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CHAPTER I

INTRODUCTION

1.1 Research Background

According to BPS data (2020), in 2020, there were 134.266,4 thousand women out of 269.603,4 thousand population in Indonesia. This number makes Indonesia a very attractive market for beauty products. Over the years, Indonesia's local cosmetics industry has grown and developed. Based on data from the BPS, in the first quarter of 2020, the chemical, pharmaceutical and traditional medicine industries in Indonesia, which includes cosmetics, grew 5.59% (Rizaty, 2021).

In 2018, the Indonesian Government decided to reduce soap and cosmetics imports by increasing income tax (PPH) article 22 (Hanung, 2018). This regulation caused the price of imported cosmetics to increase. With the regulation to reduce soap and cosmetics importing, the Government hopes that the number of consumption on local cosmetic products will increase. The Government plan seems to succeed because, according to Katadata (2021), local skincare and cosmetics are more desired by Indonesian customers.

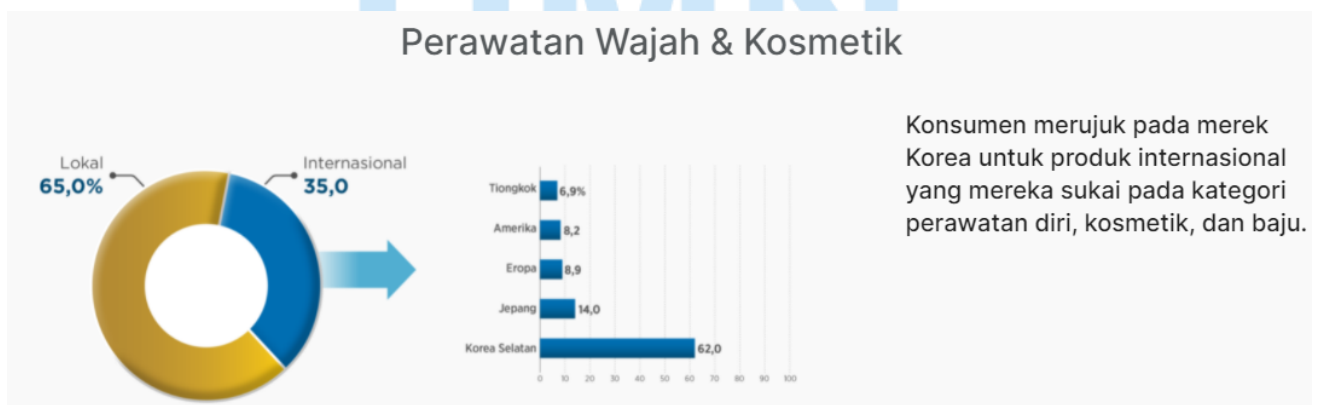


Figure 1.1 Local vs International Skincare and Cosmetics Data

Source: Katadata (2021)

Figure 1.1 shows that the respondents are more into local skincare and cosmetics products (65%) than international products (35%). Katadata also surveyed which country excels in the following areas: natural ingredients of the product, after-sales service, easy to find, product safety, and product price.

