

CHAPTER I

INTRODUCTION

1.1 Object Overview

1.1.1 Wardah Beauty

Wardah is an authentic Indonesian halal cosmetic brand that was established in 1995 under PT Paragon Technology and Innovation (PTI) (Nuriswan, 2023). Founded by Nurhayati Subakat on February 28, 1985, under the name PT Pusaka Tradisi Ibu, then in 2011 the company changed its name to PT Paragon Technology and Innovation or PTI (Hasibuan et al., 2022). Besides Wardah, PT Paragon Technology and Innovation also houses brands such as Make Over, Emina and Kahf (Alifah et al., 2024). Each of these brands has a different target market and identity. Wardah is known as a halal product and targets Muslim women who need the best quality beauty products (Sukesi & Hidayat, 2019). Emina targets the market at teenagers and young consumers with a cheerful, fresh concept and light products. Make over focuses more on professional and high-end products with an expensive price, while Kahf targets specifically for male consumers (paragon-innovation.com, 2024). Figure 1.1 shows the logo of Wardah.



Figure 1.1 Logo of Wardah

Source: www.wardahbeauty.com (2024)

In 1995 Wardah launching for their first cosmetics brand, and in 1999 PT Paragon Technology and Innovation (PTI) has received Halal certification from LPPOM UI, with Wardah being the first halal brand in Indonesia and receiving an award from the World Halal Council. The 3 awards received by Paragon are Long Life Achievement (Cosmetic Category), Best Social Contribution on Halal Ecosystem, and Favorite Halal Brand for Brand Wardah (Cosmetic Category). Nurhayati Subakat currently serves as the commissioner of PT Paragon Technology and Innovation (paragon-innovation.com, 2024). To strengthen the direction of PT

Paragon Technology and Innovation's goals, the company has the following vision and mission:

a. Vision:

The vision of PT Paragon Technology and Innovation is to be a company that is committed to having the best corporate governance and continuous improvement in order to make each day better than yesterday, through high quality products that benefit the Paragonians, partners, society and the environment (paragon-innovation.com, 2024).

b. Mission:

To achieve this vision, PT Paragon Technology and Innovation develops for Paragonians, creates kindness for consumers, continuous improvement, grows together, preserves and nurtures the earth, supports education and health of the nation, and develops business (paragon-innovation.com, 2024).

The word 'Wardah' comes from the Arabic word for rose. Wardah combines natural purity with halal, modern, and guaranteed processes to produce quality halal products with international standards. Through compassion, respect and appreciation. Wardah is committed to make women love themselves and let their true beauty shine (Inspiring Wardah Beauty, 2024). Not only cosmetics, Wardah also offers various types of products such as skincare, bodycare, and handcare. Table 1.1 the following shows various products from Wardah.

Tabel 1.1 Types of Wardah Beauty Products

No	Product Type	Description
1.	Skin care	Wardah skincare products consist of several kinds of facial cleansers (cleansing foam, cleansing gel, cleansing milk, micellar water) for various skin types, facial creams (night cream, day cream), toners, various masks, various serums, essence, facial moisturizer, face mist, and eye cream.
2.	Hair care	Wardah's hair care products only consist of two types of shampoo and conditioner, but there are several options such as anti-dandruff, hair loss treatment, and so on.
3.	Body care	The best body care products offered by Wardah consist of body wash, hand wash, hand gel, body butter, and olive oil. In addition, there is a wide range of body mist and eau de toilette (edt).
4.	Make up	Wardah has a variety of makeup products with the best quality, such as various lip products (lipstick, lip shot, lip serum, lip balm, lip paint, lip mouse, lip cream, lip gloss, to lip palette), eyeshadow, blush, foundation,

		cushion, mascara, makeup remover, various kinds of eyeliner from solid to liquid, eyebrow pencil, powder (loose and solid), and highlighter.
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Source: wardahbeauty.com (2024)

Their current best seller products are in lipstick, blush, loose powder and compact powder products. As reported in the Top Brand Index, Wardah is ranked first in the lipstick, blush on, loose powder and compact powder categories. This can be seen in Table 1.2, which shows data from the Top Brand Index 2024 in Indonesia for the first quarter (Q1), collected in January 2024.

