

# **CHAPTER I**

## **INTRODUCTION**

### **A. BACKGROUND**

Cosmetics is one of the most important needs which is not limited for women only but also for men in this nowadays world. However, the understanding and standard definition of cosmetics are not conclusive yet so it will most likely end in a confusion. Regulation of the Minister of Health of Republic of Indonesia Number. 455/ Menkes/ Per/ V/ 1998 defined cosmetics as preparations or alloys of ingredients that are ready to be used on the outside of the body, teeth and oral cavity to cleanse, increase traction, protect in order to remain in good condition, improve body odor but are not intended to treat or cure an illness. Therefore, cosmetics can cover all treatments used on the skin, eyes, mouth, hair or nails such as soap, shampoo, skincare, and other similar products.

Currently, the development of cosmetics in Indonesia is experiencing an increasing trend. It can be seen from the data of the Ministry of Industry that shows an increase in cosmetics sales in 2012 by 14% (equal to IDR 9.76 trillion) from the previous amount which is IDR.8.5 trillion. The increase in cosmetics sales in Indonesia indicates that the use of cosmetics has become a trend among women in society. Using cosmetics is seen as an effort to become more appealing referring to the social standard.

In an article released by the Business Industry in 2017, the Ministry of Industry noted that the potential of the domestic cosmetics industry was supported

through the strength of around 760 companies spread throughout Indonesia. The industry absorbs 75,000 direct workers and 600,000 non-direct workers. With the support of cosmetics companies in Indonesia, the cosmetics industry is growing more rapidly.

Cosmetics trends in Indonesia have resulted in the emergence of many types of cosmetics from many brands and are available in almost all shopping centres until grocery stores. The consumer's preference in choosing cosmetics is also different among one another are also different, so consumers will buy cosmetics that suit their body needs. It, definitely, becomes an important consideration for cosmetics producers and manufacturers to meet the needs of their targeted consumers. Due to the diverse demands of cosmetics, many producers come to market and create their own brand, starting from local until imported brands from other countries. Below are some of the top brands of local cosmetic products and foreign products by female daily.

**TABLE 1.1**  
Top cosmetics brand products in Indonesia based on female daily

<b>Brands</b>	
Wardah	Laneige
Maybelline	Innisfree
Emina	Viva
The Body Shop	Nature Republic
Pixy	Nivea
Garnier	Ponds

Source: Female daily.com

Cosmetics manufacturers make various kinds of innovation so the products released are able to match the needs of consumers. But apparently, not only innovation is needed by consumers. Consumers also need a description of the product Before they purchase the product which includes the product's validity period, Product usage procedures and information showing that the product has received permission from Indonesia National Agency of Drug and Food Control (BPOM). In addition, the Halal label is also very important especially for muslim consumers in Indonesia.

In Indonesia, the The Indonesian Ulema Council's (MUI) Food and Drug Analysis Agency (LPPOM) can help the public to distinguish the label of the products they consume. This institution has a task to supervise every products that are circulating in the community by providing halal certification so the products that already have these certification can provide halal labels to their products. It means that the product has been passed through the process and its contents have been examined and free from elements that are prohibited by Islamic teachings, or the product has been categorized as halal products and does not contain illicit elements and can be consumed safely by Muslim consumers.

Indonesia a Muslim majority country, value of halal aspect as critically important according to religious law. The Halal label makes consumers in Indonesia believe and feel safe to use cosmetic products as daily consumption because it is safe and does not violate the Shari'a principle in Islam. Muslim consumers can ensure which products they are allowed to consume, namely products that have a halal label on their packaging. It informs users that the

product is already confirmedly halal and the ingredients do not contain elements that are prohibited by Islamic law. So that the product can be consumed. This behavior is mentioned in the Holy Qur'an with the verse which order to consume halal food as follow;

حُرِّمَتْ عَلَيْكُمُ الْمَيْتَةُ وَالدَّمُ وَلَحْمُ الْخِنْزِيرِ

"Forbidden you (eat) carcasses, blood, pork" (QS 5: 3)

In the above verse, the word "eat" does not only mean eating by mouth but eat also means consuming in the sense of using processed pork for various purposes including cosmetics. Halal or not in food security is very fundamental for Muslims.

حَلَالًا طَيِّبًا وَاشْكُرُوا نِعْمَتَ اللَّهِ إِن كُنتُمْ إِيَّاهُ تَعْبُدُونَ

“Then eat the lawful again from the fortune that God has given you; and give thanks to Allah's favor, if you worship Him only ". (Qur'an, 16: 114)

In the above verse, Allah has ordered humans to only eat (consume) halal food. If applied in the present context, the verse applies not only to food but also to other products that can be consumed by humans, including cosmetics.

Those verse proves that the presence of halal labels on cosmetic products provides a positive value that has a great opportunity in influencing consumer buying decisions. Purchasing decisions are taken from the perception in advance where people will choose, arrange and consider the products to be consumed. After perception is built, then the belief and attitude will arise in

response to the halal label. In the end, these beliefs and attitudes affect people's purchases. This statement is in accordance with Kotler & Keller (2009) who said that beliefs and attitudes influence individual buying behaviour and in accordance with the ethics of Islamic consumption which always refers to the *halalan toyyiban* principle,

Beside the halal label, there are other aspects which need to be considered and influence consumers to purchase the cosmetics product. This is approved by the research which conducted by Sigma Research Indonesia that study 1200 Indonesian women with an age group of 15-55 years. The research revealed that there are several factors considered by women in buying cosmetic products. The biggest factor is the compatibility of formula on facial skin (79.4%), then followed by durable products (67.4%), lightweight formula (62.2%), and the choice of color, halal, and price by the percentage each is above 50%.