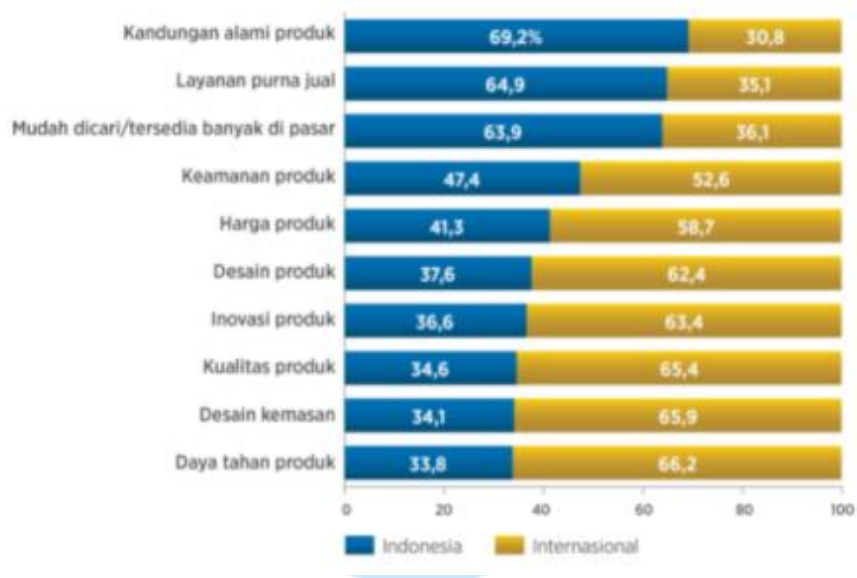


Figure 1.2 Consumers Assessment on Preferences of The Brands Origin

Source: Katadata (2021)

As shown in figure 1.2, Indonesian consumers assess local brands as superior because of the product's natural ingredients, after-sales service, and easy to find. While other factors such as product safety, product price, product design, product innovation, packaging design, and product durability are considered international products superior to local products (Katadata, 2021).

According to Gagliardi & Dorato (2007), cosmetics are things with mild reaction for human body with the goal of cleaning, beautifying, adding to the attractiveness, altering the appearance, or keeping and promoting the skin or hair in good condition. According to Rahayu (2019), there are a lot of claims on cosmetics, such as natural, organic; cruelty free, vegetarian, vegan (Sari, 2018); and also sustainable (Insani, 2020). A natural claims is when the minimum of 50% of the

ingredients are from nature, minimum 5% of the ingredients have to be certified organic, and have to use non-harsh chemical (Rahayu, 2019). A natural claim in Indonesia can be found on Nature Republic (Nature Republic Official Website) and Innisfree (Innisfree Official Website).

While organic is slightly similar with natural claims, to be considered organic, a products must consist a minimum of 95% natural ingredients, using natural fertilizer and pesticide, and 10% of the ingredients have to be certified organic (Rahayu, 2019). Organic claim in Indonesia can be found on Sariayu Martha Tilaar, 100% Pure, and Au Naturale (Wulandari, 2019).

To be considered a cruelty free cosmetic, the cosmetic must be free of animals testing (Ochell, 2017), while vegetarian claim is when the cosmetic is free from animal testing and non-animal ingredients, but may still contain animal-generated ingredients. Cruelty free claim on cosmetic in Indonesia can be found on Wardah, The Bath Box, and BLP Beauty (Firafiroh, 2021). As for vegetarian claim, can be found on The Body Shop (The Body Shop Official Website).

Vegan cosmetics means that cosmetics that are only used contain plant-based ingredients, have no animal-derived ingredients and certainly do not carry out animal testing (Insani, 2021). As for sustainable makeup, to be a sustainable claim the cosmetic must be recyclable, cruelty free, certified for fair trade, and using organic ingredients (Insani, 2020). Vegan cosmetic claims can be found in ESQA Cosmetics and Luxcrime (Thalita, 2020), while sustainable makeup can be found on Garnier (Garnier Official Website), Somtehinc, and Innisfree (Nariswari, 2021).

Indonesian people are starting to take an interest in the vegan lifestyle for various reasons such as health, caring for the environment, exploitation of animals, etc. (Tiofani, 2021). According to Arintya (2021), vegan makeup is considered better because it its animal cruelty free so it is safe for sensitive skin owners. Vegan makeup doesn't use preservative, toxic, or any harmful chemicals (Arintya, 2021).

Even though Indonesian people began to shift to vegan lifestyle, but in term of cosmetic consumption especially lip products, Indonesian people still use non-vegan lip cosmetics. Though in figure 1.2, Indonesian people assess local brands as

superior because of the product's natural ingredients. During pandemic, lipstick and lip cream became a makeup that cannot be seen, but in reality, lipstick and lip cream also became the best seller in skincare and cosmetics category during pandemic (Vir dhani, 2022). From the research done by TRAS N CO Indonesia, lip cream was purchased 2.2 million transactions and have 1.4 million reviews, followed by anti aging cream, sunscreen, towels, acne serum, essence, liquid foundation, sheet mask, and last is baby jumpsuit. (Vir dhani, 2022).