Tabel 1.2 Top Brand Award

LIPSTICK			BLUSH ON		
Brand	TBI (2024)		Brand	TBI (2024)	
Wardah	22.40%	TOP	Wardah	16.00%	TOP
Maybelline	19.30%	TOP	Maybelline	13.90%	TOP
Caring	4.20%		Inez	9.10%	
Revlon	4.20%		Etude House	8.40%	
Pixy	4.10%		Loreal	7.80%	

LOOSE POWDER			COMPACT POWDER		
Brand	TBI (2024)		Brand	TBI (2024)	
Wardah	19.70%	TOP	Wardah	25.60%	TOP
Marcks	15.70%	TOP	Make Over	11.70%	TOP
Make Over	11.70%	TOP	Caring	7.80%	
Inez	7.50%		Maybelline	6.80%	
Caring	4.50%		Inez	6.40%	
Viva	3.50%		Pixy	4.60%	

Source: www.topbrand-award.com (2024)

From Top Brand Index data above, it shows that Wardah Cosmetics came out on top of the list of similar products on the market in the Top Brand Index for the year 2024. This is based on the results of an independent review by Frontier Group. That is, Wardah products are popular with people of all ages and have taken over the market. The lipstick category in Wardah got 22.40% of the value in 2024, while the blush category got 16.00%. Wardah got a score of 19.70% for loose powder and got 25.60% for compact face powder. According to Wardah's website,

Wardah has such an affordable price, start at around Rp. 50,000 - Rp. 200.000. This is what makes many consumers interested and trust to buy Wardah products.

Out of all the social media sites that Wardah owns, the one that it uses the most is Instagram, which is popular with both teens and adults (Nawangarsi & Kusumawati, 2023). Currently, Wardah instagram has reached 3m followers, compared to other products under PT Paragon Technology and Innovation Wardah has the most instagram followers.

Tabel 1.3 Total Followers on Instagram

Brand	Instagram Name	Followers
Wardah	@wardahbeauty	3M
Make Over	@makeover.id	1.3M
Emina	@eminacosmetics	1M
Kahf	@kahfeveryday	213K

Source: Instagram.com (2024)

It can be seen from table 1.3 above, showing Wardah is superior to other PT Paragon brands which have a total of 3m followers on Instagram. Wardah is very active in utilizing digital platforms to expand its marketing reach. They also have a virtual try-on website that can give their consumers a new experience and make it easier for customers to try out various products online. It has many features such as Beauty match, Shade match and Skin Lab (try.wardahbeauty.com, 2024). Besides that, users can also see detailed product information by simply scanning the barcode.

1.2 Research Background

Along with the rise of digital technology, the beauty industry has changed a lot in the recent years. Moreover, Indonesians are now more aware of their self-care and appearance, which has led to an increase in the cosmetics industry in Indonesia (Indrawati et al., 2021). According to predictions, the cosmetics business will also make more revenue every year for the next five years. Figure 1.2 below is a graph of cosmetics market revenue in Indonesia in 2018 to 2029.

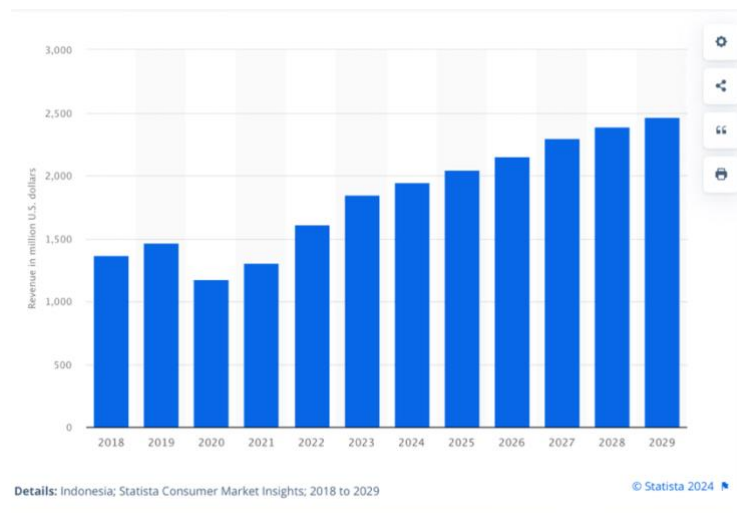


Figure 1.2 Revenue of the Cosmetics Market in Indonesia from 2018 to 2029

Source: Statista, 2024

From figure 1.2 based on data from Statista (2024) it can be concluded that, the cosmetic industry in Indonesia is predicted to grow rapidly until 2029. Revenues in this industry will be expected to reach 2.5 billion USD, which will be the highest peak during the analysis period. Moreover, between 2024 and 2029, the increase reached 518.5 million USD or equivalent to 26.67% (Statista, 2024). Through 2029, the industry is positioned for continued success related to this encouraging trend. Overall, the Indonesian cosmetics industry has grown both nationally and internationally, with significant growth in the number of companies and export volume (Martarahayu et al., 2019).