Source: Sigma Research Indonesia (2017)

**FIGURE 1.1**  
**The Factors Influencing Purchase Decision on Cosmetics Product**

Figure above indicates that the evenness of the formula's ingredients is the main consideration of women in all age segments in choosing cosmetic products. While durable products are preferred by mature women. In addition, colour selection is considered as an essential factor that determine purchasing decision of young women.

Moreover, public awareness about the safety of cosmetics used has increased in line with the emergence of various cases of the impact of the use of hazardous materials in cosmetics. The better the quality of ingredients of a product, the higher the influence of the product to affect consumers buying decisions to buy cosmetic products. In addition, to dangerous ingredients that can be contained in cosmetics. However, the skin type and condition of the consumer

environment can be the cause of Ingredients to be one of the consumer purchase decision factors for cosmetics.

In the above research, product's prices occupy the 5th level of the factors that influence consumers' buying decisions on cosmetic products. Consumers want to get products with good quality in accordance with the price paid. Not a few consumers also believe that an expensive product is a quality product.

Muslim consumers seek halal certification and price of the product when they buy cosmetic products. Most consumers will buy cosmetic products with halal certification with the lowest price. Muslim consumers' attitudes toward the purchase of halal products are more emphasized on the characteristics of the individual's preferences that are influenced by the level of understanding of the concept of halal and haram (Aisyah, 2015).

Similar research in Indonesia has been conducted against female Muslim related to their interest of purchasing halal cosmetic products. However, in one of their research did not use price variable as the influence of consumer's purchasing of cosmetics product (Elisa, 2014).

Hanifah (2017) stated that there is a significant relationship between cosmetics material composition knowledge and consumer cosmetics buying decision behaviour. respondents possess willingness to support environmental protection, realization of environmental responsibilities, and inclination towards searching green product-related information and learning about green products.

Supporting environmental protection, drive for environmental responsibility, green product experience, environmental friendliness of companies and social appeal are identified as important factors affecting green product purchase decisions. (Ghodeswar, 2013)

Jayanto (2012) mentioned, “The problems that arise due to the side effects of cosmetic selection mistakes make consumers do a lot of consideration before buying. Cosmetics contain a long list of chemicals. Most of them are synthetic and petroleum-based, which can trigger health problems such as skin irritation to the most severe such as cancer”

According to the background explanation, this research studies about product halal label, price and ingredients. This is also supported by the student's experiences on using non halal product that are not guaranteed, either in terms of the main raw materials, manufacturing processes, and auxiliary ingredients in the cosmetics, or either using cosmetics because the price is just affordable. To obtain clearer information and scientific evidence on how the influence of halal labels, prices, and ingredients on purchasing decisions on cosmetic products, it is necessary to conduct scientific research. hence, the author will set research by making the students from Yogyakarta Muhammadiyah University, Islamic State University (UIN) Sunan Kalijaga, and Indonesian Islamic University as research population., the author is interested in doing further and pouring them in the form of an undergraduate thesis entitle:

**“THE INFLUENCE OF HALAL LABEL, PRICE AND INGREDIENTS  
ON PURCHASING DECISION OF COSMETICS PRODUCT IN  
YOGYAKARTA”**

**B. SCOPE OF RESEARCH**

In order to conduct the research which is consistent with the objectives, hence the author sets the following restriction:

1. The subject of this research is students of Universitas Muhammadiyah Yogyakarta, Universitas Islam Negeri (UIN) SunanKalijaga Yogyakarta, and, Universitas Islam Indonesia.
2. The halal label in this study is only on cosmetics product.
3. The price in this study is limited to the price of cosmetics products.
4. The ingredients in this study is limited to the ingredients of cosmetics product.
5. This research only discusses consumer purchasing decisions on cosmetic products.

**C. RESEARCH QUESTIONS**

In this research, the author has several formulations of problem, which are:

1. How is the influence of halal labels on the consumer purchasing decision of cosmetics product?
2. How is the influence of price on consumer purchasing decision of cosmetics product?

3. How is the influence of ingredients on consumer purchasing decision of cosmetics product?
4. How is the halal labels, price and ingredients influence on consumer purchasing decision?

#### **D. RESEARCH OBJECTIVE**

Based on the research problems and research statements, the objectives of the research are:

1. To analyse the halal label effect on consumer purchasing decision of cosmetics product.
2. To analyse the price effect on consumer purchasing decision of cosmetics product.
3. To analyse the ingredients, consist in cosmetics effect on consumer purchasing decision of cosmetics product.
4. To analyse the consume from an Islamic perspective.

#### **E. RESEARCH BENEFIT**

1. Theoretical benefit

As discussion of the problems described above, it is expected that it will provide an understanding for readers regarding the effect of halal labels, price, and ingredients of cosmetics product on consumer purchasing decision. Theoretically, the benefits of this writing is to bring a development to science and can be used as a reference especially in the studies of Students in Faculty of Business and Economics and Islamic Economics.

## 2. Practical benefit

This research is expected to be able to provide benefits to the students and wider society, especially people who want to broaden their knowledge of Islamic Economics in each college in the Faculty of Economics and Business, both conventional and Islamic. In addition, this research is also useful as a condition for academics to complete the Undergraduate Degree in Islamic Economics and Finance, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta.