

CHAPTER I INTRODUCTION

1.1 Research Object Overview



Figure 1.1 Make Over Logo
Source: (*Paragon Corp, 2023*)

Make Over is a well-regarded cosmetics brand hailing from Indonesia, offering a diverse range of beauty products such as foundation, eyeshadow, lipstick, and skin care products. They are highly acclaimed for their exceptional quality and extensive array of colors, catering to the diverse requirements of different skin types.

Make Over is a cosmetic brand that was released by PT Paragon Technology and Innovation, commonly known as (PTI). This company is also known for creating the popular halal cosmetics brand, Wardah. PT Paragon Technology and Innovation was founded on February 28, 1985. Under the name PT Pusaka Tradition Ibu. In 2011, the company underwent a name change to PT Paragon Technology and Innovation.

In the introduction of Make Over, PT Paragon Technology and Innovation aimed to create an exclusive image for its customers. As a result, they opted for the color black. They intend to portray their products as luxurious yet affordable, with the prices remaining reasonable and the products exuding a sense of luxury. Make Over offers a wide range of options, starting from primary make up, shape and cover, finishing make up, eye decorative color, eye definer, cheek decorative color, lip decorative color, care and treat, as well as cosmetic equipment.

After previously appearing with '*Beauty Beyond Rules*', Make Over now presents a new offering to further enhance its standing in the cosmetics sector, '*Beauty Beyond Compare*'. The captivating tagline, Make Over Beauty Beyond

Compare, women are cordially invited to explore beyond their usual boundaries, receiving unwavering support to make bold and transformative changes. This unparalleled journey offers women countless opportunities to strive for unmatched results, surpassing all expectations.

1.2 Research Background

Over the past two decades, the Indonesian way of life has been significantly impacted by the internet. The Internet can be utilized for a variety of purposes, including social support, entertainment, and information research. The rapid development of the internet in Indonesia in the 21st century is demonstrated by the increasing number of internet users in recent years. In 2023, the Indonesian Internet Service Providers Association (APJII) conducted a survey with a total of 8,510 respondents, the results said that the number of internet users reached 215 million users, compared to last year the internet penetration rate increased by 1.17%.

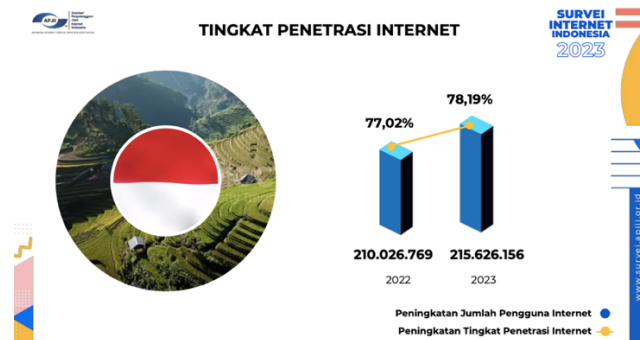


Figure 1.2 Internet Penetration Rate in Indonesia

Source: (Asosiasi Penyelenggara Jasa Internet Indonesia, 2023)

Meanwhile, in recent years, there has been a significant increase in the makeup industry, which can be attributed to various factors such as changing consumer preferences, technological advancements, and cultural influences. The global makeup market is going through a major transformation due to a wide range of reasons, including the popularity of beauty influencers on social media and the growing demand for inclusive and sustainable beauty products.

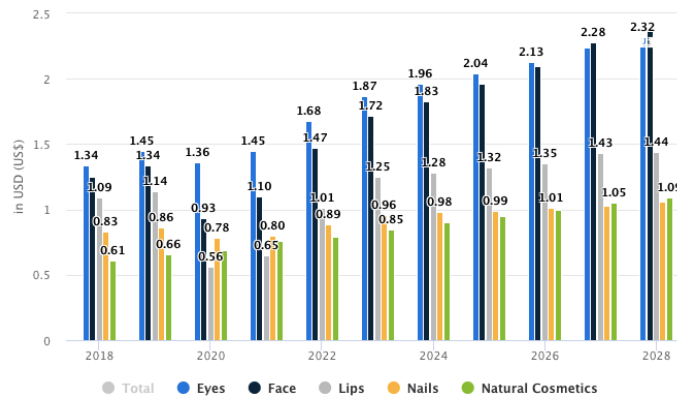


Figure 1.3 Revenue Cosmetic in Indonesia 2023
 Source: (Statista, 2023)

The following is the revenue in the cosmetic market in Indonesia, the cosmetics market in Indonesia is experiencing impressive growth, with a projected revenue of US\$ 1.85 billion in 2023 and an anticipated annual growth rate of 5.26% (CAGR 2023-2028). It is expected that each individual in Indonesia will contribute approximately US\$6.65 to the cosmetics market in 2023. The non-luxury segments are primarily responsible for 83% of this growth. This increase in the cosmetics market is driven by the growing middle class in Indonesia and an increasing demand for halal beauty products, which reflects changing consumer preferences and contributes to the industry's strong expansion.

The internet has had a significant impact on the world of make-up and beauty, transforming the way we communicate, access information, and express ourselves. This digital revolution is particularly fascinating as the internet becomes more intertwined with our make-up needs, influencing trends, product availability, and personal style. This industry's recent growth and evolution can be attributed to the dynamic interaction of changing consumer behaviors, technologies advancements, and emerging market trends, all facilitated by the widespread reach of the internet.

One of the most notable effects of the internet on make-up requirements is the increased accessibility of beauty knowledge. Online platforms provide a wide range of tutorials, tips, and product reviews, enabling individuals to enhance their understanding of makeup techniques and products. This convenience has

revolutionized make-up from being a skill limited to professionals to becoming an art form that can be mastered by anyone with appropriate guidance.

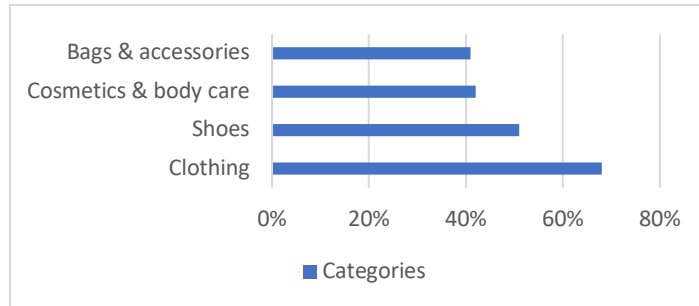


Figure 1.4 Most Popular Categories for Online Purchases in Indonesia as of March 2023

Source: (Statista, 2023)

Based on Figure, as many as 42% of 1,050 respondents chose the cosmetic & body care category as the product they most searched for and made the cosmetic & body care category the 3rd most popular category for online purchases in Indonesia as of March 2023. Additionally, the rise of e-commerce, social media, and digital marketing has completely transformed how beauty brands connect and interact with consumers. Recognizing the significance of digital platforms and online communities in promoting and selling brands is extremely important. Consumers in the beauty industry are increasingly becoming more discerning and environmentally conscious. They are actively searching for products that align with their personal values, such as those that are cruelty-free, sustainable, or inclusive. Recognizing and understanding these evolving expectations and the significant impact they have on purchasing decisions is of utmost importance for beauty brands.



Figure 1.5 Top Cosmetic Products Sales Revenue

Source: (Haasiani, 2022)

The sales revenue chart illustrates the consistent dominance of Maybelline, a renowned American brand, in the global cosmetic product market, including its notable presence in Indonesia. Concurrently, local brands like Make Over have emerged as formidable players. Make Over's cumulative sales as of March 2022 stand at IDR 27.1 billion. In January 2022, cosmetic product sales generated IDR 34.3 billion, witnessing a subsequent 39% surge over the following two months. The overall sales revenue for facial cosmetics reached IDR 129.1 billion by March 2022. These statistics underscore the substantial market potential and achievable market share for brands in the health and beauty sector. Undoubtedly, as market preferences continue to evolve, these figures are poised to ascend in the foreseeable future. As a result, consumers especially Indonesian consumer tend to be more discerning when selecting cosmetics brands that align with their individual preferences. Additionally, consumers exercise caution in their cosmetic choices due to various factors such as health concerns and the specific considerations of Muslim consumers.

Year	Market Share
2021	10.3%
2022	6.83%
2023	10.24%

Table 1.1 Market Share of Make Over from 2021 - 2023

Source: (Salsabila, 2023); (Ramadhani, 2022); (Ramadhani, Brand Makeup Lokal Terlaris Kategori Kosmetik Wajah, 2021)

The market share of Make Over brand over the past three years has been analyzed using an online crawling method for official stores on Shopee and Tokopedia. The data presented in the table above, indicate that in 2021, Make Over achieved a significant market share, reflecting a strong presence in the cosmetics market. This robust performance can be attributed to various factors, including effective marketing campaigns and strong consumer loyalty. In contrast, 2022 experienced a notable decline in Make Over's market share. This reduction may be attributed to the emergence of new competitors and the implementation of more aggressive strategies by existing competitors, which likely diverted market share from Make Over. Interestingly, the year 2023 saw a recovery in Make Over's market share, reaching 10.24%. This resurgence implies that the brand effectively navigated and adapted to the challenges encountered in the previous year.

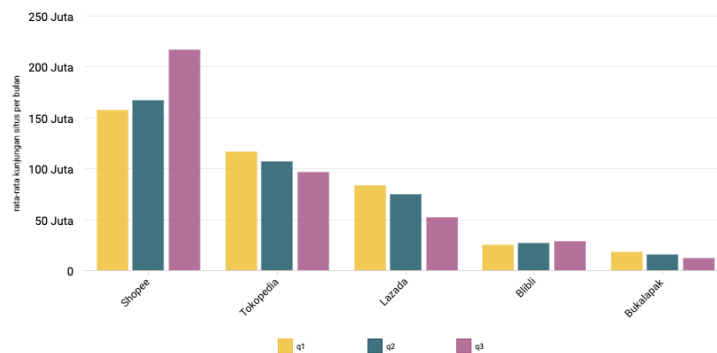


Figure 1.6 The Average Number of Visits to the Largest E-Commerce Sites in Indonesia (Quartal I - III 2023)
Source: (databoks, 2023)

Based on Figure 1.6, Shopee, Tokopedia, Lazada, Blibli, and Bukalapak are the five e-commerce platforms in the marketplace category that have the highest number of visitors in Indonesia during the third quarter of 2023. Among those five sites, only the Shopee and Blibli sites experienced an increase in visitors, while the other two sites generally experienced a decline.

In addition to the average number of visits to the e-commerce sites, Make Over has a significant number of followers on various e-commerce platforms. For example, they have 3.1 million followers on Shopee, 201.2K on Tokopedia, 45K on Lazada, 2K on Blibli, and 786 followers on Bukalapak. Furthermore, Make

Over also has a substantial following on social media, with 1.3M followers on Instagram and 646.5K followers on TikTok, where they have already sold 37.0K products.

Thus, e-WOM is becoming important for consumers when making decisions about what to buy, and companies are aware of this (Yang, Cheng, & Tong, 2015). Purchasing decisions are also influenced by brand image which has a real influence, consumers' perceptions and trust in a brand which is embedded in their memories (Lisnawati, Wibowo, & Suhendro, 2021). The beauty industry is known for its intense competition, where both well-known brands and newcomers strive to gain a larger market share. As a result, brand image and identity play a crucial role in this industry. Consumers frequently look for products from brands that align with their values and provide something distinctive. Therefore, it is essential for brands to set themselves apart in the market.

