

# CHAPTER I

## INTRODUCTION

This chapter serves multiple purposes. It presents the background to this study, problem statement, research questions, research objectives, significance of the study and organization of the study. It gives an overview of the research.

### **Research Background**

Who would have thought that the Indonesian people's penchant for paying attention to their appearance by using cosmetics could lead Indonesia to the possibility of becoming the world's largest market for beauty products. The increasing trend of cosmetic users in recent times has made Indonesia projected as the fifth largest cosmetic market in the world. So, with a female population greater than one hundred fifty million people, it is very easy for Indonesia to transform into a potential market for beauty products in the next 10-15 years.

Functional Analyst for Youth Policy at the Ministry of Industry, Fitria Rahmawati, revealed the background regarding the prediction that Indonesia will become the 5th largest cosmetic market in the world. According to her, Indonesians are increasingly aware of appearance, make-up, and self-care, which are a way of life.

Despite the economic slowdown, the trend of shopping for cosmetics and personal care in Indonesia continues to increase (Sofia, 2021).

There are at least three fundamental things that have the potential to promote the development of the country's beauty sector. First, Indonesia has a very large population of young women. It is noted that the average age of Indonesian women today is 28 years. Second, Indonesia's fairly good economic growth was able to sustain the industry, although it was hit by a pandemic storm, but began to recover gradually. Third, social media has contributed greatly.

The Minister of Industry added, the pandemic is shifting shopping patterns from offline to online. This can be seen from data from the Coordinating Ministry for Economic Affairs which shows an increase in online transactions for body care products such as cosmetics and spas by 80 percent in 2020. Social policies cause consumers to spend more time at home, so they spend more time caring for their skin, body and hair. As a result, shopping for body care products at home has increased, the need for salons and spas has increased ("Kemenperin gencarkan restrukturisasi mesin dan peralatan IKM Kosmetik", 2021).

The green movement reaches all levels, including aesthetics, in the face of increasingly pressing environmental challenges. Cosmetics that are environmentally friendly have sprung up all over the world, including Indonesia.

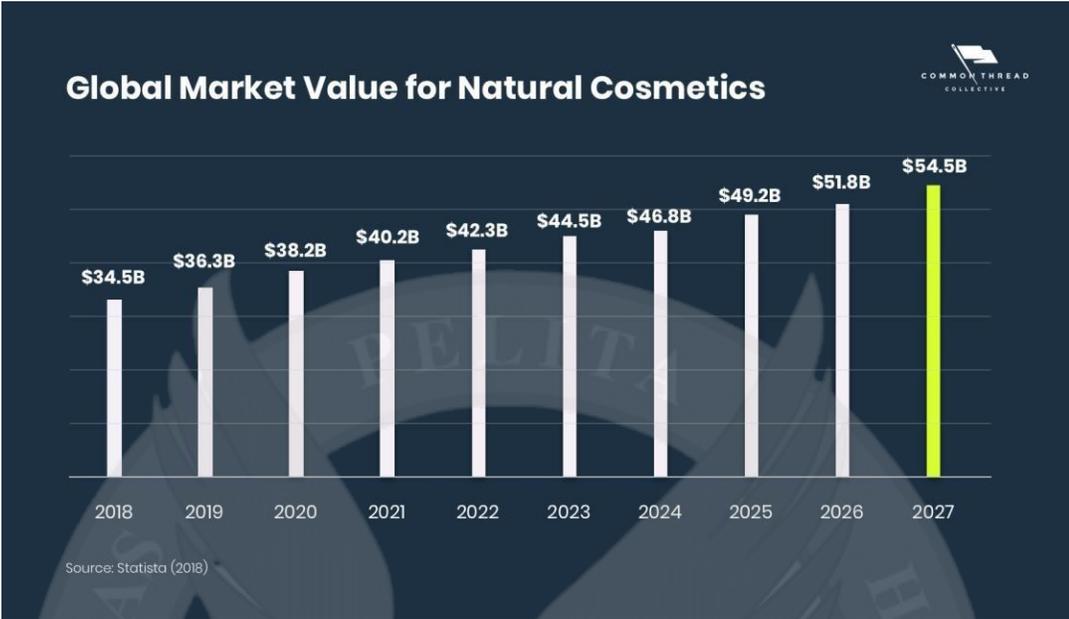
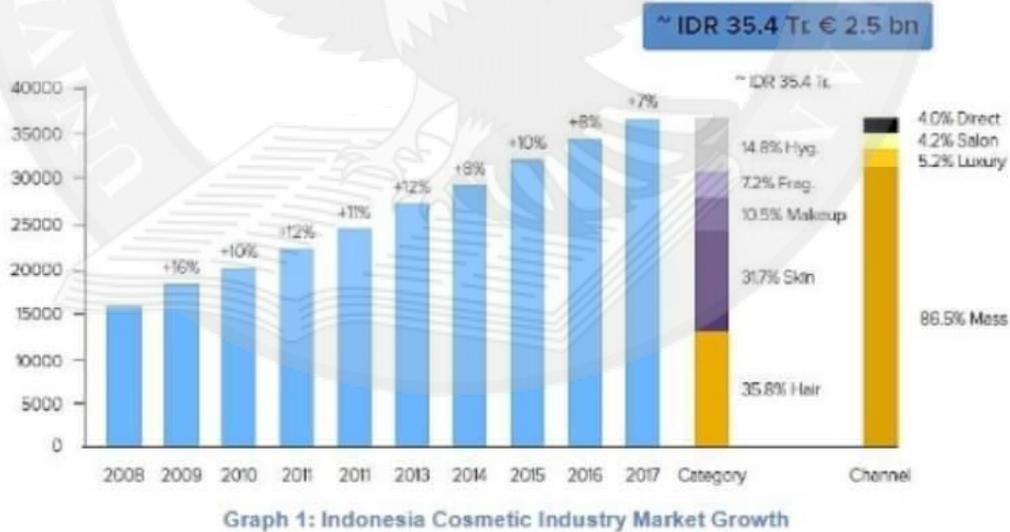