The transition from traditional to online platforms has also reshaped shopping habits. According to (Yunita et al., 2022), before the digital era, retailers relied solely on physical stores, printed advertisements, and word-of-mouth marketing. However, digitalization has transformed the way consumers engage with brands, especially in the beauty sector. While online shopping provides convenience, it introduces uncertainties—such as the inability to physically test products, which can reduce buyer confidence (Yunita et al., 2023). Figure 1.3 below shows the sales distribution of beauty and self-care products in Indonesia based on two channels: online and offline.

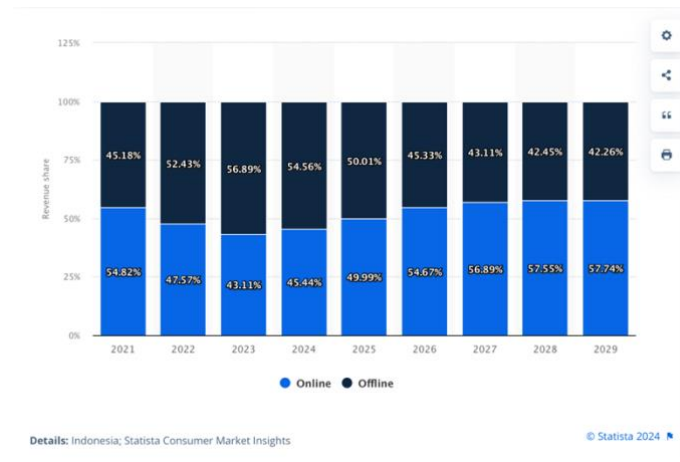


Figure 1.3 Distribution of Beauty and Personal Care Market Sales in Indonesia from 2021 to 2029

Source: Statista, 2024

Based on figure 1.3, according to data from Statista (2024) The distribution of beauty and personal care product sales in Indonesia has shifted gradually. In 2021, online sales reached 54.82%, but they decreased to 43.11% in 2023 due to the post-pandemic resurgence of offline shopping. However, Statista (2024) projects that online sales will rise again and surpass offline channels by 2029, capturing 57.74% of the market. This is because there are more and more e-commerce platform on the market, that make things easier for customers. Many people like shopping online because it's faster and easier than doing things the traditional way, like going to places (Afrianto & Irwansyah, 2021).

With the rise of online shopping, it has become easier for consumers to find and buy the products they need through various platforms (Melia, 2023). In Indonesia, Wardah Cosmetics offers its products through both offline and online channels to cater to a wider range of customers (Pasaribu & Pasaribu, 2021). Known for its halal-certified products, Wardah is part of PT Paragon Technology and Innovation and has successfully positioned itself as a trusted halal beauty brand (Maulidyah et al., 2023)

Wardah consistently targets Gen Z and millennials, two groups whose preferences changed quickly and have a lot of influence in the beauty market. To stay in connect with them, Wardah uses creative and interactive content marketing through social media sites like TikTok to build engagement and trust the brand

(Wulandari et al., 2024). That means people aged 17 and up are actively buying beauty items (Septina et al., 2023). This is supported by the ZAP Beauty Index 2020 survey, which revealed that most respondents began using skincare products such as facial wash, moisturizers, and toners in the 19-23 age range.

Wardah is the biggest halal cosmetics brand in Indonesia. To improve its position even more, Wardah uses campaigns like "Beauty Moves You" to encourage young women to be the best versions of themselves and contribute positively to their surroundings (wardahbeauty.com). According to World Population Review (2024), Indonesia is the one of the countries that has a largest muslim population with total reached around 242.70 million people. So, Wardah's commitment to offering halal-certified cosmetics helps build a positive brand image and strengthens its reputation with Indonesian consumers (Geraldine & Susanti, 2021).

