

# CHAPTER I

## INTRODUCTION

### A. Research Background

The halal market is widely recognized as one of the most rapid and expansive worldwide (Khalek & Ismail, 2015). The Halal market covers various sectors, including consumer goods, travel, hospitality, education, tourism, medical, cosmetics, entertainment, fashion, and lifestyle (Aoun & Tournois, 2015a). The global halal cosmetics market is projected to increase at a compound annual growth rate (CAGR) in 2023; the worldwide market for halal cosmetics achieved a total valuation of US\$ 33.3 Billion. Anticipating the future, IMARC Group foresees the market expanding to US\$ 71.3 Billion by 2032, demonstrating a notable growth rate (CAGR) of 8.6% from 2024 to 2032. The robust growth of the halal cosmetics market can be attributed to factors such as the rising global Muslim population, heightened demand for ethically manufactured products, strict adherence to Halal certification standards, and the effective utilization of digital marketing and online retail platforms (Imarcgroup.com, 2023). The global halal cosmetics market is expanding, creating economic opportunities for popular and developing brands (Abdul-Talib & Abd-Razak, 2013). The growth results from rising consumer demand and behavioral Intention (Abdul-Talib & Abd-Razak, 2013).

Like other societies worldwide, the Muslim population has experienced significant structural transformations and observed the rise of consumer landscapes influenced by

religious beliefs (Sandıkcı, 2015). Indonesia's large Muslim population of around 225 million is a crucial driver of the growth of halal cosmetics, driven by its young population and the country's strategic move to develop an Islamic economy by implementing mandatory halal certification requirements over the coming years (State of the Global Islamic Economy Report, 2022). This growth can be attributed to a wide range of Indonesian brands, ranging from small independent startups to well-established businesses that are growing their market presence (State of the Global Islamic Economy Report, 2022)

Halal cosmetics are cosmetics that adhere to halal requirements. The concept of halal is no longer limited to food but has expanded to include cosmetics and other products (Ngah et al., 2020). The only time cosmetics are considered halal is when their ingredients conform to Sharia law; components such as alcohol and animal-derived substances are free and have no chance of being used in their production (N. Khan et al., 2021). Halal cosmetics must adhere to rigorous scientific research to produce a pure, secure product with the finest all-natural ingredients. The positive response from Muslim consumers towards halal cosmetics is due to their alignment with the Syariah principles of quality, purity, and cleanliness (Wilson & Liu, 2010). The halal cosmetics industry must use the right strategy to increase market potential.

Social media has become one of the most common communication channels businesses strategy use for marketing (Bilgin, 2018). Social media seems to be an online application, platform, or mass media instrument that facilitates user interaction,

collaboration, and content sharing (Kim & Ko, 2012a). The growth of social media brought in a new era for businesses and brands, compelling them to seek out new interactive methods of reaching and engaging customers (Gallaughner & Ransbotham, 2010). For example, in higher education, integrated marketing communications (i.e., social media and other advertising channels) can generate brand awareness, image, positioning, reputation, and brand identification (Foroudi et al., 2017). The influence of social media on consumer behavior encompasses a broad range of activities, including informing, sharing ideas and attitudes, gaining understanding, and visualizing post-purchase behavior without purchasing (Tatar & Eren-Erdoğan, 2016). Social media has significantly influenced the awareness of halal products among Muslim consumers. With its ever-growing popularity, social media platforms provide easy access to various information about the halal status of a product.

Halal awareness plays a significant role for consumers when purchasing halal products, mainly cosmetics. Muslims believe a brand must reflect their values and beliefs (Alserhan, 2010a). Awareness of the use of halal products grows as the Muslim population grows. The higher the level of awareness about a product's halal status, the more it positively influences consumer purchasing behavior and preferences toward halal cosmetics. If consumers strongly prefer halal cosmetics, their purchasing behavior becomes more inclined toward these products. Likewise, marketers of halal cosmetics in Indonesia should be responsive to changes in consumer behavior. Halal awareness influences perceptions of halal products and impacts the brand image of a

company or brand that produces halal cosmetics. Social media marketing activities can contribute to brand awareness and establish a positive brand image by enabling businesses to interact with potential and current customers (Seo & Park, 2018). The community's positive Attitude determines the halal awareness of a product (Golnaz et al., 2010).

Brand image refers to the mental image and perception of a brand or company in consumers' minds. The company is conducting research to attract consumers' attention, to remain in their minds, to create a positive brand image, and to increase brand loyalty by utilizing all available communication channels for brand communications to create or preserve brand value (Bilgin, 2018). The brand image is influenced by various factors, including product quality, company ethics, alignment with religious matters, and how the brand meets consumers' needs and expectations (C.-H. Liu et al., 2022). The significance of brand image requires careful consideration by companies as market participants because it elicits emotional connections with consumers (Keller & Lehmann, 2006). When a brand or company consistently adheres to halal principles in the production of its cosmetic products, it can create a positive brand image in the eyes of consumers (Temporal, 2011). The brand image in consumers' minds significantly influences consumers' attitudes toward halal cosmetic products. Brand performance is relative to market success and is frequently affected by cognitive attitudes (Akhoondnejad, 2018).

Attitudes within society are crucial. A consumer's Attitude toward the brand is essential to their purchasing decisions (Septiarini et al., 2023). A positive attitude reflects a favorable perception of halal consciousness, emphasizing the need for affirmative actions toward halal products in commercial transactions (Handriana et al., 2021). The Relationship between subjective norm, religiosity, and attitude to purchase intention was investigated (Garg & Joshi, 2018a). The results indicated that attitude, subjective norms, and religiosity do not significantly influence purchase intent. Religious messages in advertisements result in more exceptional attitudes and purchasing intentions. One indicator of consumer behavior intentions is purchase intentions or the desire to buy.

