

The Influence of Country of Origin, Brand Association, and Brand Loyalty on Purchase Intention and Strategies to Increase Buying Interest in Skincare Products

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Keywords: brand association, brand loyalty, country of origin, purchase intention, skincare.

Abstract

The cosmetics industry is one of the leading businesses in the world and is mainstream in the global cosmetics industry. In line with the development of the world cosmetics market which is still showing positive growth, the Indonesian cosmetics industry has also shown an acceleration of growth in recent years. One of the impacts of current trends is that consumers' purchasing decisions are not only influenced by factors such as quality, price, and design, but also influenced by the brand name and country of origin. The purpose of this study is to analyze the influence of country of origin, brand association, and brand loyalty on the purchase intention of local and non-local (imported) skincare products and also formulate recommendations for strategies that can be done to increase consumer buying interest in local skincare products. In this study, the researcher used four methods, namely descriptive analysis, SEM-PLS, AHP, and SWOT.

INTRODUCTION

The cosmetics industry is one of the leading businesses in the world that includes a variety of products such as skincare, *sun care/sunblock*, *body care*, deodorants, perfumes, and so on (Chin and Harizan 2017). Skincare products are very popular among the public and have become mainstream in the global cosmetics industry. The world's cosmetics industry is strengthening amid the Covid-19 pandemic conditions which weaken various economic sectors such as hotels, restaurants and retail. Based on data from research institutions in the UK (Research and Market), throughout 2020 the value of world cosmetics sales reached USD 145.3 billion and is expected to continue to grow with a *compound annual growth rate* (CAGR) of 3.36% per year during the 2020-2027 period. The most widely traded cosmetic products internationally are *beauty or make-up preparations and preparations for the care of the skin (skincare)* products which are included in the HS 330499 category. Skincare products account for 36.1% of the world's total cosmetic exports and imports with a total trade value in 2020 reaching USD 102.3 billion (ITC Trademap, 2021).

In line with the development of the world cosmetics market which is still showing positive growth, the Indonesian cosmetics industry has also shown an acceleration of growth in recent years. Based on data from the Central Statistics Agency (BPS), Indonesia's cosmetics industry experienced growth of 9.61% in 2021. The Indonesian Food and Drug Supervisory Agency (BPOM) noted that in 2021 there were 819 cosmetics industries and experienced an increase of 20.6% throughout 2022. In *The Future of Skin Care*, Euromonitor International revealed that Indonesia is the second largest contributor to *skincare* growth in the world.

The growth in the cosmetics industry, especially skincare products, has made marketers continue to develop their business in the skincare industry. According to the *2021 Cosmetic Products (Skincare) Business Intelligence Analysis Report*, the Indonesian cosmetics industry has also begun to offer an *Original Equipment Manufacture* (OEM) scheme, especially for *skincare products*. OEM is a type of goods or products produced by a company, but processed and resold by other companies with a different brand.

In Indonesia itself, the trend of beauty products is increasing even during the Covid-19 pandemic, awareness of caring for beauty is also affected by changes in people's lifestyles and new trends that emerge (Zafirah et al., 2026). One of the impacts of this trend is that consumers' purchasing decisions are not only influenced by factors such as quality, price, and design, but are also influenced by brand names or *fire* and the country of origin of the product (*country of origin*). In other words, consumers can rely on their impressions of the country of origin as a guide in their decision-making process. Currently, consumers are familiar with various products *Skincare* Not only from within the country or local products, but consumers already know and use a lot of products *Skincare* which comes from non-local or imported. One of the products *Skincare* Popular non-local (imported) products in Indonesia are *Skincare* which comes from South Korea. South Korean products that are widely circulated in Indonesia are due to the influence of *korean wave* which is the spread of various South Korean popular culture which includes *fashion*, beauty, food, entertainment, and traditional culture and are able to influence other countries (Princess et al. 2019). According to data Kompas.co.id the 2021 period on Shopee and Tokopedia, there are 10 *Brand Skincare* Local Best-Selling in *E-commerce* can be seen in Table 1.

Table 1 Brand 10 data *Skincare* Local Best-Selling in *E-commerce*

Yes	<i>Local Skincare Brands</i>	Total Sales
1	MS Glow	IDR38,5 Billion
2	Scarlett	IDR17,7 billion
3	Somethic	IDR8,1 Billion
4	Avoskin	IDR5,9 Billion
5	Wardah	IDR5,3 Billion
6	White Lab	IDR3,1 billion
7	Bio Beuaty Lab	IDR2.6 billion
8	Emina	IDR2.1 Billion
9	Elshe Skin	IDR1,8 Billion
10	Everwhite	IDR1,05 Billion
Total Sales of Local Skincare Brands		IDR91,22 Billion

Source: Kompas.co.id (2021)

In addition to *skincare* that comes from local Indonesian products, there are several non-local (imported) *skincare brands* that are popular in Indonesia. Here are some *non-local (imported) skincare brands from South Korea that are popular in Indonesia in 2021 according to idntimes.com, namely:* Laneige, Nature Republic, Some By Mi, Innisfree, COSRX, Nacific, and Etude House.