Several factors can influence buyers to make purchases, especially online purchases, e-WOM and brand image are variables that can influence and have a significant positive influence on purchase intentions. e-WOM in how it works can produce positive and negative reviews that can affect brand image. The importance of customer online reviews in determining business performance, customer's tendency to recommend products, and forecasting purchase intention highlights the influence of e-WOM on consumer behavior (Indrawati, Yones, & Muthaiyah, eWOM via the TikTok application and its influence on the purchase intention of something product, 2022). Positive reviews in e-WOM can strengthen a positive brand image, while negative reviews will damage the brand image, as in research by Vimaladevi and Dhanabhakaym (2012) 93% of consumers believe that reading online reviews will influence their shopping decisions, according to research, indicating that some most consumers regularly read online reviews and rely on comments to help them make decisions (Chen, Samaranayake, Cen, Qi, & Lan, 2022).



Figure 1.7 Positive Online Review on Make Over's Product
Source: (Shopee, 2023)

Based on Figure 1.6, it can be seen that from one of the reviews might be helpful for some people, and it shows that online reviews affecting consumer purchase decision. Positive online feedback and reviews from other customers play a crucial role in the purchasing decision-making process, ultimately enhancing the probability of purchase intention (Winarno & Indrawati, 2022).

Alongside Halal Brand Image, considering the recent trending topics and increasing awareness among Muslims about products that support Palestine. In fact, the Indonesian Ulama Council (MUI) has issued Fatwa Number 28 of 2023, emphasizing the need to avoid transactions and the use of products that support Israel (Nugraha, 2023). Therefore, Make Over's successful efforts in strengthening its brand image can be observed in the provided figure.

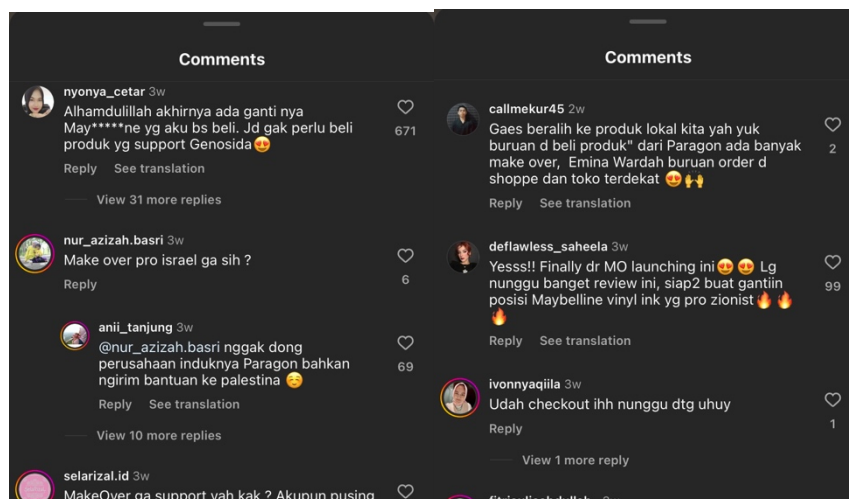


Figure 1.8 People Comment Regarding Brands that Support Palestine
Source: (Instagram, 2023)

In light of the recent discussions and the impact of Make Over on current events, it is worth noting that many individuals have placed their trust in Make

Over. As a reputable Halal marketer, Make Over can adopt a communication strategy that aims to establish a strong halal brand image, thereby encouraging Muslim consumers to prefer their brands over those of their competitors (Fachrurazi, Silalahi, Hariyadi, & Fahham, 2023). The online marketing environment will be successful by combining a strong brand image and positive e-WOM. If consumers believe that a product or brand is credible and trustworthy, it will most likely influence and make it easier for them to make purchasing decisions.

Understanding how these factors influence purchase decisions for Make Over products can provide valuable insights for both marketers and academics. Moreover, the perception of halal product image adds another layer of complexity in the cosmetics industry, particularly in markets where halal certification is a significant factor. Furthermore, taking into account the moderating effects of demographic variables like gender and income can moderate how consumers perceive the halal image of Make Over products, influencing their purchase intentions and decisions. Gender differences frequently appear in unique purchasing behaviors and brand preferences, highlighting the importance of taking this factor into account. As stated by the example given by (Dedeoglu, 2018) that Males are expected to place more importance on the quality of social media content and source credibility because they use social media for gathering information and tend to take more risks. Conversely, females also value information quality and source credibility highly, as they conduct more detailed searches, rely on external resources, and consider multiple sources before making decisions.

