WTP) predicted by Contingent Valuation Method (CVM) with Multiple Regression Model on SPSS16 as data analysis program. Based on result of this research, age, income level, recreation fee and visit frequency have positive and significant effect on willingness to pay (WTP) of visitors in Pangandaran Beach.

The research that has been done by Karimah (2018) with titled "Willingness to Pay Improvement of Serpong – Tanah Abang Electric Train Service Quality". The purpose of this research is to measure the willingness to pay (WTP) for those people who using electric train from Serpong and end up in Tanah Abang and also to find out what factors influence the willingness to pay. This research has several independent variables namely cleanliness, convenience, length of

travel, income, gender and number of family dependent. This research used primary data with 267 respondents conducted by random sampling and estimated using Contingent Valuation Method (CVM) approach. The analysis tool in this research is binary logistic regression on SPSS20. Based on the result of this result, number of family dependent and gender have a negative and not significant effect on willingness to pay. While, cleanliness, convenience and length of travel have a negative and significant effect on willingness to pay. And on the other hand, income has a positive and significant effect on willingness to pay.

The research that has been done by Rochmanto (2014) with titled “Pengaruh Pengetahuan Produk dan Norma Religius Terhadap Sikap Konsumen Dalam Niat Mengkonsumsi Produk Makanan dan Minuman Halal (Studi Kasus di Kota Semarang)”. The purpose of this research is to analyse and provide empirical evidence whether the product knowledge and religious norms have positive effect on soncumer attitude in the intention to consume halal food products and beverages. This study uses multiple linear regression analysis using SPSS version 21. Data obtained by questioners and distributed to the Muslim community in Semarang. 200 respondents has been collected with purposive sampling method. The result of this study showed that the product knowledge and religious norms have positive effect and significantly impacted on consumer attitudes towards halal product.

D. Hypothesis

H1 : there is a significant positive relationship between product knowledge and willingness to pay for halal cosmetics.

H2 : there is a significant positive relationship between promotion of product and willingness to pay for halal cosmetics.

H3 : there is a significant positive relationship between consumers' awareness and willingness to pay for halal cosmetics.

H4 : there is a significant positive relationship between frequency of purchase and willingness to pay for halal cosmetics.

H5 : there is a significant positive relationship between income level and willingness to pay for halal cosmetics.

E. Research Framework

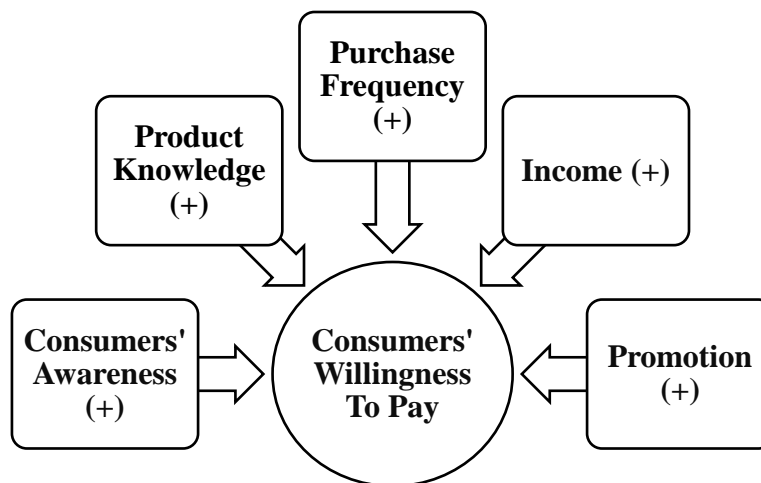


Figure 2. 1 Research Model