The company has earned high brand recall, with Wardah consistently recognized as the leading halal beauty brand in the market. This strong brand awareness plays a significant role in shaping consumers' purchase intentions, making them more likely to choose Wardah over other beauty products (Kusumawati & Rahmawan, 2021). The company's success is partly due to its ability to appeal to both teenagers and adults, especially with its wide range of products, including skincare and makeup (Khumaeroh et al., 2023; Maulidiah et al., 2023). Consumers are not only drawn to the halal label but also to the variety of product options that align with their needs and preferences (Anjani et al., 2023)

Due to changes in consumer behavior, this phenomenon is very interesting to analyze in depth about the determinants of purchase intention (Indrawati et al., 2023). Augmented reality (AR) technology has emerged as a key driver for consumer engagement and purchase decisions in online retail. According to Kim (2016) as cited in Indiran et al., (2024), A customer's interactions with shopping help software might affect the choices they make about what to buy when they are online. This interaction enhances cognitive control by helping consumers visualize how makeup products will look on them, thereby reducing uncertainty during the decision-making (Patnaik, 2024). For example, Wardah's Virtual Try-On feature

enables users to virtually try on different makeup items, facilitating their ability to evaluate and make decisions more effectively. Moreover, this technology also promotes behavioral control by allowing users to easily explore various shades and products, increasing their confidence in their purchasing decisions without needing to visit a physical store (Febrianty et al., 2024). By enhancing control, this feature reduces hesitation, helping consumers feel more confident in their purchasing decisions (Febrianty et al., 2024). Figure 1.4 below shows how users can try out different shades and products from Wardah.

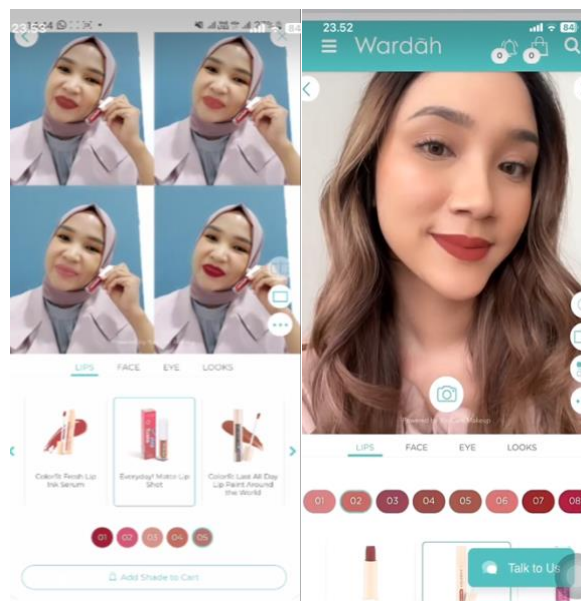


Figure 1.4 Wardah's Augmented Reality Virtual Try-On Feature

Source: Tiktok.com

Through its virtual try-on feature, Figure 1.4 above shows Wardah's innovative use of augmented reality (AR) technology. It lets people try out different types of products, like lipsticks, and see how they look on their faces right now. The AR feature not only makes it easier to make choices, but it also gives customers more faith in their decisions, which makes users happier and more engaged. It lets them virtually see how the makeup would look on their face, which helps them choose the best product for them.

Augmented reality (AR) technologies help consumers feel more confident in their purchase decisions by letting them try on products in a more interactive way (Mussa, 2022). For instance, L'Oreal's AR-based virtual mirror allows customers

to virtually try on makeup, thus integrating the “fit and feel” sensory richness of trying on a physical product into customers’ online experience (Hilken et al., 2018). Digital technology is getting better, businesses are more likely to offer innovative features that let customers try out product without touching them. consumers can use to try out the products without actually touching them (Viohafeni et al., 2023). These technologies are unique because they not only show goods in a vivid and interactive way, but they also make the user think that the product is there (Verhagen et al., 2013).

The adoption of AR in beauty retail has been widely studied, primarily focusing on how AR elements such as vividness and interactivity influence consumer control and, subsequently, purchase intention (Whang et al., 2021). However, while consumer control plays a crucial role in decision-making, previous research has paid less attention to the emotional aspect of AR experiences. Specifically, the role of media enjoyment, the level of pleasure and engagement consumers experience while interacting with AR has not been sufficiently explored. Several studies indicate that when users enjoy digital media interactions, they are more likely to engage with the technology and develop a stronger intention to purchase (Yang & Lin, 2024).

