



## The Influence of Marketing, Pricing and Promotion on Gen Z's Purchase Behaviour of Halal Cosmetics in Indonesia

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**ABSTRACT** - This study investigates the influence of the marketing mix (product, price, place, and promotion) on the purchasing behaviour of Indonesian Gen Z when buying Halal cosmetics. The objective of this study was to enhance the current understanding and bridge the gaps in the existing literature by examining the marketing effects and cognitive factors associated with Gen Z's purchasing behaviour. Previous studies in Indonesia have mainly focused on Halal food and pharmaceutical consumption. There is a need to enter this Halal sector as cosmetics are now regarded as a primary requirement, and the growth of the Halal cosmetics business will affect any country's Gross Domestic Product GDP. The study sets out to investigate the impact of the Theory of Planned Behaviour (TPB) constructs on the purchasing behaviour of Gen Z regarding Halal cosmetics products. The proposed model identifies the factors that shape the purchase intention of Gen Z towards Halal cosmetics and analyses how these marketing mix factors impact their attitude. The quantitative study was conducted on the island of Java, with data obtained from 500 respondents. The data was analysed using Structural Equation Modeling (SEM) with the Partial Least Square (PLS) approach with the SmartPLS application. The study discovered that marketing mix elements exert influence on the purchasing behaviour of Indonesian Gen Z when purchasing Halal cosmetics. These findings contribute not only to advancing theoretical knowledge but also provide practical implications for the industry players.

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Gen Z, Consumer Behaviour, Marketing, Halal Cosmetics, Indonesia.

## INTRODUCTION

Indonesia is a country with the world's largest Muslim population, plus growth in requests for Halal products demonstrates a positive trend, making Indonesia a potential market for Halal products. The Halal economy is experiencing growth sustainability driven by a first-class Muslim population of medium affluent young demanding Halal products and services (Masood & Abdul Rahim, 2020).

According to the Report Global Islamic Economy 2019/2020 published by Thomson-Reuters and Dinar Standard (GIER 2018/2019), it was reported that wealthy and tech-savvy Muslims will make up 26% of the global population in 2020 and are projected to reach 30% or 2.2 billion individuals by 2030. This phenomenon is expected to contribute to the rising international demand for Halal products and services (Masood, 2021).

One of the rapidly growing industries today is the cosmetics product industry. Cosmetics products have become a primary necessity for Gen Z. Moreover, Halal cosmetics products are considered an innovation and revolution in the cosmetics industry as they provide high-quality products that adhere to Halal standards (Khan et al., 2020).

Companies are required to think and consider ways to create product quality that meets consumer expectations since consumers expect high-quality products that fulfil their desires and needs. With the increasing consumption of cosmetics by Gen Z in Indonesia, companies producing Halal cosmetics will reap benefits if they understand the consumer behaviour of this target market. Additionally, the growth in cosmetics consumption will have a positive impact on the Indonesian economy. Statistically, the growth of the cosmetics industry in 2019 was 7.23%, higher than the growth of the national industry in the same year of 5.02%. This suggests that the cosmetics industry is growing rapidly.

Kurniawan (2023), in his research, explained that financial literacy does not influence the consumptive behaviour of Gen Z. However, price and sales promotion do have an impact on the consumptive behaviour of Gen Z. Furthermore, simultaneously, financial literacy, price, and sales promotion also influence the consumptive behaviour of Gen Z (Kurniawan, 2023). An earlier report by Renaldi and Arnu (2022) stated a significant influence, both partially and simultaneously. The influence of sales promotion has a total impact of 12.2%, while the brand image has a total impact of 46.3% on the decision to use the OVO<sup>1</sup> e-wallet (Renaldi & Arnu, 2022). In another research based on Mi Samyang by Lestari and Supriyanto (2022), the research discovered that various factors, including Halal awareness, partial Halal labelling, price, and promotion activities, significantly influence the purchasing decisions of Gen Z regarding Mi Samyang. Moreover, the study by Anjani & Simamora (2022) reported that test results indicate a significant influence, both individually and collectively, of influencers, price, and quality on the purchase decision.