Top Brand Kosmetik Bibir di Shopee Juni 2021



Disclaimer: data berdasarkan riset internal tim Compas pada 5 ribu produk di bulan Juni 2021 terdapat di Shopee pada kategori Kosmetik Bibir

Figure 1.3 Top Lip Cosmetic Brand on Shopee (June 2021)

Source: Compas.co.id (2021)

Based on figure 1.3, the top lip cosmetic brands at Shopee in June 2021 are dominated by non-vegan brands. From first to sixth, all the lip cosmetic brands with the most sales are brands that do not focus on natural ingredients. This in contrast to figure 1.2, which state Indonesian people consider local brand because of the product's natural ingredient. While ESQA Cosmetics, as a vegan brand which is free from parabens, triclosan, sodium lauryl sulfate, and gluten that can cause cancer, take seventh place.

According to Sandi (2022), Gen Z's favorite e-commerce is Shopee (71,46%), Tokopedia (19,45%), Bukalapak (3,18%), Lazada (2,65%), Blibli.com (1,21%), and etc. (1,44).

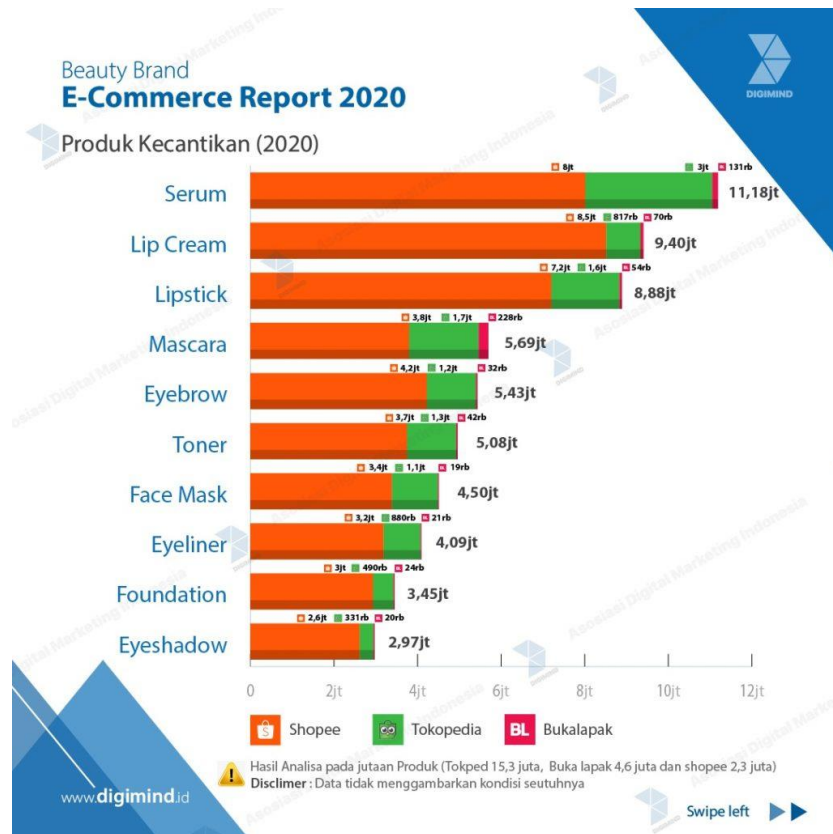


Figure 1.4 E-Commerce Beauty Products Report 2020
 Source: Digimind.id (2020)

According to figure 1.4, the most top selling of beauty products in e-commerce is held by Shopee. This may happen because Shopee offers more complete e-commerce than the others (Sandi, 2022). As the top seller e-commerce for beauty products, Shopee can be a very interesting platform for ESQA Cosmetics to increase sales. ESQA Cosmetics has already establish official account shop on Sociolla, Shopee, and Tokopedia. In Shopee, ESQA Cosmetics gave discounts on products and voucher if the user follow their account. They also hold a flash sale promotion on certain products.