According to a survey conducted by KOCIFE in 2019, 53% of respondents in Indonesia are interested in using products and services from South Korea. For example, cosmetics, clothing, electronics, and language learning products and traveling to the country (katadata.co.id). This shows the acceptance of a product in several categories originating from South Korea as an influence of the country of *origin*. Other data explains that South Korea ranks second as the world's largest exporter of beauty and skincare cosmetics after France. The following is data on cosmetics, beauty and skin care exporters in the world in 2021 which can be seen in Figure 1 below:

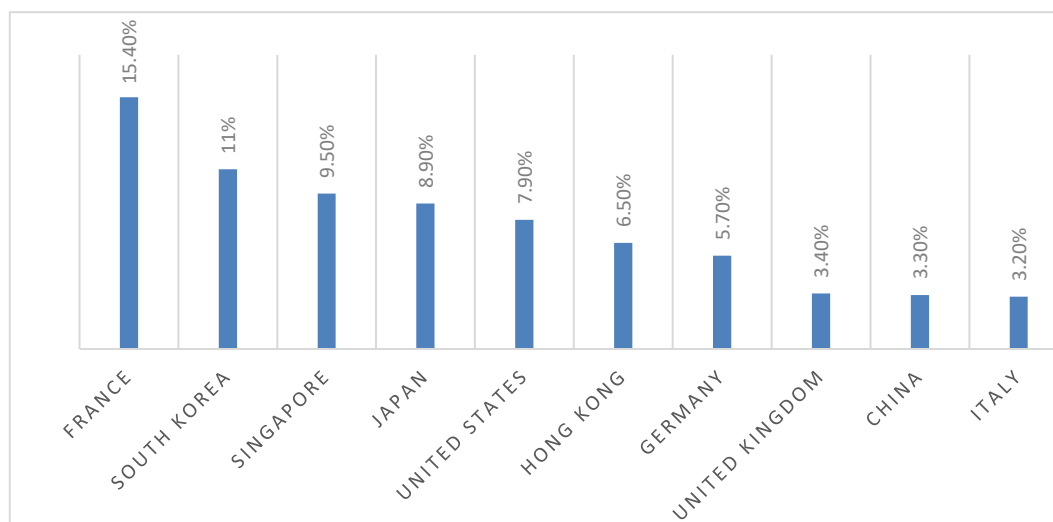


Image 1 List of Cosmetics Exporters of Beauty and Skin Care
in the World in 2021

Source : World's Top Exports.com

Indonesia is one of the countries that is the market share of South Korean *skincare*. Other countries that share the South Korean *skincare* market are the Philippines, Singapore, Vietnam, Thailand, Hong Kong, China, and South Korea itself. From the results of a survey conducted by Rakuten in 2019, around 35% of Indonesians use *skincare* products from South Korea (katadata.co.id). The Central Statistics Agency noted that the import value of Indonesian cosmetic products reached 630 million US dollars in 2021 or equivalent to Rp9.8 trillion (Central Statistics Agency 2021).

Based on this, it can be seen that Indonesian people have been affected by the *Korean wave*. The increasingly crowded use of *South Korean skincare* products among the public has caused competition between local products from Indonesia and non-local products that mainly come from South Korea. It is interesting to see how the country of *origin* affects consumer buying interest by paying attention to brands from local Indonesian products and South Korean imports. A positive and impressive image of the country of origin will create a brand reputation and lead customers to be loyal to a particular brand (Hong Ngan *et al.* 2020). Therefore, through this study, we will see how the influence of the country of *origin* mediated by *brand associations* and *brand loyalty* on the interest in buying local *Indonesian skincare* products and South Korean imports. The expected output of this study is to produce strategies for cosmetic companies to improve the quality of local products and be able to compete in the domestic and global cosmetics industry markets.

METHODS

This research is a follow-up research that has been carried out in 2022 and will be followed by data collection in 2023 using online questionnaire survey methods and expert interviews.

Sampling in this study uses convenience sampling techniques, which are sampling techniques that are based on the availability of samples and the ease of obtaining them. Another data collection in this study is through interviews conducted with resource persons from local skincare brand business actors. This interview was conducted to formulate the company's strategy in increasing buying interest in skincare products. The data obtained from the interviews is used to fill out the AHP and SWOT worksheets by involving several experts in it.

