

Key Factors for Buying Intention towards the Existence of Halal Cosmetics: Study on Wardah Cosmetic

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Abstract: *The implementation of the Indonesian government regulation on halal product assurance in 2017 has further increased demand for halal cosmetics. A preliminary questionnaire was distributed to find out early problem that's assumed will be crucial to the existence of individual buying intention towards halal cosmetics. Based on the data gathered from the preliminary questionnaire, it can be concluded that people are not aware of the substance that are considered as Halal. The lack of knowledge in halal cosmetic substance are believed to impact the existence of consumer's buying intention towards halal cosmetic itself. This research used data from 275 samples of respondents, the samples were collected by giving online questionnaires. Structural Equation Modelin (SEM) is used as analyzing tool to test the hypotheses and using Smart PLS 3.0 as the statistic software to conduct the calculations. This research has found that the most significant factor from this model that influences the consumers buying intention towards halal cosmetic is Attitude. This means that the higher attitude of persisting on buying Halal cosmetics, the better it is for Wardah. For further research because the model is able to moderately predict the consumer buying intention on halal cosmetic, by using the complete model of TRA and predict if intention will affect future behavior towards halal cosmetics.*

Keywords: Cosmetics and toiletry, Halal market, Islamic retail, Wardah

1. Introduction

In recent years, there has been a growing trend in the use of halal cosmetics in Indonesia. The implementation of the Indonesian government regulation on halal product assurance as a derivative regulation of Law No. 34/2014 on Halal Product Assurance in 2017 has further increased demand for halal cosmetics. Indonesia's cosmetics sector performed strongly throughout 2017 in line with the country's growing middle class and increasingly affluent consumers. The implementation of halal regulations for cosmetics in Indonesia has proven to be a game changer with halal cosmetics now starting to dominate cosmetic sales in the country.

Wardah, the country's first halal cosmetic manufacturer, has successfully capitalised on the new trend and has become a leading cosmetics brand in Indonesia. According to an article from Global Business Guide Indonesia, Wardah holds the biggest annual sales of 200 billion per month. Where it's competitor such as MustikaRatu, Martha Tilaar holds monthly sales of 42 billion and 19.5 billion. Based on the stated facts and information provided, the author chose Wardah as its research object regarding the study of Halal cosmetic [5].

A preliminary questionnaire was distributed to find out early problem that relates to the aspect of knowledge about halal cosmetics which assumed will be crucial to the existence of individual buying intention towards halal cosmetics. Based on the data gathered from the preliminary questionnaire, it can be concluded that people are not aware of the substance that are considered as not-Halal and ingredients that are categorized as E471.

The lack of knowledge regarding which cosmetic products that are considered halal are concerned. Knowledge is one of

the first steps before having a buying intention towards certain products, therefore the lack of knowledge in halal cosmetic ingredients/substance are believed to impact the existence of consumer's buying intention towards halal cosmetic itself.

2. Literature Review

Consumer Behavior

"Consumer behavior is the study of how individuals, groups and organizations select, buy, use and dispose of goods, services, ideas, or experiences to satisfy their needs and wants" [7]. Consumer behavior commonly known as the study of consumer action that leads for the search of purchasing, using, evaluating and disposing products or services. These products or services are a few that they have chosen that they think will satisfy their needs

Behavioral Intention

According to [8] behavioral intention is a condition in which the customer has an intention or loyal attitude to the brand, product and company and willingly telling his or her superiority to others. Meanwhile, according to Schiffman, explains that behavioral intention determines the possibility of consumers will perform certain actions in the future [12]

Purchase Intention

Purchase intention could be explained though the theory of planned behaviour (TPB) model [3]. This is mainly because of the close connection between behaviour and attitude intentions which were significantly demonstrated through this model as purchase intentions[11]. This is further explained by the attitude towards the idea itself [1]. Other studies, enhanced this school of thought where customer purchasing intentions could be further explained using the theory of reasoned action (TRA) model [1].

Consumer Buying Decision

There are 3 stages inside a consumer’s decision making process on buying product, there are the input stage, process stage and output stage. Inside every stage, exist the factors that happens during each stage.

The input stage has 2 factors that give influence towards consumer buying decision. First, the firm’s marketing effort regarding the product, its price and promotion and where it is sold. Secondly, sociocultural influences based on family, friends, neighbors, social class and cultural and subcultural entities. This stage includes the method on which information from firms and sociocultural sources is delivered to consumers.

The process stage is the stage where knowing how consumer makes decisions is the goal. Any psychological factors such as motivation, perception, learning, personality and attitude might affect how the external inputs from the previous input stage influence the consumer’s recognition of need, pre-purchase search for information and evaluation of alternatives. Gaining experience through evaluation of alternative will later become a part of the consumer’s psychological factors through the process of learning. Lastly, the output stage consists of two post-decision activities, they are purchase behavior and post purchase evaluation

Theory of Reasoned Action

The TRA aim to clarify the varieties of behaviour. TRA was created to better get the connections among attitudes, intentions and behaviour. Based on TRA behavioral deliberation is set as an quick antecedent of behaviour and is the result of a mixture of attitudes towards behaviour, defined as “a person’s common feeling of favorableness or unfavorableness for that behavior” [2]

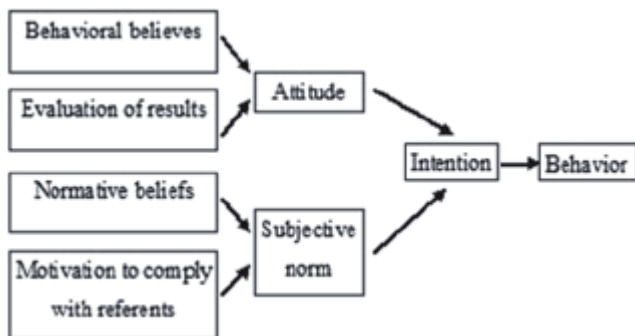


Figure 1: Model of TRA
Source; Fishbein & Ajzen (1975)

According to Arshia and Mohsin (2012), the TRA is the foremost significant theoretical model within the setting of Halal items.

Consumer Attitude

Attitude is “the way one thinks, feels, and acts towards some aspect of his or her environment, such as retail store, television program, or program.” Consumer attitudes are important psychological factors that marketers need to understand because attitudes are considered to have a positive and strong correlation with behavior [15].

3. Research Methodology

Research Framework

Attributes in this study were obtained based on the results of previous research references and theories obtained in the book. The reason for choosing attributes that are in the Azmawani et al. from the year 2015 is because of the same field of discussion (Halal cosmetics) and the same characteristics between Indonesia and Malaysia because they since both countries are categorized as South-East Asian countries that have large population of Muslim citizen. The attributes used in the journal according to the researcher describes the origin for customer’s buying intention regarding any halal object. The model starts with two aspect of knowledge that represents a customer’s insight regarding halal cosmetics and religiosity that represents the commitment to a customer’s religion to which that religion reflects the customer’s attitude and behavior.

According to the TRA, consumers’ attitudes have a positive impact on their intentions to buy a product [10]. Among the studies that have assessed this relationship for Halal products are founded that there is a positive relationship between attitude and intention to choose Halal products [9].

Based on the previous discussion, a model is proposed that considers the effects of knowledge and religiosity on attitude, as well as the influence of consumers’ attitudes on intention to choose Halal products.

Proposed model for attitudes and intentions towards Halal cosmetics is a modified version based on the TRA model by [1].