Amini and Salahuddin's (2023) research results indicate that both visibility and attraction have a significant influence on the purchase intention of Gen Z. However, individually, visibility does not have a significant impact on consumer purchase intention, while attraction has a positive significant impact on Gen Z consumer purchase intention (Amini & Salahuddin, 2023). This quantitative research study employs descriptive statistical analysis using Structural Equation Modeling (SEM) with the assistance of Partial Least Squares (SmartPLS) software.

The purpose of this study is to answer the question of what factors influence the shopping culture of Gen Z towards cosmetic products, specifically focusing on the factors of promotion and price, by conducting a case study on Gen Z in Indonesia. It specifically seeks to answer the research questions below:

- RQ<sup>1</sup>: Does promotion have a significant positive effect on Halal cosmetics buying behaviour of Gen Z?
- RQ<sup>2</sup>: Does price have a significant positive effect on Halal cosmetics buying behaviour of Gen Z?

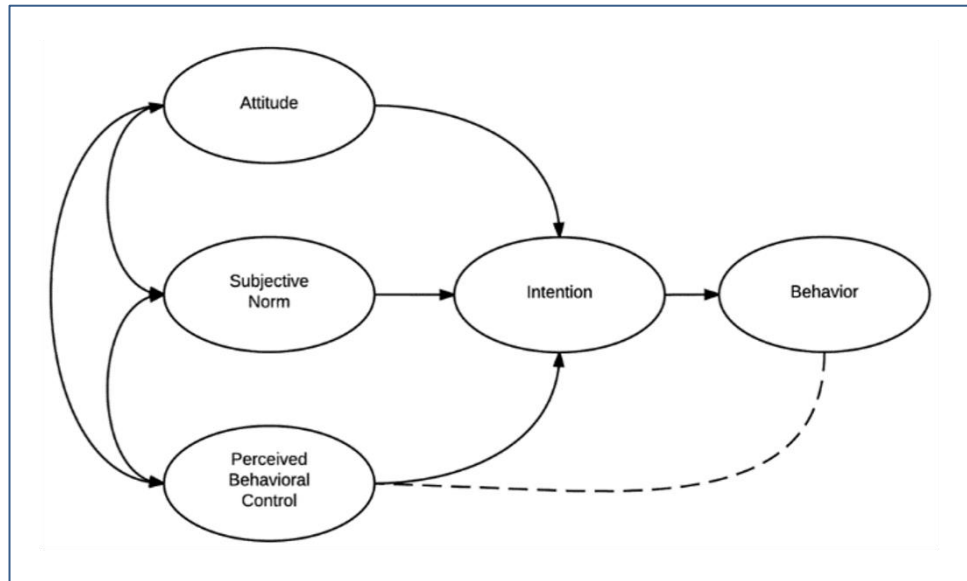
## **LITERATURE REVIEW**

### **Theoretical Framework of Planned Behaviour**

The Theory of Planned Behaviour (TPB) is a psychological theory that links beliefs to behaviour. The theory comprises three components: attitude, subjective norms, and perceived behavioural control, which combine to shape an individual's behavioural intentions as shown in Figure 1. One of the tenets of TPB is that behavioural intention is the most proximal determinant of human social behaviour.

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<sup>1</sup> OVO is one of the well-known platform of e-wallet in Indonesia



**Figure 1:** Theory of planned behaviour

Prior studies on this topic have addressed some issues regarding consumers planned behaviour in choosing Halal products from the perspective of TPB (Abd Rahman et al., 2015; Aisyah, 2017), a study of what factors influencing Halal (Che Mohd Hashim and Musa, 2014) and an exploratory study of Halal cosmetics emerging market (Ali et al., 2016). However, none of the studies was conducted with regard to factors affecting Gen Z purchase behaviour.