Figure 1.1 Global Market Value for Natural Cosmetics

Source: <https://commonthreadco.com/blogs/coachs-corner/beauty-industry-cosmetics-marketing-ecommerce> (2018)



Graph 1: Indonesia Cosmetic Industry Market Growth

Source: Beauty Mass Survey 2018

Figure 1.2 Indonesia Cosmetic Industry Market Growth

Source: <https://business-indonesia.org/cosmetic> (2018)

Manufacturers who switch to sustainable cosmetics manufacture have a bright future ahead of them. The increased popularity of environmentally friendly cosmetics has had a huge impact on the cosmetics industry. The green cosmetics industry has grown at a 15% annual pace, thanks to a growing number of customers and merchants wanting cosmetics made with natural or sustainable components. This rate of expansion greatly outpaces the worldwide personal care and cosmetics business, which is now growing at a rate of 5% per year. The organic beauty industry is expected to reach \$25.11 billion by 2025 (“Organic Personal Care Market Size Worth \$25.11 Billion By 2025”, 2019).

As public awareness of environmental issues grows, many cosmetic companies are looking for more natural and ecologically friendly emulsifiers and chemicals to use in their products. The advantages of "green" beauty products go beyond fashion - more research are revealing the toxicity of conventional cosmetics, and the natural cosmetics business continues to develop at a steady pace.

The term "green" has evolved to mean "organic" or "healthy" in modern marketing. When a consumer sees the words "green cosmetics," they instinctively assume the product or brand is environmentally friendly. In the cosmetics business, "green" and "sustainable" cosmetics are described as cosmetics made with natural components derived from renewable resources. Petrochemical components generated from petrol, a non-renewable and economically volatile fuel, are used by many enterprises. Bio-based oleochemicals, on the other hand, constitute the backbone of

the green cosmetics movement, as they are derived from renewable plant and bacterium sources.

Women always want to look beautiful. No wonder that many beauty products or cosmetics are created for women. Regrettably, the latest technology put into cosmetics can occasionally have unexpected outcomes. The presence of more chemical components in a cosmetic product is linked to a variety of skin issues. It's no secret that most cosmetic products that are produced on a large scale contain parabens, aluminum, or zirconium which are the triggers for breast cancer. Not to mention facial whitening cosmetics that contain toxic mercury. The consequences of using cosmetics made from these chemicals can vary, ranging from the appearance of black spots on the skin to the worst skin cancer, which occurs due to a combination of chemical cosmetics and exposure to ultraviolet light.