Similarly, Income levels significantly impact buying power and brand preferences, shaping consumer behavior. Higher-income individuals tend to prioritize brand image and product quality, while lower-income consumers are more influenced by the amount of positive e-WOM. According to (Dangi, Saini, Singh, & Hooda, 2021), income disparities affect how interactivity, vividness, and perceived risk influence consumer attitudes and intentions toward online purchases.

Therefore, researchers are interested to bridge these gaps by exploring the combined influence of e-WOM and brand image on purchase decisions for Make Over products, with a specific focus on how gender and income moderate these relationships. By investigating these dynamics, the research seeks to contribute to the broader understanding and to help business-people on how to maximize e-WOM and develop a strong brand image to influence purchasing decisions.

1.3 Problem Formulation

In the modern era of technology, e-commerce platforms have become incredibly influential, with consumers increasingly relying on online marketplaces for their shopping needs. Consequently, electronic word of mouth (e-WOM) and brand image have emerged as two pivotal factors that significantly influence consumer behavior. Understanding the factors that impact purchase choices in this environment is crucial for businesses and e-commerce platforms. Make Over, a prominent cosmetics brand, relies heavily on these factors to shape consumer perceptions and drive purchase decisions. However, the influence of these factors is not uniform across all consumer segments.

e-WOM has become a major influencer of consumer behavior, with opinions and recommendations shared by fellow consumers and online communities holding immense sway over purchase choices. This study aims to investigate the influence of e-WOM and brand image on purchase decisions regarding Make Over products, with a particular emphasis on the importance of halal brand image. The primary focus is on examining how e-WOM and brand image impact consumers' purchasing decisions overall, within the unique context of Make Over products, while highlighting the significance of halal brand image.

As consumers increasingly turn to online platforms and social media for product guidance, exploring the role of e-WOM is essential. This study will examine the characteristics of e-WOM related to Make Over products, including content quality, source credibility, and their influence on consumer opinions. It will also delve into the crucial aspect of brand image, which plays a vital role in consumer behavior. Demographic variables such as gender and income can moderate the effects of e-WOM and brand image on purchase decisions. For

instance, the quality, quantity, and credibility of e-WOM may impact males and females differently due to varying online behaviors and risk perceptions. Similarly, income levels can affect how consumers value brand image and respond to e-WOM, with higher-income individuals potentially emphasizing product quality and lower-income individuals being more influenced by the volume of positive reviews.

The study aims to analyze how consumers perceive Make Over's brand image, considering elements like visual identity, messaging, and overall brand persona. Understanding the intricacies of brand image is crucial to grasp its potential influence on purchasing choices. Additionally, the distinctive perspective of halal brand image adds a level of complexity and significance to the research.

Given Make Over's position in the market and the increasing importance of halal considerations among consumers, the study will assess the specific influence of halal brand image on consumer choices. This involves examining the connections consumers make between Make Over products, their halal characteristics, and the resulting effect on purchase decisions. Essentially, the problem formulation seeks to thoroughly understand the relationship between e-WOM, brand image, and halal considerations in influencing consumer purchase decisions, specifically within the context of Make Over products.

The study aims to provide valuable insights to both academic and practical fields, illuminating the complex dynamics of consumer behavior in the cosmetics industry, where factors such as digital recommendations, brand perceptions, and adherence to halal standards influence product choices.

1.4 Research Questions

Based on the explanation of the research background, researcher can identify the problems that arise and can be formulated in the problem formulation as follows:

1. How much are the rate of Information Quality, Information Quantity, Information Credibility, and Brand Image of Make Over products?
2. How does Halal Product Image of Make Over products look like?