### Halal Cosmetics

According to the Food and Drug Supervisory Agency (BPOM) in the Head Regulation BPOM RI Number HK.03.1.23.08.11.07331 of 2011 concerning Methods of Cosmetic Analysis, cosmetics are ingredients or preparations intended for use on the outside of the human body (epidermis, hair, nails, lips, organs, external genitalia), or the teeth and mucous membranes of the mouth, especially for cleaning, perfuming, and changing appearance, and/or improving body odour or protect or maintaining the body in good condition. Yusuf Al-Qaradawi defines the term Halal as everything permissible to be consumed as dictated by Syariah law and that the individual who follows the ruling is not subject to sanctions Allah SWT (Al-Qaradawi, 1999).

Halal cosmetics are products that have been recognized for their Halal status by the Halal Assurance Organizing Agency or in Indonesian known as Badan Penyelenggara Jaminan Halal (BPJH) of the Ministry of Religious Affairs based on written Halal *fatwas* issued by the Indonesian Ulema Council or Majelis Ulama Indonesia (MUI). Some argue that Halal cosmetics are beauty attributes following Islamic teachings. However, others perceive Halal as a universal concept meant for mankind and not exclusive to Muslim individuals, whereas Halal-Toyyiban means clean, healthy, and safe (Darmalaksana, 2021). Indonesia, a country with the largest Muslim population in the world, combined with the growing demand for Halal products, makes Indonesia a potential market for Halal cosmetics.

Currently, beauty and cosmetic products have undergone numerous changes with the introduction of cutting-edge innovations that cater to the needs and desires of consumers. Cosmetic products have become increasingly diverse, both in terms of types and various brands available. The need for cosmetics has become an essential part of daily life for individuals, as cosmetics serve as enhancers to improve one's appearance (Yulianty et al., 2021).

## **Purchase Behaviour**

A purchase decision is an action involving multiple alternatives. To influence an individual purchase decision requires accuracy and precision in the offering as it is related to the expectations of consumers (Schiffman & Kanuk, 2004). Furthermore, according to Kotler and Keller (2005), the purchase decision process is complex in that consumers consider their desires for products or brands available in the market and match them with their expectations.

The consumer decision-making process begins with gathering information from the environment. The information obtained is then interpreted by the consumer. This interpretation process requires the acceptance of information and involves two cognitive processes: attention and comprehension. During the attention process, consumers select the information they need, and during the comprehension process, consumers determine subjective meanings that create knowledge and beliefs (Peter & Olson, 2005).

Ferdinand (2014) identified purchase intention as influenced by transactional intention (an individual's tendency to purchase a product), referential intention (an individual's tendency to recommend the product to others), preferential intention (an individual's behaviour with a primary preference for the product which can be replaced if something happens with their preferred product); and exploratory intention (individual's behaviour of continuously seeking information about the product of interest and gathering information to support the positive characteristics of the product).

## **Promotion**

According to the American Marketing Association (AMA), marketing is a process of planning and implementing a set of ideas, goods, and services, including concepts, pricing, promotion, and distribution, to create exchanges that satisfy the goals of individuals and organisations (Lamb et al., 2021). At the same time, Kotler (2002) defines the marketing mix as a series of controlled marketing variables used by a company to elicit desired responses from its target market. The marketing mix consists of everything a company can do to influence the demand for its products, often referred to as the "four P's": product, price, promotion, and place (Armstrong & Kotler, 2003).

According to Tjiptono (2013), promotion means bringing customers from a state of unawareness to actively adopting a product, which can be understood as communication with individuals, groups, or organisations, directly or indirectly facilitating the exchange of information and persuading one or more audiences to accept an organisation's product. Irawan and Swastha (2013) defined promotion as a one-way flow of information or persuasion created to direct an individual or organisation towards a specific action that can generate exchanges in marketing Irawan and Swastha (2013).

These definitions highlight the significance of promotion in marketing, emphasizing its role in informing, persuading, and influencing consumers to engage with products and services. Promotion is a fundamental component of marketing strategies aimed at achieving organisational objectives.