The beauty industry has changed a lot because of technology, especially AI and AR, which have helped businesses learn more about their customers (Fenanda et al., 2024). Especially when it comes to makeup features that let you try them on virtually (Salma Dhianita & Popy Rufaidah, 2024). Mobile augmented reality let people who are interested in buying beauty products online try out different makeup without having to clean it all the time. They can also share the test results of the makeup with their friends and family, even on social media (Liu & Napitupulu, 2020).

Using augmented reality (AR) technology, the Wardah company has released a feature that users can use to instantly "try on" makeup items by seeing virtual makeup on their faces (Febrianty et al., 2024). This augmented reality technology lets users virtually try on different effects, like lipstick colors, eyeshadow, and other beauty items, by using websites (Dhianita & Popy Rufaidah,

2024). With AR, people can see if the makeup fits them perfectly before they buy it (Kristi & Kusumawati, 2021). According to Racat and Capelli (2016) as cited in Azizi (2022) A study on makeup found that digital marketing and apps used for virtual trials can change how satisfied customers are and how likely they are to buy something. When judging how someone feels or what they think they're feeling in a virtual world, two common criteria are how interactive and vivid the sensation is (Jan et al., 2023). To improve customer ratings when AR is used, marketing managers will be able to fine-tune their e-commerce promotional strategies by learning how the two main media features of interactivity and vividness affect ratings (Yim et al., 2017).

Wardah has utilized the "beauty match and shade match" feature on the Wardah website. Wardah beauty products that can be tried on virtually include 4 categories, there are Lip, Face, Eye and Looks (try.wardahbeauty.com, 2024). First category is for lip products (Wardah Long Lasting Lipstick, Colorfit Velvet Matte Lip Mousse, Exclusive Matte Lip Cream, Intense Matte Lipstick, Colorfit Ultra-Light Matte Lipstick). Next category is for face like blush on (Exclusive Blush On, Blush On series A, series B, Series C and Series D). Also, for the eye product, there is eyeshadow, eyeliner, mascara, and an eyebrow pencil. Lastly, users can try out themed makeup like elegant arisan makeup, korean makeup, and makeup for interviews (wardahbeauty.com). Figure 1.4 is an example of using Wardah Virtual Try On.

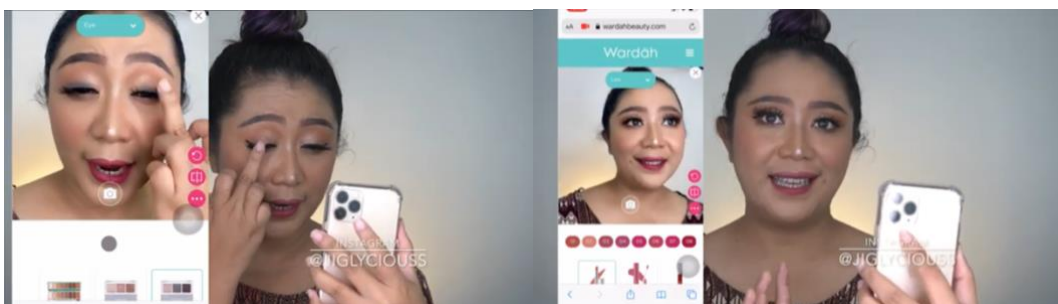


Figure 1.5 Example of Using Wardah Virtual Try-On

Source: youtube.com (@jiglyciouss)

Figure 1.5 above is an example of using Wardah Virtual Try-On (Beauty Match) uploaded on YouTube from a YouTuber named Jiglyciouss (Arianti). This

Youtuber is explained the steps of using Wardah Virtual Try-On and in the video, she is trying lipstick and eyeshadow. Within this video, viewers can directly experience how AR technology enables users to quickly and interactively explore products, thereby increasing their desire to buy. Visual demonstration allows viewers actually experience the product, which may affect their choice to buy it in the future. Furthermore, this kind of material helps spread the word about the brand and encourage more people to try the new products that Wardah has to offer.

However, the Virtual Try-On feature on Wardah's website was down for repair at the time this study was conducted. In response, the study uses Wardah's augmented reality features on TikTok as an alternative platform. TikTok was picked because Wardah supports interactive AR effects, which offer a comparable virtual experience.

This approach ensures that the research remains relevant and representative of Wardah's efforts to integrate digital innovation into its marketing strategies. Figure 1.5 below shows Augmented Reality Feature on Wardah's TikTok account (@wardahofficial), which lets users explore its products in fun and creative ways.