ESQA Cosmetics was first launched in June 2016 by two best friends, Cindy Angelina Andaranacus and Kezia Joy Toemion. ESQA is the first and leading Vegan cosmetic brand in Indonesia, not only Vegan but also Halal (Agnesaputri, 2016). Its Founder wanted to create glam cosmetics with chic packaging that are formulated without harsh ingredients (ESQA Cosmetics Website). ESQA's founders believe that every woman is naturally beautiful, and makeup is not supposed to change looks but to enhance natural beauty (ESQA Cosmetics Website). So, ESQA developed innovative products that are cutting edge in the international makeup scene. The name ESQA was from Celtic language "Eska", which means "love of nature" (Annetta, 2016).

ESQA Cosmetics is free from parabens, triclosan, sodium lauryl sulfate, and gluten that can cause cancer. When first launched, ESQA only had two products which are Satin Lip Crayon with four different shades and Matte Lip Liquid with three different shades (Agnesaputri, 2016). Now, ESQA has cosmetic products for face, eyes, cheeks, and lips. Over the years, ESQA also did a lot of collaborations such as ESQA x Darbotz, ESQA x Wonder Woman, ESQA x BCL, ESQA x Paola (ESQA Cosmetics Website). Each collaboration has different products depending on each project. For example, in the collaboration between ESQA and Wonder Woman, ESQA made an eyeshadow palette, cheek palette, brow pencil, and cushion blush. While for the project with Darbotz, ESQA only made an eyeshadow palette and lip gloss liquid.

As a vegan cosmetic brand in Indonesia, ESQA Cosmetics has 3 direct competitors which is also vegan cosmetic brand from Indonesia, namely Goban Cosmetics, Looke Cosmetics, and Luxcrime.

Vegan Lip Cosmetics Brand Positioning

Brand	Price	Color Palette
ESQA Cosmetics	100.000-165.000	16 colors
Goban Cosmetics	120.000-130.000	24 colors
Looke Cosmetics	140.000	7 colors
Luxcrime	109.000	6 colors

Figure 1.5 Brand Positioning Map

Source: Author's Personal Documentation

Based on figure 1.5, ESQA Cosmetics has 3 direct competitors with Looke Cosmetics is categorized as expensive and less vary, Luxcrime is categorized as expensive and less vary, and Goban cosmetics is categorized as expensive and vary. While ESQA Cosmetics is categorized as expensive and vary. But based on figure 1.5, ESQA Cosmetics is more expensive but has less vary color palette than Goban Cosmetics.

Seeing figure 1.2 and 1.3, the author tries to ensure that consumers has interest on vegan cosmetic but still bought non-vegan local cosmetic by conducting a mini survey to 56 respondents.

Have you ever used vegan cosmetics?

56 responses

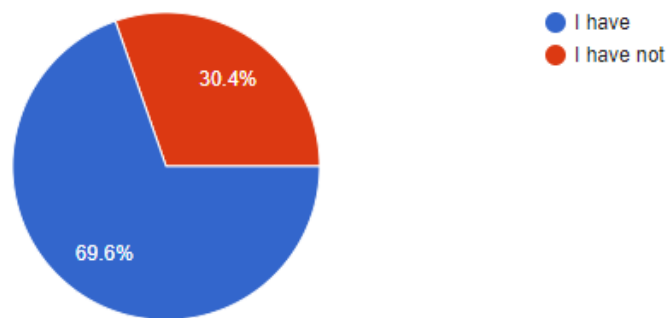


Figure 1.6 Respondents' Purchase Behavior towards Vegan Cosmetics

Source: Author's Personal Document (2022)

If you have used a vegan cosmetic before, what brand did you use?