## **Price**

Price is the amount of money that needs to be sacrificed to acquire something desired or needed. Consumers spend a certain amount of money corresponding to the price set by the seller to obtain a desired product. It is expected that an attractive price can influence consumer purchasing decisions (Matheos et al., 2021). Price is one of the crucial factors for service providers to gain a competitive advantage in marketing their products. Therefore, pricing must be determined carefully (Kotler & Keller, 2005). Another definition of price, according to Tjiptono (2013), states that it is the only element of the marketing mix that generates income or revenue for a company (Tjiptono et al., 2008). Price plays a crucial role in influencing consumer purchasing decisions, as every price set by a company affects the demand for its products (Nasution, 2019).

According to Perreault and Cannon (2008), price is one of the factors that needs to be harmoniously controlled in line with the company's objectives as it significantly impacts various aspects of business activities, including sales and the desired level of profitability. This implies that price represents the monetary value of goods or services. These definitions collectively underscore the centrality of price in marketing and its multifaceted impact on consumer behaviour, business performance, and revenue generation.

## **METHODOLOGY**

The study starts with conducting a literature review of the factors that will be analysed, followed by a quantitative analysis of the results obtained, leading to a conclusion and recommendations. The data obtained in this study consisted of 500 consumer respondents of cosmetic products. Apart from questions related to factors that could influence Gen Z consumer behaviour towards Halal cosmetics, the demographic information of respondents was also collected to ensure a clear understanding of the respondents' profiles as objects of the research.

## **RESULT**

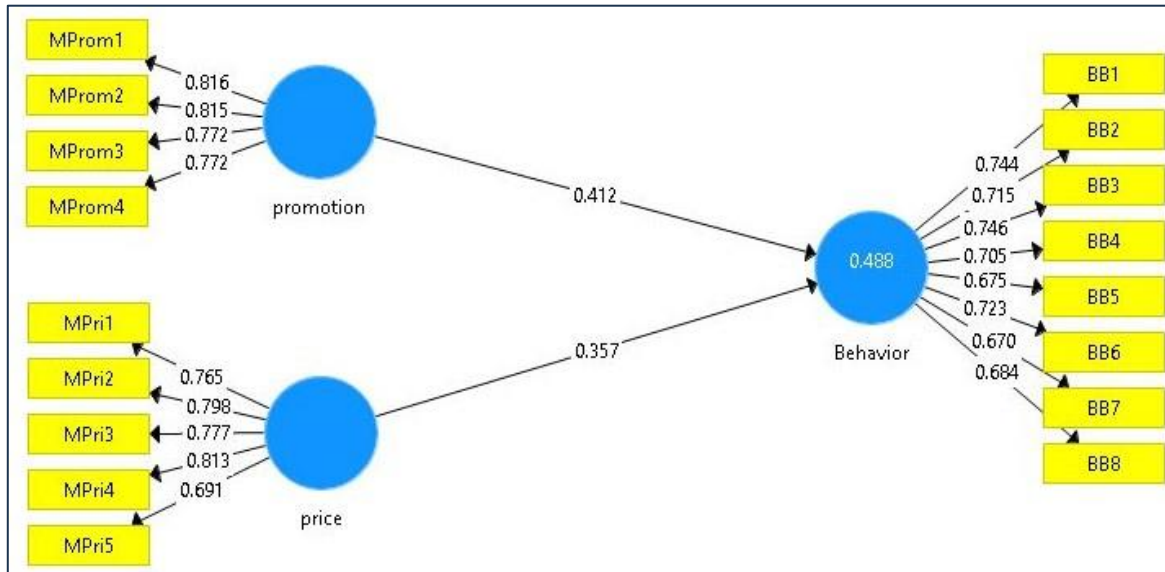
### **Testing (Measurement Model)**

#### ***Convergent Validity***

Convergent validity is a concept used in factor analysis and SEM to measure the degree to which the items used in measuring a particular construct are congruent or "convergent" with each other. In the context of this research, convergent validity is evaluated through factor loadings of each item used to measure a construct.

