

CHAPTER I

INTRODUCTION

1.1 Research Background

Personal body care products are something that's inevitable nowadays, men and women know the importance of using the best product for their preference. In the body care and beauty world, there are a wide range of choices that can be chosen by the customers. It might be challenging for customers to choose the right one that suits them the best. If not chosen wisely, it may have an impact on their health, face, body, and skin condition. But, at the same time, their stand on social or environmental beliefs may be considered in their choice of product to use as well. According to *Ecovia Intelligence*, the market for beauty and body care that are environmentally friendly was recorded at \$652M back in 2017 and expected to rise every year as there is an increase in the awareness of customers on the importance of using good body care brands while supporting environmental sustainability.

“When out on a shopping, 70% of the shoppers are thinking about the environmental impact of the products that they bought, but roughly, only around 52% of the shoppers has actually adjusted and change their purchase decision in buying a more sustainable brands, by citing higher costs as their reason” (At Kearney Harvesting the Green Opportunity). The transparency is veiled by 73% of customers, and the majority of them said that they were either more willing or very willing to pay extra money for products from more open and transparent companies. According to Pure Branding, The ROI of Transparency.

According to statistical data year 2017, Indonesia produces an estimated 5.53 million tons of plastic waste every year. This is mostly caused by the increasing number of plastics wastes that came from use-environmentally friendly plastics packaging, according to data gathered by *SIPSN Indonesia* or National Waste Management

Information System of Indonesia, plastic waste contributes as much as 17.1% of the total waste in Indonesia, second largest after food waste at 40.3%. And within a day, 0.8 kilograms of waste is produced by a single individual, and 15% of it is plastic waste. As we can see from

Figure 1. 1 Composition of Indonesia's Marine Waste in 2017



Source: Directorate general of marine space management (2020)

A business or a brand that is willing to try to minimize the impact of damage to the environment is starting to appear everywhere, and those brands that have already existed, are starting to transition their products and services to be more environment friendly. Especially with the rising pressure for businesses to be more aware of the environmental issues it is impossible to be ignored. Businesses, brands and companies need to come up and develop their business models that can be implemented with a more environment and green trends that are becoming more popular nowadays. Doing a more environmentally friendly strategy or green marketing concept is none other than because of the increase of the awareness of the target market to be more oriented towards the environment. That is why those products that are more aware of the

environment can generate more purchasing intention by the increased interest of the potential or already existing customers. (Richard A. Clarker et al., 1994)

Companies that are more progressive in running their business and responsive to the market changes, will have their CSR activities increased, even though it will increase the expenditure of the company. (Imran, Moh., and Sulphey. 2020). In this research paper, Purchase Intention will be the dependable variable, while trust, brand image and awareness of CSR will be the independent variables. In this research paper, Love Beauty and Planet will be the brand that will be used as the

CSR, in its current form, has been an important and dynamic topic in society since the 1950s. To be sure, corporations have attempted to improve society, the community, and specific stakeholder groups for hundreds of years (Carroll et al. 2012). Howard R. Bowen, that is referred as the father of CSR, he wrote and published a book titled “Social Responsibilities of the Businessman” back in 1953 his book was based on a study on how hundreds of largest corporations in the US during that time have a significant power and decision-making, thus their activities can impact citizens’ lives in a variety of ways. Cited from Bowen’s ultimate question “What responsibility to society may business owners reasonably be expected to assume?” and it is still a relevant question until today (Bowen, p.xi, 1953). Ever since then, there has been a constant evolution of the actions that corporations did in order to create an impact on society, variations of movements were created such as civil rights, women’s, consumer and environmental movements that started to be a thing back in the 1960s. For decades, businesses have employed corporate social responsibility (CSR) to contribute back to society while also strengthening their brand image and reputation (Thomas, 2019). According to (Dahlsrud 2006) he had identified and assessed 27 alternative definitions of CSR in 2006. Carroll then designed a pyramid-shaped graphic as a representation of CSR, to understand more of the four levels of CSR, according to Carroll's pyramid of Corporate Social Responsibility, we may see a theory. According to CSR specialist Dr. Wayne Visser, it is likely the most well-known form of CSR (Visser, 2006).