56 responses

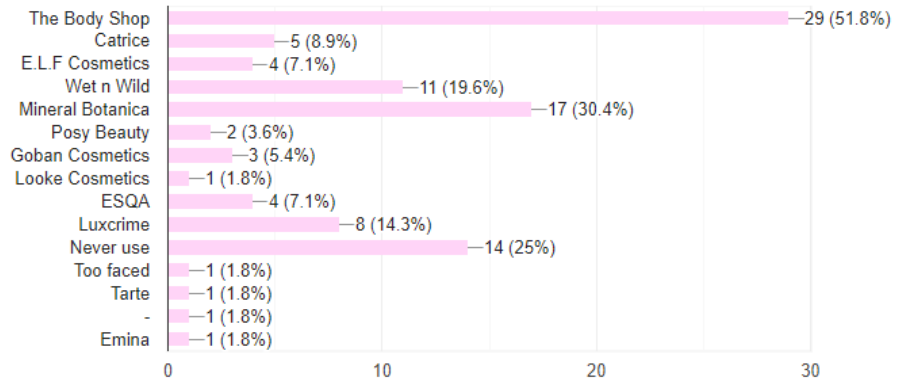


Figure 1.7 Respondents' Brands Choice on Vegan Cosmetics

Source: Author's Personal Document (2022)

Do you know ESQA Cosmetics?

56 responses

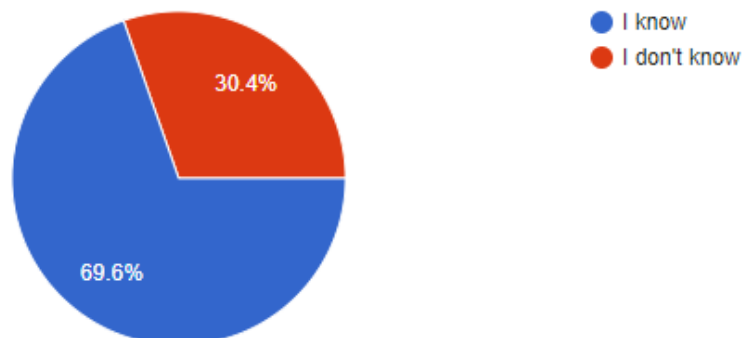


Figure 1.8 Respondents' Knowledge of ESQA Cosmetics

Source: Author's Personal Document (2022)

Did you know that ESQA Cosmetics is a vegan brand?

56 responses

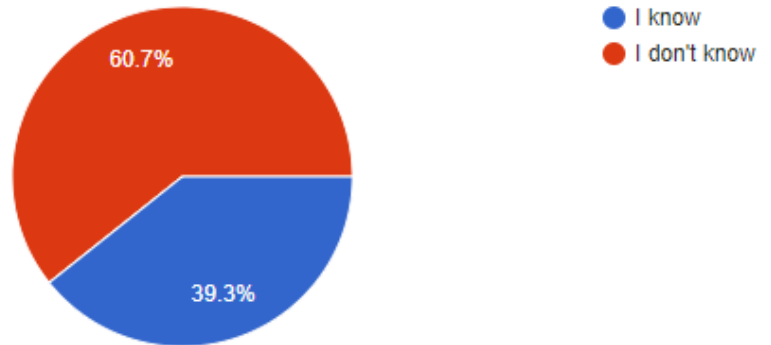


Figure 1.9 Respondents' Knowledge of ESQA Cosmetics 2
Source: Author's Personal Document (2022)

Have you ever bought ESQA Cosmetics products?

