

CHAPTER I

INTRODUCTION

A. Research Background

The market for green and organic products, especially cosmetics, is increasing worldwide with the ever-changing trends (Onel, 2017). According to Organic Cosmetic Market, the value of the organic product cosmetic market in 2015 was US\$ 40 billion, and it is predicted to become US\$ 60 billion in 2020. Future Market Insight reported that ASEAN demand for organic product value increases drastically annually, especially in Indonesia. The organic revenue product in ASEAN is predicted to reach up to US\$ 4 billion in 2020 itself, which means an increase of 9% compared to the previous year. Besides the rising middle-class purchase power in ASEAN, The increasing number of people who solicitude toward toxins in the environment and awareness of these hazards deepens (H. Y. Kim & Chung, 2011). It escalates go-green and health consciousness, fueling the demand for organic and personal care products. The increasing demand for organic products pushes more companies to leap to the organic and natural bandwagon (Chenery,2004). According to Wang (2019), organic product is produced based on safety organic, integrity, nutrition, vital quality, and true nature. In practice, organic personal care product segments are differentiated into various products like skincare, haircare, oral care, cosmetics, toiletries, deodorants, and feminine hygiene products (Ghazali et al., 2017).

Involvement with something will influence a person's behavior and attitude (Slama & Tashchian, 1985). According to Rahman (2018), Product involvement is when the product has meaningful, substantial value, and principal value in their life. The considerable value involvement refers to the health, environmental sustainability, and ethical and social values (Laroche et al., 2001). Group of consumers involved in health belief values tends to practice a healthy lifestyle. Therefore they would likely buy organic ingredients or organic products because it is safer and healthier for their users (Gil et al., 2000). The Group of consumers who involve environmental sustainability value will consider manufacturing processes and materials that do not endanger the environment (Laroche et al., 2001). To differentiate conventional products from organic products is essential to know that organic products are products not regarded as harmful to the environment and human health in their content and packaging (Junior et al., 2015). Consumers who are mindful of the consequences their consumption practices have on the environment, animals, and other human beings are on the rise in society (Harrison et al., 2007; Lewis and Potter, 2011). Customers who consider ethical and social values believe that manufactured products must go through an honest approach that does not involve animal cruelty and have social justice for the employees/workers involved (Fernández-Ferrín et al., 2021). While conventional product practice, the company utilizes animal testing that involves pain, suffering, and discomfort under some circumstances, which is believed against organic process value. Some of the group customers take social perception on social value. The company should be concerned with the worker who

participates in the making process and ensures no discrimination and unfair exploitation in the manufacturing process (Nicholls and Opal, 2005).

Affordability is the ability of the consumer to purchase the product as measured by its cost. Organic products are more expensive than conventional products, with limited raw materials and more sophisticated production. In contrast, conventional one will have mass produce without considering the raw materials' values. Affordability issues lead to the barrier for consumers to purchase organic product (Bee Lian et al., 2016). Consumers will analyze and view products based on their final decision on the alternative product based on the price. In other words, the consumer will consider more to purchase the conventional product because the price is higher compared to the organic one. And the price has a significant factor in customer purchase intention (Herrmann et al., 2007).

Behavioral intention is the person's actions behavior influenced by factors, norms, and values as the reasoned action (Li, 2014). According to Coleman, Intention is someone's action and behavior because of their engagement on a sure thing. According to Ajzen (1991), one is willing to exert the amount of afford to attain a goal. The consumer who purchases an organic product would consider other value than just price. Behavioral intention to consume organic products refers to the individual's intent to buy or destroy organic products in the future (Arvola et al., 2008). The matters become the intention than just the product and price. Consumers' narrower lifestyle perspective, health inequalities are mainly the results of people's choices and habits concerning health-beneficial (and non-

beneficial) everyday behavior such as exercise habits, smoking and drinking behavior, dietary habits, and so on (Mei Fiang Chen, 2009). Some who intend on the nutritional value will consider ingredients that are safe and benefit the body even though the price is higher than just regular products. The product that offers the same weight and quality but at a lower price has a tendency to be selected in the final purchasing decision by the consumer as the price of the product has a role in consumer behavior. Besides the price and health, the customer values the development coming from or knows the regional identity, triggering consumer willingness to purchase (Johansson, 1989).