Figure 1. 2 The pyramid of Corporate Social Responsibility



On the bottom level of the pyramid from figure 1.2, there is Economic Responsibilities. Income statement through economic expansion should be the top priority, according to this statement. A corporation will not be able to survive if this is not done. The Legal Responsibilities are the second level of the pyramid, where businesses must follow all rules, regulations, and compliances that pertain to their operations. If a firm wishes to function as a business, it must adhere to society's rules. Ethical Responsibilities is the third level. Management establishes ethical obligations, which include making moral decisions that have an impact on employees, customers, the supply chain, and the environment. The last one, on the top is Philanthropic Responsibilities, it expects the firm to contribute to the society's quality of life. To be a good corporate citizen, a company should participate in activities such as volunteering or fundraising to give back to society. Theory by Victoria University Online (2020).

Corporate Social Responsibilities, or CSR, are starting to be more and more familiar to customers and companies globally. To be sure, there is a hundreds of years

of evidence that many corporations have attempted to improve society, the community, or specific stakeholder groups for hundreds of years (Carroll et al. 2012). The extent to which firms or enterprises assume duties for stakeholders from an economic, ethical, moral, and legal standpoint is characterized as corporate social responsibility. CSR can be considered as the most effective tool that, when correctly implemented, managed, and communicated, will help in the search for unique positioning to generate positive consumer responses (Maignan et al., 1999; Lacey et al., 2015). In today's society, the term CSR has no single concept. This phrase may not be new for us, but it surely has already undergone conceptual evolution in academic and business literature. There are a lot of types of actions that can be done by companies, such as women's equality, protecting the earth and fighting against poverty. The scale of their action can go on a local level, national level or even global level. Research, reports, articles and journals that cover this subject are increasing in numbers. The report covers a variety of subjects related to CSR operations, such as the motivations for firms' CSR programs, activities and its implementation, return on investment and the interactions of CSR activities. Nonetheless, based on the available research and papers, the level of return from the program cannot be predicted. (The World Bank in Indonesia, 2021)

According to Darwin (2004), CSR are divided into 3 parts, economic, environment and social. Business owners and practitioners are now starting to see that SCR is growing more important to people's purchasing decisions. Howard Bowen (1953), the father of CSR, defined social responsibility of businesses as *"businessmen's obligations to pursue those policies, make those judgements, or follow those lines of action that are desirable in terms of our society's objectives and values"*.

As this research is made to see how Corporate Social Responsibilities affect the customer's buying decision on a certain brand. In this paper, an international brand, Love Beauty and Planet is used as the brand that will be analyzed. LBP is an international body care products company, operating and selling in more than 15 countries globally. LBP is the subsidiary of Unilever that is well known for its CSR

program. Since first established back in 2018, Love Beauty and Planet has goals to create a cleaner, greener, and beautiful condition for the planet earth. By 2020, this company has 6 main goals. Starting with making the products entirely from 100% recycled materials, utilizing fast-rinse technology to conserve water, carbon footprints are being reduced and counted, bringing environmental transformation, and lastly, introducing technologies that are both beautiful and good for the environment. (Love Beauty and Planet Official Website, 2018/2019)

For Love Beauty and Planet Indonesia, the goals are the same with the other countries where LBP are operating. But there are several special edition product chains released in certain countries. Seeing that plastic waste is still a challenge faced by Indonesia and the rest of the world, which mostly ends up in the oceans, LBP Indonesia released “Clean Oceans Edition” to support the movement of creating a better sea ecosystem. According to LIPI, plastic trash accounts for 36-38% of waste in Indonesia’s coastal areas, posing a significant threat to the marine ecosystems. (Indonesia Coastal & Marine Resources Management Center, 2020)