56 responses

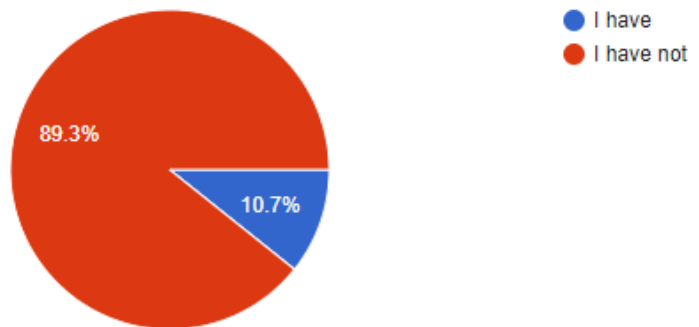


Figure 1.10 Respondents' Past Purchase Behavior towards ESQA Cosmetics Products
Source: Author's Personal Document (2022)

Have you ever bought ESQA Cosmetics lip products?

56 responses

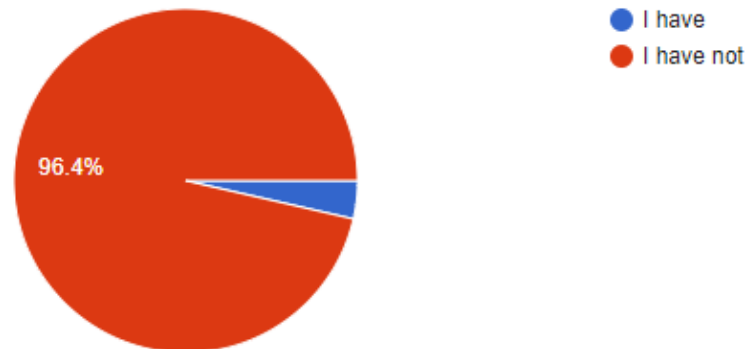


Figure 1.11 Respondents' Past Purchase Behavior towards ESQA Cosmetics Lip Products

Source: Author's Personal Document (2022)

Based on figure 1.4, out of 56 respondents collected, 69,6% respondents said they have used vegan cosmetics before. But based on figure 1.5, the three top brands that they have used before are The Body Shop (51,8%), Mineral Botanica (30,4%), and Wet n Wild (19,6%).

According to figure 1.6, 69,6% of the respondents states that they know ESQA Cosmetics but 60,7% of them doesn't know that ESQA is a vegan cosmetic brand (figure 1.7). Meanwhile, on figure 1.8, 89.3% out of 56 respondents, answer they have not bought ESQA Cosmetics before and 96,4% of them have not bought ESQA Cosmetics lip products. This indicates that respondents know ESQA Cosmetics only as a cosmetic brand but do not know that ESQA is a vegan brand.

Therefore, this research aims to increase the purchase intention of ESQA Cosmetics' lip products sales by looking at factors such as Health Awareness, Environmental Concerns, Animal Welfare, and Social Influence affecting Attitude towards Consumption of Vegan Products and Involvement with Vegan Products to buy ESQA Cosmetics' lip products.

1.2 Formulation of Problems and Research Questions

Based on the research background as written in point 1.1, it can be concluded that there is a problem in ESQA Cosmetics that has caused people to purchase non-vegan cosmetics brands. Over the years, cosmetics have developed, and as a form of innovation and Environmental Concerns, many local cosmetics have adopted the eco-friendly, vegan, or organic business concept. As the first and leading local vegan cosmetic brand in Indonesia, ESQA Cosmetics, established for six years, seems to have difficulty competing with non-vegan cosmetic brands. Indonesian people are starting to consider local brands because of the product's natural ingredients. As a local cosmetic brand that adheres to the vegan concept, ESQA Cosmetics should be able to easily attract the market to use ESQA Cosmetics. Indonesian people are starting to take an interest in the vegan lifestyle for various reasons such as health, caring for the environment, exploitation of animals, etc. (Tiofani, 2021). Tiofani (2021) also noted that Founder of Sehat Seutuhnya, Willy Natanael Yonas said that vegan is rising also because of the effect of some public figure. This role of public figure to influence people to become vegan is worldwide, it is said that in not only in USA but in Indonesia, we have Andovi da Lopez (Tiofani, 2021). Through these public figure, they emphasis people to be more aware and speak up about animal cruelty, environment, and climate change (Tiofani, 2021). Therefore, this study was conducted to analyze Health Awareness, Environmental Concerns, Animal Welfare, and Social Influence affecting Attitude towards Consumption of Vegan Products and Involvement with Vegan Products to buy ESQA Cosmetics lip products.