Green cosmetics or environmentally friendly cosmetics are the result of consumer awareness of the value of healthy cosmetics and the needs of a more ecologically friendly existence. Of course, a cosmetic must meet certain criteria in order to be labeled as eco-friendly.

Environmentally friendly cosmetic goods, according to Nu Skin Enterprises Scientific Adviser Dr. Paul Alan Cox, are not only created from natural materials, but the craftsmanship must also be done without affecting the environment. Natural and organic cosmetics are the two types of green cosmetics, according to Dr. Cox.

"Natural cosmetics use natural ingredients, but still use chemicals. While organic cosmetics are made from natural ingredients that are bred in organic standards," said Dr Cox. In natural cosmetics, the dosage of chemicals is still in the safe category. Its function is to improve the performance of the cosmetic itself. Meanwhile, the organic cosmetics standard stipulates that the plants used as cosmetic raw materials are neither treated with pesticides or fertilized with chemical fertilizers ("Movement Using Natural Cosmetics", 2010).

Organic cosmetics are said to be more effective than natural cosmetics since they include 40% more antioxidants due to the natural process. Green cosmetics, on the other hand, are absorbed by the body faster than cosmetics with heavy chemical components due to the nature of the natural ingredients. Another advantage is that we may decrease our exposure to chemicals on the skin by utilizing green cosmetics. Given these realities, it is only logical for women to begin using "green" cosmetics.

According to a survey conducted in the United States, interest in organic cosmetics and care products has surged by 37% among women under the age of 35 (Amberg & Fogarassy, 2019). The popularity of organic cosmetics has also increased after several celebrities, one of them is Alicia Keys. "I chose organic cosmetics because apart from being safe for the body, these cosmetics are also environmentally friendly," Keys said in an interview. Then, where can these green cosmetics products be found?

If you pay attention, you'll notice that these products have been around for quite some time. The Body Shop products, for example, can be regarded as pioneers of natural cosmetic and body care products. This brand has even expanded its green movement by carrying out various campaigns related to the environment, such as the rejection of cosmetic testing on animals (against animal testing), supporting trade that supports the farming community (support community trade), or the movement to save the earth (protect our planet).

The Body Shop's success in campaigning for environmentally friendly cosmetic products has received many awards, including the Australian Environment Award from the Banksia Foundation, the Mexican Environmental Achiever Award, the United Nations Environment Program (UNEP), Honoree, Eyes on the Environment, and the British Environment & Media Award.

The Body Shop is a cosmetics and make-up firm that specializes in the beauty industry. Because the brand is inspired by nature, it employs natural, ecologically friendly products. Because The Body Shop believes that there is only one way to acquire true beauty, which is to follow nature's lead. Attempting to provide items that reflect its consumers' personalities. Dame Anita Roddick, a British lady who is also a human rights campaigner, is the founder of The Body Shop. According to her, "The business of a business has to be more than just raising money, it must also be responsible. Must be useful to society, and not just personal greed."

The Body Shop is not your typical cosmetics store since it operates on different principles than other stores. "Nature's Way to Beautiful," the company's concept, tells clients that beauty originates from nature as well as from within the human body. This is evident from the benefits provided by this firm. It makes no promises about changing someone's appearance over time or fooling clients. However, it provides two benefits that other cosmetic firms do not: buying natural cosmetics and caring for the environment.

What is the significance of this? Habitat loss, which is mostly caused by agricultural expansion and intense forest product harvesting, is likely the most serious danger to our planet's biodiversity. This is vital to us as global citizens, but it also jeopardizes the future of critical components of our supply chain. Protecting endangered ecosystems is critical for The Body Shop as a company that strives to be ecologically sustainable. Global climate change is exacerbated by the use of nonrenewable energy, which emits greenhouse gases. Businesses throughout the world, including The Body Shop, must discover sustainable energy solutions to help combat climate change. Unsustainable use of basic materials adds significantly to the depletion of the planet's natural resources, while the use of fossil fuels results in the release of greenhouse gases like CO<sub>2</sub>, which contribute to climate change. As a worldwide retailer, lowering the environmental effect of their stores is a critical component of lowering their total environmental impact.

When Dame Anita Roddick created The Body Shop in 1976, it was a pioneer in employing natural ingredients in cosmetic products. It started off brilliantly, quickly developing to become one of the most well-known names on the High Street by the 1980s. Rivals had caught up by the early 2000s, with companies like Boots, for example, establishing comparable natural beauty lines. New competitors, like as Lush, have appeared, threatening The Body Shop's market share.