Figure 1. 3 Love Beauty and Planet Lovebox



Source: Waste4Change Facebook page

Love Beauty and Planet has five labors of love that they implement to their business. There are *Powerful & Passionate*, *Fast & Fabulous*, *Goodies & Goodness*, *Scent & Sensibility*, and lastly, *Carbon Conscious & Caring* among the categories. There are 3 statements that are attracting the attention of social responsibility action; Being *Powerful & Passionate* is indicating the action that Love Beauty & Planet do, which is making their bottle 100% from post-consumer recycled plastic and being 100% recyclable. Being *Goodies & Goodness* means that their product and action is vegan and animal cruelty free. They also avoid the use of silicones, dyes, and parabens in their product, which is not only good for the users but also the environment and other living creatures on earth. Lastly, *Carbon Conscious & Caring* this statement claim that Love Beauty and Planet will be transparent on their carbon footprint and aim to eliminate the carbon footprint emissions, the steps and things that they do are reporting their annual carbon emissions from the manufacturing until the process of distribution while levy a “tax” every time they produce more carbon along the process. Their goal is to cut the footprint of carbon emission by 20% at least. The step that Love Beauty and Planet is going to do is by donating \$40 per metric ton of carbon to the Carbon Tax Fund, and also partnering with the recycling company. In Indonesia, Love Beauty and Planet is partnering with waste4change, they are trying to encourage more people to form a community for people to do more recycling. People are asked to join a positive campaign called *#smallactsoflove*, according to Clozette Indonesia (2019). This campaign has become a realization in the form of *LBP Love Box*, a recycling station for used packaging of their personal care products. Not only working with Waste4change, Love Beauty and Planet also work with another non-profit organization, XSProject, to help not only reduce the waste production but to educate the garbage-pickers children. (Love Beauty and Planet Official Website, 2017/2018)

Figure 1. 4 Financial Review of Unilever year 2019

(Dalam jutaan Rupiah) (In million of Rupiah)	2019	2018	^(%)	2019	2018	^(%)	2019	2018
Informasi Segmen Segment Information	Home and Personal Care			Foods and Refreshment			Total	
Penjualan bersih Net sales	29,862,357	28,723,176	4.0%	13,060,206	13,078,897	-0.1%	42,922,563	41,802,073
Laba bruto Gross profit	16,323,770	15,106,817	8.1%	5,704,923	5,998,010	-4.9%	22,028,693	21,104,827
Hasil segmen Segment result	10,097,262	9,436,658	7.0%	2,056,504	2,276,493	-9.7%	12,153,766	11,713,151
Margin laba bruto Gross profit margin	54.7%	52.6%	3.9%	43.7%	45.9%	-4.8%	51.3%	50.5%
Kontribusi penjualan Sales contribution	69.6%	68.7%	1.3%	30.4%	31.3%	-2.7%	100.0%	100.0%

Source: PT Unilever Indonesia Tbk Annual Report 2019

In Indonesia, according to the 2019 annual report of Unilever, the home and personal care segment has grown every year. In 2019 alone there was a 4% increase in the Home and Personal Care segment according to the Annual Report of Unilever year 2019. The data for the net sales of Love Beauty and Planet alone can't be found on the annual report. But since this brand is the subsidiary of Unilever, the financial report for the Love Beauty and Planet itself isn't available at the annual report, Love Beauty and Planet brand is combined with the other body care brands from Unilever. (Annual Report of Unilever, 2019)

By Q1 of 2021 itself, this vegan and cruelty-free shampoo has around 6,000 transactions in Shopee itself, or with an estimation of Rp 492,74 million in currency (Farah Ramadhani. June 2021). Love Beauty and Planet brand has made it into the top 10 brand in Indonesia that has the most sales in 2021, this brand won the best seller and made it into number 7 in Indonesia. (Kompas, 2021)

From the discussion above, this research paper is aiming to help in finding the solutions and improvements on the effect of Corporate Social Responsibility of Love Beauty and Planet, as well as for it to help enhance the customer's purchase intention.