According to Dutta-Bergman (2004), Health Awareness is an indicator of the consumer's intrinsic motivation to maintain good health and a reflection of his or her responsibility toward health. According to Meireles (2018), Health Consciousness positively affects one's attitudes toward organic food. People with a higher degree of health consciousness expressed higher attitudes towards organic food (Meireles, 2018).

While Environmental Concerns refers to awareness of environmental problems, people's efforts to solve such problems and their willingness to contribute personally (Prakash & Pathak, 2016). Kashi's research indicates a significant relationship between Environmental Concerns and attitudes toward green products (Kashi, 2019). It was found that when the consumers' concerns of environmental increase, they change their purchasing patterns by buying green products or even decreasing their consumption (Kashi, 2019).

Next, Animal Welfare is the root of vegan lifestyle, it can bring concerns that forms attitudes towards vegan products (Miguel et al., 2021). In Miguel et al. (2021) findings, Animal Welfare was found to have a positive impact on Attitude toward the Consumption of Vegan Products. This may happen because individual's ideology may influence the individual's attitudes towards veganism.

An individual's behavior is also determined by the influence of others (Persaud & Schillo, 2017). Social influence refers to how the opinions of others affect the perceptions of an individual (Wang et al., 2017). Social influence has powerful and stable influence on consumers' attitudes (Miguel et al., 2021). Social Influence was found to have a positive impact on Attitude toward counterfeit fashion products due to customer buying behavior is significantly influenced by others (Bhatia, 2018).

According to Li & Jaharuddin (2021), attitude is tightly associated with purchase intention, either positively or negatively affects intention of purchasing. According to Miguel et al. (2021), attitude towards Consumption of Vegan Products may affect Involvement with Vegan Products. Involvement is a consumer's perceptions of the importance of a product that derived from desires, values and interests (Ghali, 2019). In Miguel et al (2021) research, Attitude towards Consumption of Vegan Products are proven to support Involvement with Vegan Products. Attitude represents individuals' assessment of a product and their opinion towards a product, which will influence involvement (Miguel et al., 2021).

According to Teng & Lu (2016), involvement can make consumers consider the product's association with values, need, or benefits, which later will cause

purchase behavior. Asshidin et al. (2016), states that Purchase Intentions are frequently used to forecast products and services sales. In Kautsar et al. (2012) research, it was noted that Involvement positively affects Purchase Decisions. It was concluded that with the increase in involvement, consumers will process information more deeply and will have a greater motivation to observe, understand and elaborate information of a product.

With the explanation formulation of problems, to increase Purchase Intention towards ESQA Cosmetics as a Vegan brand through Health Awareness, Environmental Concern, Animal Welfare, Social Influence, Attitude towards Consumption of Vegan Products, and Involvement with Vegan Products, the author arranges research questions as follows:

1. Does Health Awareness has a positive impact Attitudes towards Consumption of Vegan Products like ESQA Cosmetics?
2. Does Environmental Concerns has a positive impact Attitudes towards Consumption of Vegan Products like ESQA Cosmetics?
3. Does Animal Welfare has positive impact Attitudes towards Consumption of Vegan Products like ESQA Cosmetics?
4. Does Social Influence has a positive impact Attitudes towards Consumption of Vegan Products like ESQA Cosmetics?
5. Does Attitudes towards Consumption of Vegan Products has a positive impact Involvement with Vegan Products like ESQA Cosmetics?
6. Does Involvement with Vegan Products has a positive impact Purchase Intention like ESQA Cosmetics?