The range of load factors generally accepted as a sign of good convergence is between 0.5 to 0.6. This means that each item must have a factor loading on the measured construct of around 0.5 to 0.6 or more to be considered adequate. Factor loadings reflect how strong the relationship is between the item and the construct being measured. The higher the factor loading, the more strongly the item is connected to the construct. In this research, all analyses will be conducted using SmartPLS 4.0 software. This software is a tool used to perform SEM analysis and assess conceptual models, including evaluating convergent validity.

Therefore, this study will use SmartPLS 4.0 to calculate the factor loadings of each item and ensure that these factor loadings are within the accepted range (0.5 to 0.6) to ensure the convergent validity of the instruments used in the study. Good convergent validity indicates that the items consistently measure the same construct, which is important in psychometric research and factor analysis.



**Figure 2:** Convergent validity

**Table 1:** Convergent validity

Variable	Items	loading	Information
Promotions	MProm1	0.816	Valid
	MProm2	0.815	Valid
	MProm3	0.772	Valid
	MProm4	0.772	Valid
Price	MPri1	0.765	Valid
	MPri2	0.798	Valid
	MPri3	0.777	Valid
	MPri4	0.813	Valid
	MPri5	0.691	Valid
Buying Behaviour	BB1	0.744	Valid
	BB2	0.715	Valid
	BB3	0.746	Valid
	BB4	0.705	Valid
	BB5	0.675	Valid
	BB6	0.723	Valid
	BB7	0.670	Valid
	BB8	0.684	Valid

Table 1 summarises the loading factor values for each item on the Promotion, Price, and Buying Behaviour variables. The factor loading value indicates the extent to which each item contributes to the measurement of the corresponding construct. The statement that “all load factor values are > 0.5” in this context refers to convergent validity testing.

Convergent validity is a type of validity that measures the extent to which the items used to measure a construct simultaneously measure that construct well. A high loading factor value, namely more than 0.5, indicates that each item has a significant contribution in measuring the appropriate latent variables (Promotion, Price, and Buying Behaviour). In this context, factor loading values above 0.5 indicate that each item is a valid and useful measure for measuring the construct they represent.

Hence, these results indicate that all items in the Promotion, Price, and Buying Behaviour variables are good measuring tools since they have a strong relationship with the construct that they are trying to measure in accordance with convergent validity standards. In other words, these items can be trusted as effective tools in measuring relevant aspects of these constructs in your research.

### ***Discriminant Validity***

Discriminant validity, or the second validity test conducted, is used to measure the extent to which the latent variables in the model have adequate discriminant validity. This is performed by observing the square root value of the Average Variance Extracted (AVE) and comparing it with the correlation between the latent variables in the model. The way to measure discriminant validity is by comparing two things:

1. Square Root of AVE: This is the square root of the AVE value for each latent variable in the model. AVE measures the amount of variation that can be explained by the construct of the items used to measure it. The higher the AVE value, the greater the contribution of the construct to the variation in the items used to measure it.
2. Correlation between latent variables: This is the correlation between each pair of latent variables in the model. These correlations can be discovered in the output of the structural analysis software used.

The model is considered to have adequate discriminant validity if the square root value of the AVE for each latent variable is greater than the correlation between these latent variables in the PLS output. In this context, if the AVE value is greater than the correlation between two latent variables, it indicates that the variables have adequate discriminant validity, meaning that they are actually measuring significantly different constructs.

Adequate discriminant validity is important in factor analysis or SEM as it helps ensure that the variables used in the model are truly measuring different constructs and are not overly correlated with each other. This allows research to more accurately identify the impact of each latent variable on observed outcomes, as indicated in Table 2 as follows:

**Table 2:** Result values of AVE (Average Variance Extracted)

	<b>Behaviour</b>	<b>Price</b>	<b>Promotions</b>
Behaviour	0.708		
Price	0.624	0.770	
Promotions	0.644	0.650	0.794

Based on the results in Table 2, it can be observed that the square root of the AVE values for all variables is higher than the correlation between those variables and other variables. For instance, the Behaviour variable has an AVE square root of 0.708, which is higher than the correlation coefficients with other variables, namely 0.624 (Price) and 0.644 (Promotion). This indicates that the Behaviour construct is deemed valid, as the AVE square root is greater than the correlation coefficients. The same analysis applies to other variables. In conclusion, all variables in this study exhibit high discriminant validity.