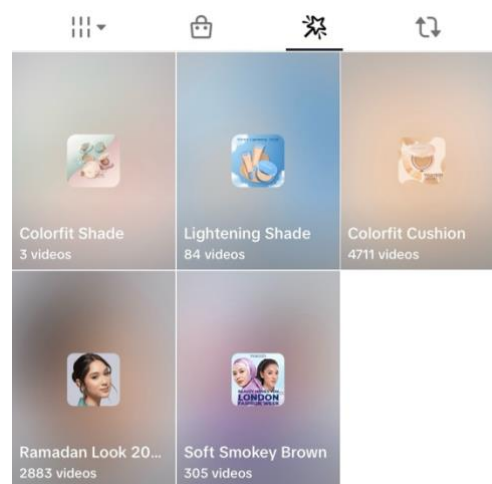


Figure 1.6 Augmented Reality Feature on Wardah's Tiktok

Source: [www.tiktok.com](https://www.tiktok.com/@wardahofficial) (@wardahofficial)

TikTok, with over 157.6 million active users in Indonesia, is currently the country with the largest TikTok audience worldwide (Figure 1.6)

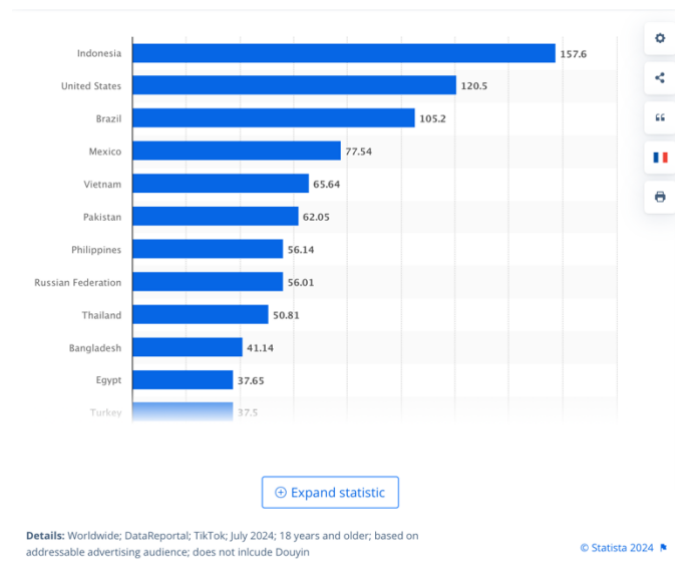


Figure 1.7 Countries with the Largest TikTok Audience as of July 2024

Source: Statista, 2024

Figure 1.7 above shows that Indonesia had the largest number of TikTok users in the world in July 2024, with a total of 157.6 million users. This highlights TikTok's dominance in Indonesia as a hugely popular social media platform. By leveraging this popular platform, Wardah shows adaptability in embracing digital innovations to enhance user experience and strengthen its presence in the competitive beauty market.

Previous studies have explored how Augmented Reality (AR) affects Purchase Intention in digital marketing. However, most of these studies have focused on the technical aspects of AR, such as *vividness* and *interactivity*, and how these elements influence Consumer Control. Meanwhile, the emotional side of using AR, especially related to Media Enjoyment, has not been widely discussed.

Some studies suggest that when users enjoy using digital media, they are more likely to adopt the technology and be influenced in their purchase decisions. However, how AR impacts Media Enjoyment, and how this enjoyment affects Consumer Control and Purchase Intention, has not been clearly studied.

Additionally, while Consumer Control is already known to influence Purchase Intention, there are still limited studies that examine Media Enjoyment as an additional mediator, especially in the context of AR in the beauty industry.

Therefore, this research aims to fill that gap by proposing a model where Media Enjoyment acts as a second mediator, influencing how AR affects Consumer Control and, in turn, Purchase Intention.

Based on the explanation of this phenomenon and based on previous studies, the author is encouraged to further research on **“THE EFFECT OF USING AUGMENTED REALITY ON PURCHASE INTENTION WITH CONSUMER CONTROL AS A MEDIATING VARIABLE OF WARDAH BEAUTY”**

1.3 Problem Formulation

The use of augmented reality (AR) technology in internet shopping has grown a lot. Virtual try-on tools now often have features like vividness and interactivity. But it's still not clear if these AR features really change how customers feel about their actions and choices, which could affect their decision to buy. It's still not clear whether a more vivid or involved AR experience makes people feel more in control and whether that sense of control can make them more likely to buy.