1.3 Research Purposes

Based on the research questions above, this research purposes are:

1. To find out the positive impact of Health Awareness on Attitudes towards Consumption of Vegan Products like ESQA Cosmetics.
2. To find out the positive impact of Environmental Concerns on Attitudes towards Consumption of Vegan Products like ESQA Cosmetics.

3. To find out the positive impact of Animal Welfare on Attitudes towards Consumption of Vegan Products like ESQA Cosmetics.
4. To find out the positive impact of Social influence on Attitudes towards Consumption of Vegan Products like ESQA Cosmetics.
5. To find out the positive impact of Attitudes towards Consumption of Vegan Products on Involvement with Vegan Products like ESQA Cosmetics.
6. To find out the positive impact of Involvement with Vegan Products on Purchase Intention like ESQA Cosmetics.

1.4 Benefit of Research

With this research, the author hopes that the results can bring benefits to:

1. Academic benefits

This research is expected to add insight, knowledge, and references in marketing regarding factors that influence consumer's intention on Vegan Cosmetics, such as in terms of Health Awareness, Environmental Concerns, Animal Welfare, Social Influence, Attitude towards Consumption of Vegan Products, Involvement with Vegan Products, and Purchase Intention for Vegan Products.

2. Practical benefits

This research is expected to help provide information, advice, and knowledge to the vegan cosmetic industry. This research is also expected to help ESQA Cosmetics in managerial decisions and finding the best way to develop their business based on this research findings through Health Awareness, Environmental Concerns, Animal Welfare, Social Influence, Attitude towards Consumption of Vegan Products, Involvement with Vegan Products, and Purchase Intention for Vegan Products.

1.5 Limitation of study

The author has limited this research as below:

1. The respondents' criteria are limited to women aged 17 to 30, lives in JABODETABEK, who pay attention to their physical appearance by using cosmetic products, especially lip products, in daily activities. These women have to have used a vegan cosmetic before, know ESQA Cosmetics but don't know that ESQA Cosmetics are a vegan cosmetic, never bought ESQA Cosmetics lip products, and also have a friend or family that use ESQA Cosmetics.
2. This research is limited to 7 variables only which is Health Awareness, Environmental Concerns, Animal Welfare, Social Influence, Attitude towards Consumption of Vegan Products, Involvement with Vegan Products, and Purchase Intention.
3. The object of this research is ESQA Cosmetics lip products, that is lip gloss and matte lip liquid.

1.6 Thesis Writing Systematics

This research consists of five chapters, and each chapter is correlated to the next chapter. The thesis writing systematics is as follows:

1. CHAPTER I INTRODUCTION

In this chapter, the author explains the research background of this research, the formulation of the problem, the research questions, the research objectives, the limitations of the problem in this research, the benefits of this research, and the systematics of writing a thesis.

2. CHAPTER II THEORY BASIS

In this chapter, the author defines and explains the theoretical basis of each variable used in this research, starting from meaning to the role of each variable. The theoretical description will relate to the formulated problems such as Health Awareness, Environmental Concerns, Animal Welfare, Social Influence, Attitude towards Consumption of Vegan Products, Involvement with Vegan Products, and Purchase Intention.

The author also discusses the research model, research hypothesis, and explanation of previous research in this chapter.

3. CHAPTER III RESEARCH METHODOLOGY

This chapter consists of a description of the overview of the research object; research design; the scope of research, which include defining the target population, determining sample unit, time frame, sampling technique, and sample size; research procedure; identification of research variables; operational research variables; data analysis processing techniques; and data analysis with SEM method to answer the problem formulation.

4. CHAPTER IV ANALYSIS AND DISCUSSION

In this chapter, the author will describe the research results, respondent profiling, descriptive analysis, pretest instrument test, results of SEM data analysis, and discuss the research results to deduce managerial implications.

5. CHAPTER V CONCLUSIONS AND SUGGESTIONS

In this chapter, the author will explain the conclusions made by the author based on the results of the analysis. From the conclusions, the author will provide suggestions based on the findings in chapter 4.