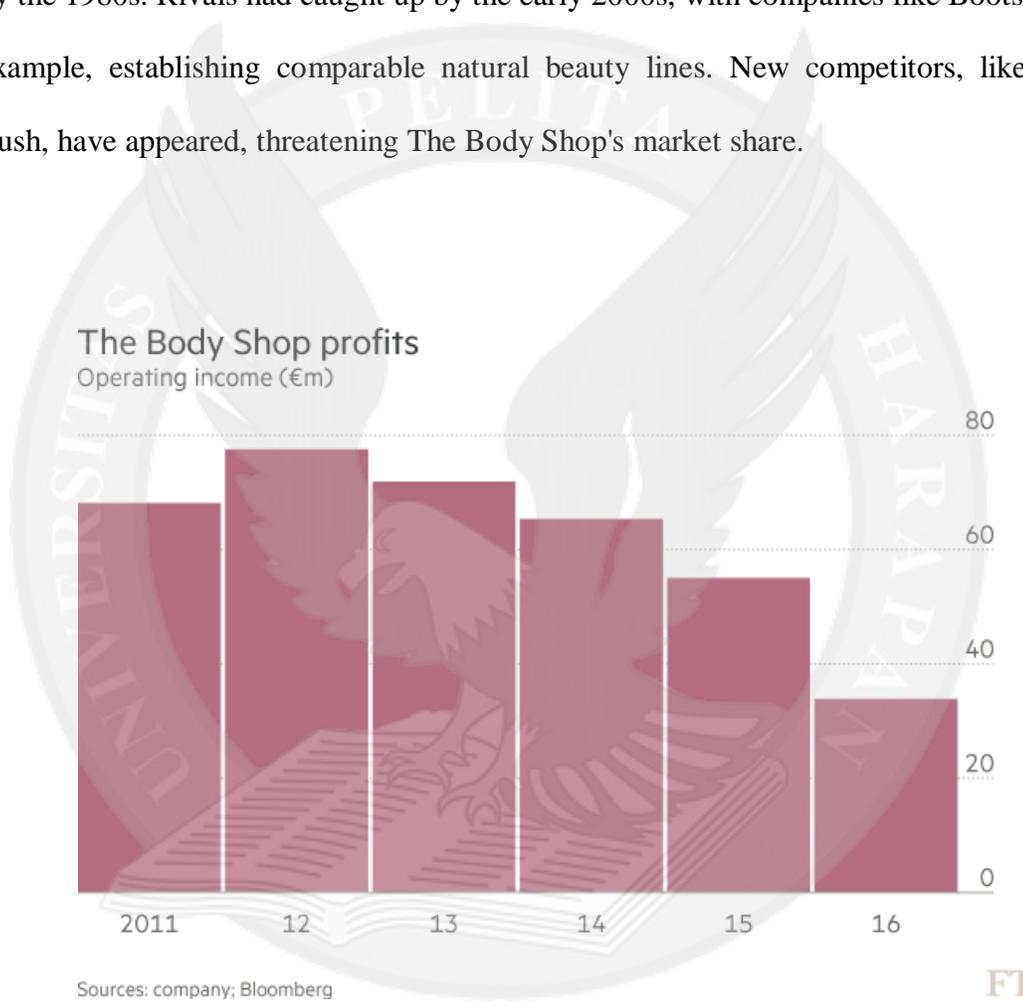


Figure 1.3 The Body Shop Profits Declining

Source: <https://www.ft.com/content/09bd4432-ef9f-11e6-930f-061b01e23655> (2019)

The Body Shop's problems, according to veteran retail analyst Richard Hyman, are due to the same challenges that plague the retail industry as a whole:

- 1) competition from an ever-increasing number of stores, ranging from supermarkets to fashion chains, all vying for the same area;
- 2) the apparently inexorable popularity of online shopping;
- 3) the exorbitant expense of running a big number of stores.

Retailing in stores is becoming a more difficult industry. Everyone who repurchases at The Body Shop spends the majority of their money on personal care elsewhere. As opposed to a brand or product proposal, The Body Shop needed to offer a really appealing retail proposition.