When companies like Wardah invest in AR to improve the customer experience, they need to know how well these features work. If these augmented reality features don't make people more likely to buy, then the money spent may not be as useful as thought. As a result, it is important to find out if AR experiences can really boost buyer trust and motivation to buy, rather than just being interesting as a new technology. By making these effects clearer, brands can focus on digital tactics that really get people to interact with them and buy their products.

Based on the background and problem formulation previously described the questions in this study include:

1. Does interactivity in Augmented Reality have a positive effect on Behavioral Control?
2. Does interactivity in Augmented Reality have a positive effect on Cognitive Control?
3. Does vividness in Augmented Reality have a positive effect on Behavioral

Control?

4. Does vividness in Augmented Reality have a positive effect on Cognitive Control?
5. Does interactivity in Augmented Reality have a positive effect on Media Enjoyment?
6. Does vividness in Augmented Reality have a positive effect on Media Enjoyment.
7. Does Behavioral Control have a positive effect on Purchase Intention?
8. Does Cognitive Control have a positive effect on Purchase Intention?
9. Does Media Enjoyment have a positive effect on Purchase Intention?
10. Does Augmented Reality (Interactivity & Vividness) have a positive effect on Purchase Intention, mediated by Consumer Control (Behavioral Control & Cognitive Control)?
11. Does Augmented Reality (Interactivity & Vividness) have a positive effect on Purchase Intention, mediated by Media Enjoyment?

1.4 Research Objectives

Based on the explanation of the problem formulation above, the objectives of this research are as follow this research is carried out are as follows:

1. To assess the effect of the vividness and interactivity of Augmented Reality on consumer control (both behavioral and cognitive control) in the online shopping experience.
2. To examine the impact of consumer control (both behavioral and cognitive control) on purchase intention in the context of Augmented Reality usage.
3. To examine the impact of media enjoyment on purchase intention in the context of Augmented Reality usage.
4. To evaluate whether the vividness and interactivity of Augmented Reality have a direct impact on purchase intention, or if this effect is mediated by consumer control.

5. To examining the mediating role of media enjoyment, and consumer control in the relationship between AR attributes and purchase intention.

1.5 Research Benefits

1.5.1 Theoretical Benefits

This research adds to the understanding of how AR and social feedback influence consumer behavior, filling a gap in previous research. The results of this study can be used as a reference for further research on the use of AR in other fields. This research can provide insight for PT Paragon Technology and Innovation companies such as Wardah on how a more vivid and interactive Augmented Reality (AR) experience can increase consumer purchase intentions

1.5.2 Practical Benefits

This research adds to the understanding of how AR and social feedback influence consumer behavior, filling a gap in previous research. The results of this study can be used as a reference for further research on the use of AR in other fields. This research can provide insight for PT Paragon Technology and Innovation companies such as Wardah on how a more vivid and interactive Augmented Reality (AR) experience can increase consumer purchase intentions. The results of this study can be used to design more effective marketing campaigns by utilizing social feedback, thus helping companies increase product sales.

It can also serve as a guideline for AR marketers and developers in creating more engaging consumer experiences. They can understand the importance of interactivity and vividness in AR experiences, as well as how feedback from friends or communities can influence purchase decisions.

1.6 Systematization of Writing

Contains a systematic and concise explanation of the research report consisting of from Chapter I to Chapter V in the research report.

a. CHAPTER I INTRODUCTION

This introductory chapter contains an explanation of general matters related to the object of research, background of the problem, research objectives, research benefits, research time and period, and also explains the systematics of writing this research.

b. CHAPTER II LITERATURE REVIEW

This chapter describes the theory and literature on purchase intention in beauty products related to research topics, previous research, framework of thought, hypothesis formulation, and research scope.

c. CHAPTER III RESEARCH METHODS

This chapter contains an explanation of the type of research conducted, the operational variables used, followed by steps in carrying out research, determining the population and sample size, how to collect data, validity and reliability tests, and data analysis techniques.

d. CHAPTER IV RESEARCH RESULTS AND DISCUSSION

This chapter of research results and discussion explains the analysis of the data that has been collected by researchers and explains the wetting of the topics raised in the study.

e. CHAPTER V CONCLUSIONS AND SUGGESTIONS

This chapter presents conclusions obtained from the research that has been done and contains suggestions that can be considered or applied in the future