3. How does Purchase Intention of respondents towards Make Over products look like?
4. How does Purchase Decision of respondents towards Make Over products look like?
5. Does Information Quality, Information Quantity, Information Credibility, and Brand Image significantly and positively effect Halal Product Image?
6. Does Halal Product Image significantly and positively affect Purchase Intention?
7. Does Purchase Intention significantly and positively affect Purchase Decision?

1.5 Research Objectives

Based on these research question, the objectives of this research are:

1. To know the condition of Information Quality, Information Quantity, Information Credibility, and Brand Image of Make Over products.
2. To know the condition of Halal Product Image of Make Over products.
3. To know the condition of Make Over products' Purchase Intention.
4. To know the condition of Make Over products' Purchase Decision.
5. To find out does the Information Quality, Information Quantity, Information Credibility, and Brand Image significantly affect purchase decision on Make Over products.
6. To find out does the Halal Product Image significantly affect purchase decision on Make Over products.
7. To find out does the Purchase Intention significantly affect purchase decision on Make Over products.

1.6 Scope of The Study

The study aims to maintain its focus and direction by delineating its scope. This approach ensures that the research remains targeted, facilitating the achievement of its objectives. The study has the following limitations:

1. The research concentrates on examining the impact of e-WOM, encompassing three dimensions namely, Information Quality, Information Quantity, and Information Credibility along with Brand Image on

Purchase Decisions through the lens of Halal Product Image, with Make Over serving as a case study.

2. The study specifically involves respondents who use halal products.
3. The independent variables considered in this research include Information Quality, Information Quantity, Information Credibility, and Brand Image. Intervening variables encompass Halal Product Image and Purchase Intention. The chosen dependent variable is the Purchase Decision.

1.7 Significant of The Study

1.7.1 Theoretical

The anticipated outcomes of this research are envisioned to serve as a comprehensive presentation of information, offering valuable insights into the influence of electronic word of mouth (e-WOM) and brand image on the purchase decisions related to halal products. Furthermore, it is expected that this study will not only contribute significant knowledge to its specific field but also serve as a valuable reference for future research in the same domain. The study aims to provide a meaningful and insightful contribution to the theoretical understanding of the factors impacting consumer behavior in the context of halal products.

1.7.2 Practical

A. For Authors

This study is anticipated to hold practical significance for the authors by offering actionable insights and guidance for businesses, marketers, and stakeholders in the halal product industry. The study aims to provide practical implications and recommendations, enhancing the applicability of its results to real-world scenarios and decision-making processes within the industry.

B. For Make Over Brand

The findings from this research are anticipated to offer valuable insights into the impact of electronic word of mouth (e-WOM) and brand image on the purchase decisions of halal products. Specifically, these insights hold practical significance for the Make Over brand, providing valuable information that can guide strategic decisions and marketing efforts. This study is not only expected to contribute to the existing body of knowledge in the field but is

also poised to serve as a practical reference for the Make Over brand, offering actionable insights to enhance its positioning and influence in the market of halal products.

1.8 Systematic of Writing

To offer a comprehensive overview of the study, the author has organized a systematic document detailing information on the materials and topics covered in each chapter. The systematic structure of this research is outlined as follows:

CHAPTER 1: INTRODUCTION

The initial chapter provides a general explanation encompassing the description of the research object, background, problem formulation, research scope, and the organization of the writing.

CHAPTER II: LITERATURE REVIEWS

This section delivers a condensed presentation of the theory, prior research, conceptual frameworks, and hypotheses relevant to the study.

CHAPTER III: RESEARCH METHOD

Within this chapter, the author elucidates the type of research, operational variables, stages of the research, population, and research sampling techniques, as well as the data collection and analysis techniques applied in the study.

CHAPTER IV: RESULT AND DISCUSSION

The fourth chapter presents a detailed account of the research findings, which are subsequently analyzed in relation to the research hypothesis.

CHAPTER V: CONCLUSION AND SUGGESTION

In the fifth chapter, conclusions are drawn from the research discussion, accompanied by suggestions put forward by the researchers..