

## CHAPTER I

### INTRODUCTION

#### **A. Background of Study**

Having healthy skin is the dream of all women in the world. They consider that taking care of their skin is very important. It is because the condition of skin can be affected by internal (age and gen) and external (stress, dietary habits, and free radicals) factors. Healthy skin is frequently described as beautiful, flawless, glowing, and young, but these terms are imprecise and reflect subjective and non-quantifiable characteristics (Obagi, 2008). In the other hand, Sjahrudin (2019) contended that healthy skin will automatically be seen as clear, fresh, spotless, and glowing. Meanwhile Arikumo (2018) stated that healthy skin is the well hydrated skin. Face skin needs special care to maintain its health, smooth, moist, and glow. Using skin care products is one of the efforts to make the dream comes true.

Skin care and cosmetics are two different things but they relate each other. Skin care products are used to protect the skin. They are used to care for one aspect of the skin. It regulates the moisture, oil, and nutrition of the skin. It is like daily facial cleanser, water cream, mask, eye cream, essence, as well as exfoliating creams, massage creams, and cleansing creams. According to US Food and Drug Administration, which regulates cosmetics, defines cosmetics as intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance without affecting the body's structure or

functions. Cosmetics include skin care products, hair care products, personal care products, and also make up products.

In today's globalization era, skin care products are having a very strict competition. Skin care and cosmetics products still included in the fastest grow category. According the Nielsen data, skin care is one of the categories that grow very fast or usually called as Fast Moving Consumer Goods (FMCG) (Sancoyo, 2019). Fast Moving Consumer Goods (FMCG) is a product that is needed by all end users to fulfill their daily needs (Pongiannan and Chinnasamy, 2014). This product is sold massively at a relatively low price. The group of FMCG products, for instance are personal care, household needs, soft drinks, toiletries, detergents, batteries, stationery supplies, cosmetics, skin care, pharmaceuticals, food packages, and others. The product group is the result of the production process carried out by the FMCG industrial producers. National and multinational companies have operated the FMCG industry, so now the FMCG industry has grown rapidly in every country (Ibidunni, 2011). Everyone has their own criteria for their skin care. The customers usually are more selective in choosing skin care because they have to be aware of their skin type and condition. If they choose the wrong one, they will have skin irritation.

The largest citizens in Indonesia are Muslims. We, as women, have to be careful in choosing our skin care. As Muslim customers, we need the statement that skin care products sold in Indonesia have halal certification in accordance with Islamic sharia. Recently, Halal is not simply a religious issue rather it is

an opportunity to increase sales and acquire competitive advantage. Teng and Jusoh (2013) stated that the level of awareness of halal cosmetic products among Muslims is still low. Not all Muslims consumers seek for halal certification when they buy cosmetic products. Most consumers will buy cosmetic products without halal certification when there is no alternative.

The manufacturers and marketers use Halal Certification and logo as a way to notify and encourage their target market that their goods are Halal and shariah-compliant. Halal market does not only focus on the Islamic countries, but also in non-Muslim countries (Ibrahim, 2010). There are 86% of American Muslim consumers who believe that American companies “need to make more of an effort to understand Muslim values” (Hussain, N. 2010). Increased consciousness and availability of Halal products has given an alternative to increase global market (Al-Harran, D. A., & Low, P. (2008).

Sales of hair care, skin care, and colour cosmetic from 2008-2013 showed that sales of color cosmetic in Malaysia rise by 4%, skin care grows by 5%, and hair care grows by 4%. (Euromonitor, 2014). Soraya (2010) added that, the trend is also becoming more discerning whereby the demand for specialized value-added products such as Halal product, botanical-based products, or products that are eco-friendly are increasing. The potential growth for Halal cosmetic and personal care products is caused by the increasing demand for safe, natural products that fit consumer’s religious and cultural beliefs (Halal Journal, 2008).

Besides Halal labeling, consumers also need product with good quality. Skin care product which is considered as good and safe product will always be sought by the consumers. Consumers will review about the efficacy that they get, and then they will rate about the product quality. Product quality is the ability of the product to do its job including durability, progress, strength, packaging, and others characteristics (Kotler and Amstrong, 2004). The company will provide its best quality to consumers so that consumers continue to make purchases of the products offered. It is very competitive business, companies have a big role, especially with consumer ratings of product quality. According to Nirvana (2006), the quality of product is dynamic and changes with the demand of the customers. The analysis from Yuen and Chan (2010) higher product quality can maintain the highest level of client satisfaction, which inspires customers to form future purchase.