Discriminant validity can be assessed through cross-loading values, which indicate the magnitude of the correlation between constructs and their indicators, as well as indicators of other constructs. The standard criterion for cross-loading is to compare the square root of the AVE values for each latent variable with the correlation between latent variables in the model. Suppose the square root of the AVE for each latent variable is greater than the correlation with other latent variables in the model. In that case, it is considered to have good discriminant validity.

**Table 3:** Results of Cross-Loading values

	<b>Behaviour</b>	<b>Price</b>	<b>Promotions</b>
BB1	0.744	0.547	0.482
BB2	0.715	0.478	0.499
BB3	0.746	0.402	0.474
BB4	0.705	0.343	0.412
BB5	0.675	0.341	0.406
BB6	0.723	0.358	0.426
BB7	0.670	0.476	0.449
BB8	0.684	0.523	0.474
MPri1	0.465	0.765	0.482
MPri2	0.530	0.798	0.541
MPri3	0.471	0.777	0.521
MPri4	0.517	0.813	0.522
MPri5	0.410	0.691	0.426
MProm1	0.553	0.585	0.816
MProm2	0.491	0.490	0.815
MProm3	0.510	0.469	0.772
MProm4	0.487	0.513	0.772

Based on Table 3, it is evident that the cross-loading values for each item are greater than the square root of the AVE values and are highest when associated with other constructs. This indicates that each indicator in this study effectively explains its respective construct and provides evidence that the discriminant validity of all items was valid.

#### ***Composite Reliability and Cronbach's Alpha***

In addition to validity testing, reliability testing is also very crucial in the measurement model. Reliability testing is used to assess the accuracy, consistency, and precision of instruments in measuring latent variables. In the PLS-SEM method, which is conducted using SmartPLS, the reliability analysis of a construct can be performed using two methods: Cronbach's Alpha and composite reliability. However, there are limitations to using Cronbach's Alpha as it can produce lower estimates when assessing the reliability of a construct. Therefore, it is recommended to use composite reliability for reliability testing. A construct is considered reliable if its composite reliability value is above 0.70.

1. Cronbach's Alpha: This is one of the methods used to measure reliability. Cronbach's Alpha measures the degree to which the items in a construct are consistent with each other and provides a measure of reliability based on the correlation between the items. Cronbach's Alpha value ranges from 0 to 1, and the higher the value, the higher the reliability of the construct. However, there are some situations in which Cronbach's Alpha may result in low values, especially if the construct has few items.
2. Composite Reliability: Composite reliability is an alternative method that is usually recommended in PLS-SEM analysis. It also measures the consistency of items within a construct but can provide better estimates of reliability, especially when the construct has few items. Composite reliability is the ratio of the amount of construct variance explained by the items in the construct compared to the total variance explained by the items plus measurement error. A construct is considered reliable if its composite reliability value exceeds the threshold of 0.70.



The use of composite reliability is preferred in PLS-SEM as it provides more stable reliability estimates, especially when the construct has few items. This helps ensure that the construct used in the analysis is a consistent and accurate measure of the latent variable it is intended to measure. Thus, research can rely on the results of the analysis to draw stronger conclusions.

**Table 4:** Composite reliability and Cronbach's Alpha

	<b>Cronbach's Alpha</b>	<b>rho_A</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted (AVE)</b>
Behaviour	0.858	0.861	0.889	0.502
Price	0.828	0.834	0.879	0.593
Promotions	0.805	0.807	0.872	0.631

Table 4 describes the results of all variables used in reliability testing, both measured by Cronbach's Alpha and composite reliability, which have values exceeding 0.70. Apart from that, validity testing using AVE provides values above 0.50. Therefore, it can be concluded that the variables assessed are both valid and reliable, making it possible to continue further testing in the structural model.