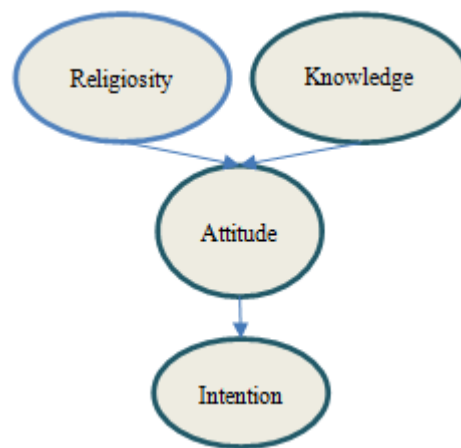


Figure 2: Research Framework
Source: Azmawani et al. (2015)

The result of this research will also be presented by 2 equations:

$$I = \beta_1 \times A + \text{Error} \dots \dots \dots (1)$$

$$A = \beta_2 \times K + \beta_3 \times R + \text{Error} \dots \dots \dots (2)$$

Research Hypothesis

Hypothesis is a temporary answer to the formulation of research problems, where the formulation of research problems have been expressed in the form of a question sentence. It is said temporarily, because the given answer is

based on a relevant theory, not yet based on empirical facts obtained through data collection.

So the hypothesis can also be expressed as a theoretical answer to the formulation of research problems, not an empirical answer (Sugiyono, 2010). According to the framework above and the relationship of every variables explained in theoretical basis, the hypothesis of this research is as follow:

H1: There is a positive relationship between knowledge and attitude towards Halal cosmetic products.

H2: There is a positive relationship between religiosity and attitude towards Halal cosmetic products.

H3: There is a positive relationship between attitude towards Halal cosmetic products and intention to buy Halal cosmetic products.

Data Collection

Primary data was obtained from different consumer data. The primary data collected through online questionnaires (using Google Forms) while secondary data used in this study were obtained from literature reviews such as journals, books, and references in accordance with the research.

Research Population

This paper has its population that consist of people in Indonesia that are interested on buying Wardah products based on their knowledge about halal cosmetics.

Research Samples

The number of samples in this study amounted to 275 respondents obtained using Bermouli calculation with a confidence level of 90%.

$$n = \frac{(Z_{\alpha})^2 \cdot p \cdot q}{e^2}$$

Information:

α = Level of Accuracy

Z = Normal standardization value

p = Probability rejected

q = Acceptability probability (1-p)

e = Error rate

Sampling Technique

In this research, author use the sampling technique Non-Probability Sampling with using Purposive Sampling. Non-probability Sampling is a sampling technique where members on population are not possible to have the same chance to be choosen as a sample or not known whether have the same chances or not [6].

Process and Analysis of Data

In this research, there are two steps for processing the data using Partial Least Square. The steps are: Assessment of the measurement model known as Outer Model and the assessment of the structural model known as Inner Model.

Outer model describes the connection between each block indicators toward the latent variable, while the inner model describes the relationship between the latent variable which build upon the substantive theory. In outer model, Indicators are tested with Convergent Validity, Discriminant Validity,

Average Variance Extracted (AVE), and Composite Reliability.

Meanwhile in Inner model, the test is conducted by looking at the percentage of variance that is explained, which is R² for dependent latent variable which is influenced by independent latent variable and Stability estimation is tested by using t-statistics test through bootstrapping procedure.

Table 1: PLS Output Criteria

Testing Model	Output	Criteria
Outer Model	Convergent Validity	Factor loading value = 0.50 - 0.60
	Discriminant Validity	Cross loading correlation latent variable must be greater than the correlation with the other latent variable.
	Average Variance Extracted (AVE)	AVE must be greater than 0.50
	Composite Reliability	A good composite reliability ≥ 0.60
Inner Model	R ² of Endogen Latent Variable	0.67 = Good 0.33 = Moderate 0.19 = Weak
	Coefficient Parameter and Statistic	Estimated value of path inside structural model should be significant through bootstrapping procedure.

4. Result and Discussion

Outer Model

Characteristics of Respondents Data

Based on the data obtained, the characteristics of the respondents taken as the sample of the study were mostly female with ages between 18 years and 24 years, with professions as students and employees. Most of the respondent lives in the island of Java.