Creating great brand image for a product will be very useful for the marketers because brand image will influence the consumers' opinion towards alternative brand. According to Kalieva (2015) Brand image is derived from "brand" and "image". They are single but not identical concepts. The word "image" in relation to word "brand" is perceived by the target audience as a "generalized portrait" of the branded object. The image-generating qualities are planned actions of the branded object, generating them we can form public opinion. The better the brand image is the more interested the consumers to buy the product. Good brand image will increase the consumer intention on all marketing activities of the competitors.

Brand image has something to do with product appearance so when customers are satisfied with it they will make become loyal to the brand even though they have other optional brands (Vinhas & Faridah, 2008). According to Abrazhevich (2001) along with his studied that favorable image of product within the mind of customers has a crucial impact on buy, which are showing more of the customer's interest in purchasing the cosmetic products or personal care products. Nguyen and Leblanc (2001) found that the degree of customer loyalty tends to be high in business where brand image is strong.

Loyalty has been becoming a crucial construct in marketing and particularly in the burgeoning field of customer relationship management. Customer loyalty is the follow up of customer satisfaction in using facilitation or services given by the company. (Fornell in Mouren Margareta 2004). The level of loyalty which actually begins with the assessment of very satisfied with what it receives from the company (Jones and Sasser, 1995). Companies need to monitor and increase the level of customer satisfaction. The highest level of customer satisfaction, more likely the customer remains loyal to the brand. The customer expresses their loyalty to repeat the purchase from the company. Bennett and Rundle (2004), and Schultz, (2005), stated that customers who feel satisfied by a product or service will form a loyal behavior. This behavior will lead to repetitive purchases and share a positive word of mouth. This finding is in line with Selnes (1993), which stated that customer loyalty can be formed if the customer is satisfied with the brand or the level of service received and intend to continue the relationship. According to Zeithaml,

Parasuraman, and Berry (1996), the product or service quality can directly influence on loyalty.

Customer satisfaction is the emotional and cognitive evaluation of the customers' impressions of a product or service and reflects the first step in loyalty. Customer satisfaction is defined as an overall evaluation based on the total purchase and consumption experience with the good or the services over time (Fornell, Johnson, Anderson, Cha & Bryan, 1996). The following are four facts about customer satisfaction (Kotler, 2003):

1. Getting new customers will spend 5% to 10% more than the costs incurred to satisfy and retain existing customers.
2. The average company loses 10% to 30% of its customers every year.
3. A reduction of 5% in the rate of mistakes made by customers will increase revenue by 25% to 85% depending on the industry in which the company is located.
4. The level of income from customers tends to increase if the customer is still maintained by the company.

According to Heskett (2011), as satisfied customers are loyal and dissatisfied customers are vendors.

According to the background, the researcher is interested in having a research with the tittle **THE IMPACT OF HALAL LABELING, BRAND IMAGE, AND PRODUCT QUALITY ON CUSTOMER LOYALTY WITH CUSTOMER SATISFACTION AS MEDIATING VARIABLE (STUDY OF HALAL SKIN CARE IN UMS)**

## **B. Research Problems**

1. Do Halal labeling, brand image, and product quality have impact on customer satisfaction on halal skincare in UMS?
2. Do Halal labeling, brand image, and product quality have impact on customer loyalty with the mediation of customer satisfaction on halal skincare in UMS?

## **C. Purposes of Research**

Based on the background the research problems can be defined as follow:

1. To analyze the impact of Halal labeling, brand image, and product quality on customer satisfaction on halal skincare in UMS.
2. To analyze the impact of Halal labeling, brand image, and product quality have impact on customer loyalty with the mediation of customer satisfaction on halal skincare in UMS.

## **D. Benefits of Research**

1. Theoretical Benefits

This study is expected to provide information and develop new knowledge in the scope of marketing. It also can be used as a guide by another researcher in the future if he will conduct a research with the same theme.

2. Practical Benefits

- a. For the researcher

This study is expected to increase the researcher's knowledge while implementing the theories got during the lecturing time.

b. For the companies

The results of this study are expected to give additional information for the companies so that they can increase their customer satisfaction.

## **E. Systematics of Writing**

### **CHAPTER I INTRODUCTION**

This chapter consists of background of study, research problems, purposes of the study, benefit of the research, and the explanation of writing systematics.

### **CHAPTER II LITERATURE REVIEW**

This chapter contains theoretical background of variables in this study, results of previous studies, hypothesis of the study and theoretical framework.

### **CHAPTER III RESEARCH METHODOLOGY**

This chapter is about the methodologies of the research. It contains the information about research design, population and sample, sampling method, operational definition, source of data, data collection technique, instrument analysis, data analysis, and hypothesis testing.

### **CHAPTER IV RESULT ANALYSIS AND DISCUSSION**

In this chapter, there are results of data analysis and the discussion as the implication for this study.



## CHAPTER V CONCLUSION

The last chapter covers conclusion, research limitation, and implication of study and research recommendation.

## BIBLIOGRAPHY

## APPENDIX