Region product Identity is a phenomenon in which people value a product from its original region based on specific characteristics, stereotypes, or associations with its area. The identity of a part refers to the physical (e.g., geography), cultural (e.g., history, art, music), and historical (e.g., famous citizens) characteristics that distinguish a region from others (Kotler & Gertner, 2002). Regional identity is when people identify with certain areas according to their social system like the culture, tradition, landscape, etc. (Kotler & Gertner, 2002). For example, France products are identical to romantic and luxury products. Italians are identic with best cooks. Local product (Indonesia) is identic with patriotic. In other words, regional product identity could be pointed to as inferiority complex or regional pride. In Indonesia itself, there are often local product campaigns popping up lately. And many brands proudly display their brand as a local brand. This phenomenon illustrates that local products are

accepted by the community and add value. One of the thriving local brands is Sensatia Botanical.

Sensatia Botanical is one of the pioneers of Indonesian brands utilizing personal care brands that use the organic concept. Sensatia Botanicals is produced directly in Bali, Indonesia, founded in 2000. Sensatia Botanicals products content of the product using selected natural ingredients that have been clinically tested (2021). In Indonesia, famous natural and organic certified personal care products are mainly imported like The Body Shop (U.K.) and The Face Shop (Korea). But Sensatia has successfully competed and become a well-known brand and has even penetrated and been accepted into foreign markets. Sensatia Botanical was starting its business as a Profit-Sharing Cooperation with the community around the company. The company's location is right in the Small Fishing Village, Jasri, Karangasem, on the East Bali coast. With a profit-sharing system, 20% of its shares are owned by its employees, and Sensatia Botanicals Inc. owns the rest. This brand still maintains its identity with organic and ethical values until now.

This study replicates the antecedents of consumer purchase intention: Sensitivity to price and involvement in organic products moderating the role of development regional that run in Maroco. (Ghali-Zinoubi & Toukabri, 2019). This research tries to fill the gap, combine and build knowledge according to the previous study by determining the effect of organic product involvement and affordability on behavioral intention on personal care products toward Indonesian personal care product customers. And this research has also selected the

moderating impact of regional product identity on organic product involvement and affordability with behavioral intention.

B. Research Question

Following the explanation behind the research, this research resumes the research problem as follows:

1. Does organic products involvement affect the behavioral intention of organic personal care products?
2. Does affordability affect behavioral intention on organic personal care products?
3. Does regional product identity influence moderate the effect of organic product involvement on behavioral intention organic personal care products?
4. Does product regional identity influence moderate the effect of affordability on behavioral intention organic personal care products?

C. Research Objective

1. Identifying organic product involvement effect on behavioral intention organic personal care product
2. Identifying affordability effect on behavioral intention on organic personal care products

3. Identifying regional product identity influence the effect of organic product involvement on behavioral intention organic personal care product
4. Identifying regional product identity influence the effect of affordability on behavioral intention organic personal care product

D. Research Benefit

In accordance with the above-mentioned research concerns and objectives, this study seeks to:

1. Business Field

This research can be a source of information and reference regarding the involvement and affordability of organic products on behavioral intentions and explore the moderating effect of regional product identity. In addition, it can be used as a reference for the business field in making strategic decisions to increase sales and meet customer needs in finding products for daily needs.

2. Future Research

The results of this study are expected to provide knowledge and understanding of the relationship and influence of organic product involvement, affordability, behavioral intentions and regional product identity, especially in body care products from Indonesia. In addition, this research can be used as a reference for future researchers who have similar topics.