RESULTS AND DISCUSSION

Respondent Characteristics

The characteristics of the respondents in this study are dominated by women aged 21-25 years with the last education of high school/equivalent, with the status of students/students who can be categorized into Generation Z (Gen Z). The income or income of respondents in this study was dominated by respondents who had an income of <Rp1,000,000 every month. Most of the respondents in this study spent on buying skincare every month of IDR 100,000 – IDR 200,000 with a percentage of 10% - 20% of the expenditure being used to buy skincare compared to other needs. The frequency of respondents in buying skincare every month is 2-3 times or erratic according to the needs of skincare brand ownership, namely 2-3 brands.

A total of 200 respondents in this study bought makeup/personal care online and more respondents chose to use one of the "Shopee" e-commerce platforms. Respondents in this study received more information about local and non-local (imported) skincare brands through Instagram and Tiktok with percentages of 46.4% and 30.7%.

The local or non-local (imported) skincare brands that are the object of this study come from Indonesia and South Korea. The results of the data obtained stated that respondents who watched Korean Dramas or K-Dramas and also K-Popers did not make respondents interested in buying skincare brands from Korea. This is shown by the percentage data of 62.9% and 70.2% that respondents have no interest in buying skincare brands from Korea because they watch Korean Dramas or K-Dramas and also as K-Popers. Of the 17 local or non-local (imported) skincare brands that were the object of this study, there were the top three skincare brands that were the buyer's interest in buying, including Somethinc, Wardah, and Avoskin. The three skincare brands are local skincare brands from Indonesia that have several cosmetics, both skincare and makeup, and all products already have halal certificates and are registered with BPOM RI.

Analysis of the Influence of Country of Origin, Brand Association, and Brand Loyalty on Purchase Intention Skincare with SEM-PLS

One of the objectives of this study is to analyze the influence of independent variables (independent variables) and mediating or intervening variables on dependent variables (bound variables). In this study, there were four variables that were tested, including country of origin, brand association, brand loyalty, and purchase intention. The variables of brand association and brand loyalty are the variables of mediation or intervening. In this study, an overall SEM analysis and Multi-group Analysis (MGA) will be carried out by grouping based on consumer choice of

local brands or local and imported brands (both).

In the evaluation of the measurement model (Outer Model), all instruments in the study were declared valid and reliable. Furthermore, the evaluation of the structural model (Inner Model), the R-Square value in this study is 49.7%. The R-square value that has been obtained means that the variables of country of origin, brand association, and brand loyalty are able to explain the purchase intention as much as the R-square value that has been obtained. Meanwhile, the rest of the R-square value can be explained by other variables outside of this study.

Based on the results of the tests that have been carried out, it can be explained that all hypotheses are accepted and have a positive and significant influence. The results of the path coefficient test are shown in Table 1.

Table 1 *Output path coefficients*

	<i>Original sample (O)</i>	<i>T Statistics (O/STDEV)</i>	<i>P Values</i>	<i>Hypothesis</i>
<i>Country of origin -> brand association -> Purchase intention</i>	0,078	2,669	0,007	Accepted
<i>Country of origin -> Purchase intention</i>	0,273	4,621	0,000	Accepted
<i>Country of origin -> brand loyalty -> Purchase intention</i>	0,081	3,421	0,001	Accepted
<i>Brand association -> Purchase intention</i>	0,435	7,912	0,000	Accepted
<i>Brand loyalty -> Purchase intention</i>	0,316	5,379	0,000	Accepted

H1 : Country of origin has a positive effect on skincare purchase intention through brand association

The country of origin has a positive and indirectly significant value to purchase intention through brand association with an original sample value of 0.078 and a p-value of <0.05. Hypothesis 1 was accepted because it had a t-statistical value of >1.960 which was 2.669.

H2 : Country of origin affects skincare purchase intention

The country of origin has a positive and significant value directly on the purchase intention with an original sample value of 0.273 and a p-values value of <0.05. Hypothesis 2 is accepted because it has a t-statistical value of >1.960 which is 4.621.

H3 : Country of origin has a positive effect on skincare purchase intention through brand loyalty

Country of origin has a positive and indirectly significant value on purchase intention through brand loyalty with an origin sample value of 0.081 and a p-value of <0.05. Hypothesis 3 was accepted because it had a t-statistical value of >1.960 which was 3.421.

H4 : Brand association has a positive effect on skincare purchase intention

The brand association variable has a positive and significant influence on purchase intention with an original sample value of 0.435 and a p-value of <0.05. Hypothesis 4 is accepted because the t-statistical value of >1.960 is 7.912.