Convergent Validity

Convergent validity is to test the accurate level of items inside a variable to measure the research object. The indicator used in this test is using Factor Loading (FL). The item is having a convergent validity if the Factor Loading (FL) score is ≥ 0.5. The result of the Factor Loading is listed on Table 2.

Table 2: Factor Loading Scores

Latent Variable	Indicator	Loading Factor	Conclusion
Knowledge	K1 < K	0.664	Valid
	K2 < K	0.791	Valid
	K3 < K	0.752	Valid
	K4 < K	0.777	Valid
Religiosity	R1 < R	0.703	Valid
	R2 < R	0.622	Valid
	R3 < R	0.840	Valid
	R4 < R	0.833	Valid
	R5 < R	0.833	Valid
Attitude	A1 < A	0.912	Valid
	A2 < A	0.906	Valid
	A3 < A	0.875	Valid
	A4 < A	0.914	Valid
	A5 < A	0.747	Valid
Intention	I1 < I	0.844	Valid

	I2 < I	0.927	Valid
	I3 < I	0.929	Valid
	I4 < I	0.855	Valid
	I5 < I	0.793	Valid

Source: Processed Data Result

Based on the Table 2, every items listed in the Table 2 are passing the margin of Factor Loading (FL) which $\geq 0,5$. So all items are valid.

The next test in Convergent validity is the AVE, where according to The AVE score which passes the margin 0.50 shows that the items of variable has an enough convergent validity. The result of AVE is listed on Table 3:

Table 3: AVE Scores

Variable	Average Variance Extracted (AVE)
Knowledge	0.763
Religiosity	0.773
Attitude	0.559
Intention	0.595

Source: Processed Data Result

From the Table 3, it can be concluded that the AVE scores of each variable is above than the AVE score margin which is above 0.50. Therefore, the questionnaire fulfills the criteria of convergent validity

Source: Processed Data Result

As shown on Table 4, all associated constructs are greater than any of its correlations on other constructs. This means that the constructs in this research has fulfilled the discriminant validity.

Composite Reliability

To fulfill the outer model testing, Reliability Test is needed to be done. The reliability is related with the consistency and stability of a measurement result. Table 5 shows the reliability test result.

Table 5: Reliability Test Result

No	Validity	Cronbach's Alpha	Composite Reliability
1	Knowledge	0.921	0.941
2	Religiosity	0.926	0.944
3	Attitude	0.735	0.835
4	Intention	0.826	0.879

Source: Processed Data Result

On Table 5 shows that all variables of this research already fulfilled the criteria of Cronbach Alpha and Composite Reliability where all variables passed the margin ≥ 0.60 . Based on the tests that have been done above both validity and reliability test, it concludes that all indicators and items on this research are valid and reliable.

Inner Model

The next step of PLS is Assessment of the structural model or Inner model Test. The test is conducted to know the influence of the latent variables towards another latent variable. The test is conducted by looking at the path value to see whether the influence is significant or not. Table 6

Discriminant Validity

Alongside the convergent validity, it is also required discriminant validity to fulfill the validity tests. The Fornell-Larcker criterion, cross loadings, and especially the heterotrait-monotrait (HTMT) ratio of correlations can be used to examine discriminant validity. The cross loadings result is shown on Table 4:

Table 4: Cross Loading Correlation

	Knowledge	Religiosity	Attitude	Intention
K1	0.912	0.749	0.510	0.577
K2	0.906	0.757	0.517	0.614
K3	0.875	0.755	0.504	0.577
K4	0.914	0.760	0.420	0.528
R1	0.747	0.591	0.439	0.495
R2	0.784	0.884	0.499	0.626
R3	0.746	0.927	0.470	0.582
R4	0.769	0.929	0.522	0.585
R5	0.634	0.855	0.489	0.554
A1	0.700	0.793	0.437	0.460
A2	0.437	0.432	0.664	0.534
A3	0.395	0.453	0.791	0.438
A4	0.377	0.338	0.752	0.383
A5	0.420	0.411	0.777	0.486
I1	0.508	0.506	0.489	0.703
I2	0.370	0.382	0.397	0.622
I3	0.490	0.496	0.498	0.840
I4	0.495	0.525	0.479	0.833
I5	0.577	0.539	0.521	0.833

shows the result of R quarter of Dependent Latent Construct:

Table 6: Rquarter of Dependent Latent Construct

Latent Variable	R Square	Q Square
Attitude	0.448	0.318
Intention	0.690	0.496

Source: Processed Data Result

Based on the Table 6 above, the R² on Attitude construct is 0.448 which means Attitude is able to be described by Knowledge and Religiosity as much as 44,8%. The result also indicates that the model is "moderate". On other variable, the Intention construct is 0.690 which means Intention is able to be described by Attention as much as 69%, it also indicates that the model is "moderate".

In addition to evaluating the predictive accuracy with R², research should also examine the Stone-Geisser's Q² value Hair et al 2017. This measure is an indicator of the model's predictive relevance, it accurately predicts data not used in the model estimation. Q² values that larger than 0 suggests the model has predictive relevance for a certain endogenous construct. In contrast values of 0 or below indicates lack of predictive relevance. Because the result of all construct are above 0 then the model has predictive relevance.

Path Coefficient

Next, Inner model test is path coefficient, t-Value, and p-Value test where in this research, the significance level that author chose is 5%. In this research, the significance level that author chose is 5%. By using the significant level α of 5%, it means if the t-Value generates more than or equal to 1,96 ($\geq 1,96$), means that the hypothesis is accepted. Meanwhile, because the significant level α is 5%, means that

if the p-Value generates less than or equal to 0,05 ($\leq 0,05$), then the hypothesis is rejected.

Table 7: Path Coefficient, t-value, p-value

Path Diagram	Path Coefficient	t-Value	p-Value	Conclusion
A > I	0.831	39.691	0.000	Hypothesis accepted
K > A	0.244	3.763	0.000	Hypothesis accepted
R > A	0.489	8.325	0.000	Hypothesis accepted

According to the result of path coefficient, t-Value, and p-Value on Table 4.15 above, the conclusion of the hypothesis testing is:

- 1) Attitude has a positive and significant influence towards Intention
- 2) Knowledge has a positive influence towards Attitude
- 3) Religiosity has a positive influence towards Attitude

5. Conclusion and Recommendation

5.1 Conclusion

Based on the result of the analysis on this research, author is able to draw conclusions. The conclusions author able to draw are listed below:

- 1) Knowledge influence significantly towards Attitude on Halal cosmetic buying intention. This means that the higher one's knowledge about Halal cosmetic products, it will result in even higher attitude towards Halal cosmetics.
- 2) Religiosity influence significantly towards Attitude on Halal cosmetic buying intention. This means that the higher one's religious belief, it will result in even higher attitude towards Halal cosmetics.
- 3) Attitude influence significantly towards intention on Halal cosmetic buying intention. This means that the higher one's attitude about Halal cosmetic products, it will result in even higher buying intention towards Halal cosmetics.

5.2 Suggestion

From some conclusions obtained, then further suggestions can be considered that might be considered in response to the phenomena that have been described above, namely as follows:

Practitioner Advice

From the result of the research, the variable of Knowledge has a positive and influence towards buying intention of Halal cosmetics. This means that Wardah needs to help their potential customers by spreading more knowledge not only about their brand, but more importantly the importance, advantages about Halal cosmetics. Creating a better understanding regarding Halal cosmetics can open more opportunity and intention in the future for the Halal cosmetics market.

Academic Advice

Since this model is categorized as a moderate model that can moderately predict the consumers buying intention, the suggestion from the author for next research is to use this research as a personal point of view of buying intention

where the next research should take another aspect that relates to a customer's intention, such as brand image. Even so, the next research should also consider developing similar research using the complete model of TRA and further predict if intention will affect future behavior towards Halal cosmetics based on a few factors other than what's already been research on previous work.

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