This is a positive result, as high-reliability values indicate that the measurement instruments used are consistent and accurate in measuring the observed constructs. Meanwhile, high AVE values indicate that the well-measured construct can explain most of the variation in the indicators used, indicating good construct validity.

These results provide confidence that the model used in this research can be used with confidence to evaluate the relationships between variables in a structural model. This is a crucial step in ensuring that the findings from this research are reliable and relevant.

### **Testing (Structural Model)**

The evaluation of the structural model, also known as the inner model, aims to predict the relationships between constructs. The structural model is evaluated by examining the percentage of explained variance, indicated by the R-Square value, for endogenous constructs.

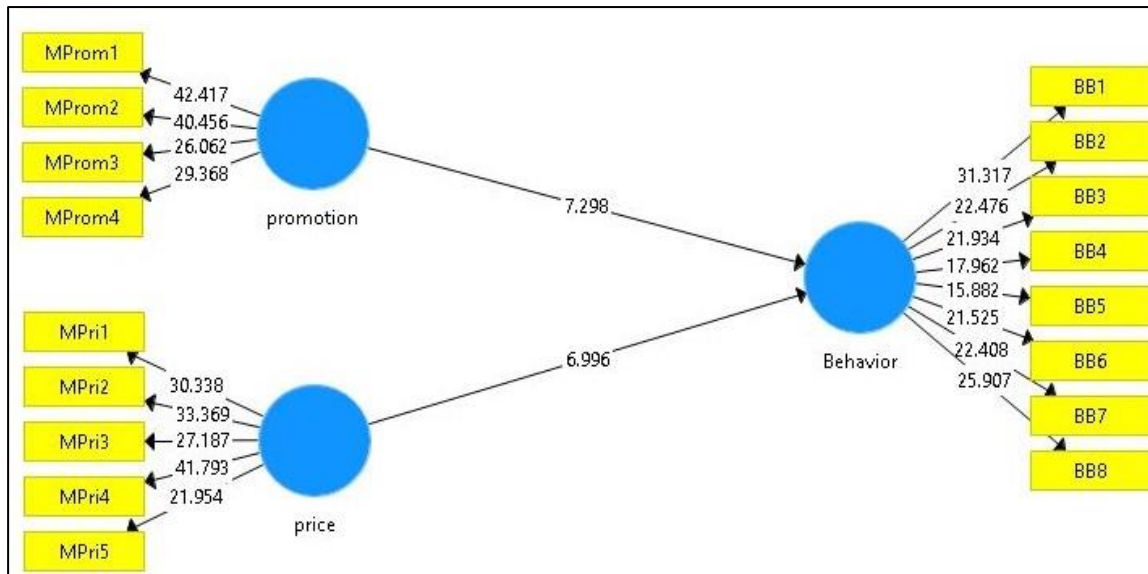
The Goodness-of-Fit (GoF) index, developed by Tenenhaus et al. (2004), is used to evaluate both the measurement and structural models. The criteria for the GoF index are as follows: 0.10 for small GoF, 0.25 for medium GoF, and 0.36 for large GoF. The predictive relevance of the model can be measured using the Q2 index. The Q2 value ranges from 0 to 1, where a higher value indicates a better model fit, approaching 1.