This research paper is a replication from Qingyu Zhang and Sohail Ahmad's research

that analyse the effect of Corporate Social Responsibility Execution on Purchase Intention with the Moderating Role of Customer Awareness. The research take place in Pakistan, while in this research paper, the researcher takes place of the research in Indonesia. The research model was adopted by the research of this paper from the grand journal, where the researcher used it for the modification research paper. The variables and relationships have been put in such a way to see the relationship between each variable and their relationship.

1.2 Research Problem

1. Do the relationship between CSR and Customer's Purchase Intention of Beauty Love and Planet customer will link in a direct and positive way.
2. Do CSR link directly and positively to the brand image of Love Beauty and Planet?
3. Do brand image of a company is directly and positively related to customer Purchase Intention of Love Beauty and Planet?
4. Do CSR activity has a direct and positive relationship to the customer's Trust of Love Beauty and Planet?
5. Do trust link directly and positively to the customer Purchase Intention of Love Beauty and Planet?
6. Do Awareness of CSR as a moderator between CSR and purchase intention of Love Beauty and Planet have a positive impact?

1.3 Research Purpose

1. To examine if the Corporate Social Responsibility action will directly and positively relate to the Purchasing Intention of Love Beauty and Planet customers.
2. To examine if Corporate Social Responsibility actions of a company will directly and positively relate to the Brand Image of Beauty Love and Planet company.
3. To examine if Brand Image of a company is directly and positively related to Customer Purchase Intention of Beauty Love and Planet customer.
4. To examine whether the Corporate Social Responsibility action of Beauty Love and Planet relate directly and positively to the customer's Trust.
5. To examine if the Trust relate directly and positively to the Purchase Intention of Beauty Love and Planet customer.
6. To examine if the Awareness of CSR actions have a positive impact between Corporate Social Responsibility action to the Purchase Intention of Love Beauty and Planet customers.

1.4 Benefit of Research

1.4.1 Practical Benefits

With this research paper, it is expected to help the readers to gain more understanding and be able to distinguish the knowledge on how the importance and use of CSR as a marketing strategy in a company may affect the purchasing intention of the customers. And to get more insight at how it will affect the business on an

international scale. This research can be used by companies that are using CSR as their marketing and running the business in beauty/body care product industries, students who are analyzing the CSR in the body/beauty care products industry, and people in general.

1.4.2 Theoretical Benefits

With this research, is it expected to give more information and solutions of knowing more about the effectiveness of using CSR to enhance the purchasing intention of customers towards the product in an industry of body care products, specifically the Love Beauty and Planet brand in Indonesia.

1.5 Writing Systematics

The writing systematic in this research paper can be described into 5 chapters, namely as follows:

CHAPTER I INTRODUCTION

This chapter contains and explains the research background, research problem, research objectives, research benefits (theoretical & practical), and writing systematics.

CHAPTER 2 LITERATURE REVIEW

In this chapter, it contains a number of theories that are used as a basis and support in analyzing the main problems in research, as well as analyzing the relationship between variables contained in the research model along with the framework and hypotheses.

CHAPTER 3 RESEARCH METHOD

This chapter discusses the research paradigm, research objects and subjects, unit analysis, type of research, research design, questionnaire making techniques, sample design, data analysis method, model evaluation, research instrument testing, and SmartPLS.

CHAPTER 4

RESULTS AND DISCUSSION

This chapter contains data analysis and research problems that have been collected from the questionnaire where the data is statistically tested on the variables. These include, respondent profile, results of preliminary test studies, descriptive statistics, inferential statistics, and discussion.

CHAPTER 5

CONCLUSION AND RECOMENDATION

This chapter describes the conclusion from the results of the discussions that have been carried out and contains suggestions or recommendations proposed by researchers for further research.