Behavioral intention is the cognitive representation of an individual's inclination or predisposition toward a specific product, influenced by their attitudes (Muangmee et al., 2021). The decision of an individual to adopt a new product is contingent upon the marketing efficacy in terms of its utility. The extent to which a consumer perceives a specific product as applicable is contingent upon their view that it requires minimal effort (Muangmee et al., 2021). Intention to behave as a metric holds promise as the most effective methodology for forecasting future buying behavior. One manifestation of consumer behavior intent is purchase intention, which refers to the individual's Intention or inclination to purchase. The Intention to purchase refers to the consumer's deliberate decision to actively seek and acquire a particular product (Spears & Singh, 2004). The concept of Intention to purchase entails systematically analyzing and

predicting customer behavior regarding their level of interest in a specific brand and their inclination to engage in a purchase transaction (Garg & Joshi, 2018b).

Many halal cosmetic brands are engaged in competitive activities in the Indonesian market. One of them is the cosmetic product brand "Somethinc" from PT Royal Pesona Indonesia, a cosmetic OEM (Original Equipment Manufacturing) company (somethinc.com). Somethinc is an original Indonesian skincare and cosmetic brand. First launched in 2019, Somethinc quickly caught the attention of beauty enthusiasts in Indonesia, becoming one of the thriving local beauty brands. Since its inception, somethinc cosmetics has focused on cosmetics and skincare inspired by Generation Z, who seek certified halal products for their superactive lifestyles. Within two years, the brand experienced rapid growth and secured the top position in the Indonesian market throughout 2021 (Halalan, 2022). Somethinc has released many cosmetic products, including cushions, concealers, moisturizers, mascaras, lip creams, and more.

Interestingly, the brand utilizes high-quality active ingredients that are not widely used in Indonesia. Each product has different vital components and compositions. The company ensures that all of its products are free from prohibited substances. Establishing a brand's or cosmetic product's halal status is not accessible. It requires comprehensive research from various perspectives to achieve halal certification. The information from LPPOM MUI, which certifies the halal status of products, is crucial. According to the data from LPPOM MUI, all Somethinc products are certified halal by the manufacturer and have received halal certification from MUI (Halalan, 2022).

Muslim consumers have confidence in using them as their daily makeup. In the rapidly increasing technology era, many halal cosmetic companies rely on social media for marketing communication to Muslim consumers.

This research is a modified replication of a previous study conducted by Ngah et al. (2022), Handriana et al. (2021), and Septiarini et al. (2023). The main difference is the change in the variable from "purchase intention" to "behavioral intention" to examine the interest and purchasing behavior of halal cosmetic products under the brand "Somethinc." This study focuses on the brand's social media activities that promote the halal nature of its products, such as direct sales on live platforms, slogans in online marketplaces, and endorsements from well-known Muslim influencers. The method used is Structural Equation Modeling (SEM). Due to the rapid growth of halal cosmetics and skincare in Indonesia, this research fills a gap in the literature by examining the influence of brand image, Attitude, and religiosity on behavioral Intention in the context of social media activities related to the halal aspect of the products. This study aims to understand the decision-making process of Generation Z Indonesian consumers interested in or have already purchased halal cosmetic products under the brand "Somethinc" while providing theoretical and practical contributions to deepen the understanding of consumers based on halal awareness values to get behavior intention.

## **B. Research Question**

Based on the previous discussion, the researcher submitted the research question of the problem as follows:

1. Does social media marketing activities influence brand image?
2. Does social media marketing activity influence Attitude?
3. Does halal awareness influence the brand image?
4. Does halal awareness influence Attitude?
5. Does brand image influence customers' attitudes?
6. Does brand image influence behavior intention?
7. Does attitude positively influence behavior intention?
8. Does brand image mediate the relationship between social media activity and consumers' behavioral Intention to buy halal cosmetics?
9. Does brand image mediate the relationship between halal awareness and consumers' behavioral intention to buy halal cosmetics?
10. Does attitude mediate the relationship between social media activity and the consumers' behavioral intention to buy halal cosmetics?
11. Does attitude mediate the relationship between halal awareness and the consumers' behavioral intention to buy halal cosmetics?

## **C. Research Objectives**

Based on the research background, the objectives of the research are:

1. To analyze the influence of social media marketing on brand image.

2. To assess the influence of social media marketing on attitude.
3. To investigate the influence of halal awareness on brand image.
4. To analyze the influence of halal awareness on attitude.
5. To measure the influence of brand image on attitude.
6. To analyze the influence of brand image on behavior intention.
7. To assess how attitude influences brand image.
8. To analyze brand image mediates the relationship between social media marketing activity and consumers' behavioral intention of halal cosmetics.
9. To investigate the mediates' influence on brand image on the relationship between halal awareness and consumers' behavioral intention of halal cosmetics.
10. To analyze how attitude mediates the relationship between social media marketing activity and the consumers' behavioral intention of halal cosmetics.
11. To assess attitude, which mediates the relationship between halal awareness and the consumers' behavioral intention of halal cosmetics.

#### **D. Research Benefit**

Based on the research background above, the researcher submitted the formulation of the problem as follows:

##### **1. Theoretical benefits**

- a) To add knowledge about Islamic Economic Management

- b) It is hoped that this research can be used as an additional reference for researchers interested in the problem
- c) The same will happen in the future and can add a repertoire of thoughts in Islamic Economic Management.

## **2. Practical Benefits**

- a) To provide insight to producers regarding the character of the religious community.
- b) To provide an overview of consumers' choosing power product religious.