Figure 1.4 The Body Shop Unstable Sales

Source: <https://www.ft.com/content/09bd4432-ef9f-11e6-930f-061b01e23655> (2019)

According to beauty experts, the company's young, budget-conscious, and idealistic clientele have begun to go elsewhere, resulting in unstable annual sales. Therefore, The Body Shop should always be on the lookout for new ways to entice customers into their stores (Hope, 2017).

Based on the discussion above, the researcher feels that this phenomenon is very interesting to be studied further to help boost The Body Shop sales and accentuate its superiority among competitors. Therefore, this paper discusses “How Moral Obligation, Green Trust, Self-Identity, Health, Social Value, and Satisfaction affect Indonesian Women Repurchase Intention towards The Body Shop Green Cosmetics”.

### **Problem Statement**

From the studies that have been collected by researcher, it can be concluded that the environmental problem which has arisen, women also began to care and prefer eco-friendly cosmetics. This is also in line with companies that have begun to build eco-friendly products. According to Ola Altabbaa and Muge Ors' research, there is a positive relationship between repurchase intention and social value, satisfaction, and self identity, but no such relationship exists between green repurchase intention and green trust, moral obligation, or health consciousness. Therefore, the researcher wants to examine whether the phenomenon also occurs in Indonesia; In this case, the

researchers use Indonesian millennial women from age 17 to 40 as a respondent and research field. By using variables such as Moral Obligation, Green Trust, Self-Identity, Health, Social Value, and Satisfaction to see and describe the relationship to Repurchase Intention towards The Body Shop Green Cosmetics.

### **Research Questions**

Based on the background discussion above, the issues of this research are:

1. Is there a positive effect of Moral Obligation on Green Cosmetics Repurchase Intention?
2. Is there a positive effect of Green Trust on Green Cosmetics Repurchase Intention?
3. Is there a positive effect of Self-Identity on Green Cosmetics Repurchase Intention?
4. Is there a positive effect of Health Consciousness on Green Cosmetics Repurchase Intention?
5. Is there a positive effect of Social Value on Green Cosmetics Repurchase Intention?
6. Is there a positive effect of Satisfaction on Green Cosmetics Repurchase Intention?

## **Research Objectives**

To clarify this research further, this research aims to:

1. To examine whether there is a positive effect of Moral Obligation on Green Cosmetics Repurchase Intention.
2. To examine whether there is a positive effect of Green Trust on Green Cosmetics Repurchase Intention.
3. To examine whether there is a positive effect of Self-Identity on Green Cosmetics Repurchase Intention.
4. To examine whether there is a positive effect of Health Consciousness on Green Cosmetics Repurchase Intention.
5. To examine whether there is a positive effect of Social Value on Green Cosmetics Repurchase Intention.
6. To examine whether there is a positive effect of Satisfaction on Green Cosmetics Repurchase Intention.

## **Significance of the Study**

This study is conducted to benefit the following:

1. Previous Researchers

The previous study established a positive relationship between repurchase intention and social value, satisfaction, and self-identity, but previous researchers were unable to establish a link between green repurchase intention and green trust, moral obligation, or health consciousness, so it will be investigated again.

## 2. Future Researchers

The concepts offered might be utilized as a starting point for new study or to assess the validity of other related discoveries. This research will also act as a cross-reference for them, providing them with background information or an overview.

## 3. Business School

This research will provide Business School students with some knowledge which might be useful to them in their future careers. It can also be a reading material for a case study.

## 4. Indonesian Women

The information provided will help them to take appropriate action in light of the current situation in Indonesia.

## 5. Business Owners or Corporations

The study's findings will assist them in developing effective green marketing strategies and techniques.

## **Organization of the Study**

This study's systematic overview is divided into five chapters and is ordered as follows:

1. Chapter 1 Introduction

Discusses the background, problem statement, research questions, research objectives, significance of the study and organization of the study.

2. Chapter 2 Literature Review

Explains the basic theories of the research variables used based on previous studies, from journals, books and the internet, also the hypothesis development, research model, and research hypothesis.

3. Chapter 3 Research Methodology

Explains research paradigm, research type, measurement, unit of analysis, sample design and sample size, data collection methods, questionnaire development, and data analysis.

4. Chapter 4 Results of Discussions

Elaborate the results of the discussion above.

5. Chapter 5 Conclusion and Recommendations

Giving the conclusion from the research and giving recommendations to the researchers and public.