H5 : Brand loyalty has a positive effect on skincare purchase intention

The brand loyalty variable has a positive and significant influence on purchase intention with an original sample value of 0.316 and a p-value of <0.05 . Hypothesis 5 is accepted because the t-statistical value is >1.960 which is 5.379.

Furthermore, the results of the multigroup analysis (MGA) in this study have insignificant value. This explains that there was no significant influence between the group who chose local and non-local skincare brands because of the p-value of >0.05 . The results of the multigroup analysis are described in Table 2.

Table 2 Results of PLS-MGA analysis between the groups that chose local and imported brands

	Path Coefficient	t-Value	p-Value
COO -> AB -> PI	-0,023	0,621	0,757
COO -> PI	0,024	0,775	0,451
COO -> BL -> PI	-0,132	0,950	0,099
AB -> PI	0,069	0,308	0,616
BL -> PI	-0,105	0,775	0,451

SWOT Analysis

The first step in the SWOT analysis is to analyze internal strategy factors (Strength and Weakness). The results of the IFE matrix calculation obtained an IFE score of 2.817 (>2.50) which shows that local skincare is in a fairly strong internal position. Next, it is to analyze external factors (Opportunity and Threat). The results of the EFE matrix calculation obtained a total EFE score of 3,325 (2.50) which shows that local skincare is able to take advantage of existing opportunities and avoid emerging threats. So it can be said that external factors are in a strong position.

After analyzing internal and external factors, the next step is to combine to obtain the IE matrix. The IE matrix, which is a combination of IFE score and EFE score, places a position in cell number II with the category of total moderate IFE score and high total EFE score score. Cell category number II includes grow and build.

		Total nilai IFE		
		Kuat (3.0 – 4.0)	Sedang (2.0 – 2.99)	Lemah (1.0 – 1.99)
Total nilai EFE	Tinggi (3.0 – 4.0)	I	★ II	III
	Sedang (2.0 – 2.99)	IV	V	VI
	Rendah (1.0 – 1.99)	VII	VIII	IX

Figure 1 IE Matrix

After the position of the organization or company can be determined through the IE matrix, then the formulation of a SWOT strategy based on the company's position can be carried out. Formulation of alternative strategies on *Skincare* locally, namely by using a SWOT Matrix. Alternative strategies formulated based on SWOT Matrix analysis are grouped into SO, WO, ST, and WT strategies.

AHP Analysis

Based on the analysis conducted, there are internal and external factors of local skincare as well as alternative strategies to increase consumer buying interest in local skincare. The determination of strategy priorities is obtained from data that combines five expert opinions, namely experts who have capabilities and knowledge about the beauty industry, especially in the cosmetics and skincare sector, and experts who have knowledge of strategies to increase consumer buying interest in local skincare.

There are four alternative strategies that are more prioritized in general to increase consumer buying interest in *Skincare* local, namely S6, S1, S3, and S4. Alternative strategies include increasing consumer confidence in products *Skincare* local by using social media interactively, maintaining and improving product quality *Skincare* local that has been trusted by consumers, increasing awareness and brand image about products *Skincare* local, and develop products *Skincare* local so that it can compete with the global market.

CONCLUSION

Based on the results of the SEM PLS analysis in this study, it is explained that country of origin, brand association, brand loyalty, has a positive and significant influence on skincare purchase intention. This can explain that consumers are able to remember brands and attributes related to skincare brands that they know and are interested in buying. The positive experience received by consumers will also give a good impression so that consumers have a high purchase intention for the product. Furthermore, consumer loyalty to a brand is also one of the influential indicators. Consumers who have high loyalty will be loyal to the brand and will even recommend the product to their closest relatives. The influence of the country of origin is also the concentration of consumers in choosing products, one of the things that consumers assess local and imported skincare products, namely the quality of products from the country of origin. Good quality and have been trusted by consumers is the main indicator for consumers in buying skincare.

Another result according to a multigroup analysis was that there was no significant influence between the group that chose local and imported skincare brands.

The results of the SWOT analysis of local skincare in this study formulated several alternative strategies, including 1) maintaining and improving the quality of local skincare products that have been trusted by consumers, 2) increasing the use of more interactive social media to reach target consumers, 3) increasing awareness and brand image of local skincare products, 4) developing local skincare products to be able to compete in the global market, 5) providing products in offline stores, 6) increasing consumer trust in local skincare products by using interactive social media, 7) making continuous innovations to avoid competitor threats, 8) improving the quality of product packaging that consumers trust more by including a complete explanation of the product. From the alternative strategies that have been formulated, alternative strategies that can be applied to increase consumer buying interest in local skincare are to increase consumer confidence in local skincare products by using social media interactively and maintaining and improving the quality of local skincare products that have been trusted by consumers.

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