**Table 5:** Inner Model Testing (Structural Model)

	<b>R Square</b>	<b>R Square Adjusted</b>
Behaviour	0.488	0.486

### ***Variant Analysis (R2) or Determination Test***

To examine the relationships between variables, the bootstrap approach can be used. The bootstrap approach represents a nonparametric method for assessing the precision of estimations. In the PLS method, decision-making regarding the acceptance or rejection of hypotheses is based on the significance level (p-value) and t-table statistics. The significance level can be determined by observing the parameter coefficient values and the significance of t statistics in the Smart PLS application. The criteria for accepting or rejecting a hypothesis are as follows: if the t-table value is greater than 1.64 or the p-value is less than 0.10 at a significance level of 10% ( $\alpha$  10%), then  $H\alpha$  is accepted, and  $H_0$  is rejected. Conversely, if the t-table value is less than 1.64 or the p-value is greater than 0.10 at a significance level of 10% ( $\alpha$  10%), then  $H\alpha$  is rejected, and  $H_0$  is accepted.



**Figure 3:** Variant analysis ( $R^2$ ) or determination test

**Table 6:** Variant analysis ( $R^2$ ) or determination test

	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
price -> Behaviour	0.357	0.358	0.051	6,996	0.000
Promotion -> Behaviour	0.412	0.410	0.056	7,298	0.000

Based on the results of the path analysis in Table 6, the following can be observed:

**H<sub>1</sub>:** Promotion has a significant positive effect on Halal cosmetic buying behaviour.

The results of hypothesis testing in Table 6 summarise that the path coefficient between Promotion and Purchasing Behaviour exhibits an original sample value of 0.357, with a T statistical value of 6.996 > 1.64 and a P value of 0.000 < 0.10. These results indicate that Promotion has a significant positive influence on the purchasing behaviour of Halal cosmetic products among Gen Z.

Promotions in this context include special offers such as discounts, rebates, or product bonuses. This can be a strong incentive for consumers to immediately decide to buy Halal products. These offers can create a higher perception of value, which can influence purchasing decisions.

In other words, promotions can be an effective strategy in encouraging Gen Z to buy Halal cosmetic products. This suggests the importance of cosmetic companies using attractive and relevant promotional strategies to attract attention and increase purchases of Halal products among this group.

With these results, cosmetic companies can consider developing stronger and more focused promotional campaigns on Halal cosmetic products since proper promotion can positively impact the purchasing decisions of Gen Z consumers. This can help companies increase their market share and product success in this segment.

**H<sub>2</sub>:** Price has a significant positive effect on Halal cosmetic buying behaviour.

Based on the results of the hypothesis test in the table above, it can be observed that the

path coefficient between Price and Buying Behaviour demonstrates an original sample value of 0.412, with a T statistical value of  $7.298 > 1.64$  and a P value of  $0.000 < 0.10$ . These results indicate that price has a significant positive influence on the purchasing behaviour of Halal cosmetic products among Gen Z.

These findings confirm that price plays a vital role in driving the purchasing behaviour of Halal cosmetic products among Gen Z and increasing prices can increase the likelihood of purchasing Halal cosmetic products by this group. This can be an important basis for cosmetic companies to plan pricing strategies that are appropriate and attractive to the Gen Z market, which is increasingly concerned about Halal products.

Therefore, cosmetic companies can consider pricing strategies that consider Gen Z's preferences and price sensitivity to increase sales of Halal cosmetic products in this market. By understanding that price influences purchasing decisions, companies can adjust their prices to be more attractive to Gen Z consumers, increasing their market share and product success in this segment.

## **CONCLUSION**

The results of the research suggest that out of 500 respondents, rates, promotions, and cosmetic prices affect purchasing decisions in Gen Z. There is a promotional influence on purchasing decisions. This means that the promotion conducted by the cosmetic industry has been able to reach Gen Z consumers, and Gen Z consumers receive all the information about it well, so they decide to buy. There is a price effect on purchasing decisions. This means that Gen Z consumers in Indonesia are very concerned about price issues when deciding to buy cosmetics. Other researchers should research factors that influence purchasing decisions by focusing on the elements of the mix marketing besides promotion and other prices, namely product and distribution variables. This is with the aim that research on marketing mix and purchasing decisions will be enhanced. For the cosmetic industry to increase and improve promotion, efforts are made to utilise the media used as promotional targets. This includes taking advantage of print or electronic media using promotional, interesting, and new innovations that make consumers make purchases.

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