

The Influenced Factors of the Switching Customer to Halal Cosmetic Products

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Abstract: Ideally, a Muslim will easily decide to consume cosmetic product that have a halal label compared to cosmetic product that are not yet labeled halal. However, there are many people who switch use of product even though they are labeled halal. This study aims to analyze behavior patterns and factors that probably influence customers to switch away from halal cosmetic products. This study used primarily data with purposive sampling of 100 respondents in special region of Yogyakarta. Using logistic regression, the results show that the behavior pattern of customer switching for halal cosmetic products was dominated by the millennial generation who have high curiosity and aggressiveness so that this generation's behavior tends to be disloyal, including consuming cosmetics with halal products. Pricing, sales promotion, reputation and sales ethics have probability to influence customer switching behavior of halal cosmetic products. The halal cosmetic industry needs to pay attention to the behavior patterns of millennial generation, especially in terms of factors that probably influence to switch from halal cosmetic products.

Keywords: customer switching, halal cosmetics, millennial generation.

1. Introduction

Indonesia as a country with the largest Muslim population in the world, as supported by the growth of halal product demand shows a positive trend (Standard, 2019). It causes Indonesia having a potential market for halal products including the halal cosmetics industry (Rakhi, 2019). Even though the halal lifestyle has campaigned frequently, the data from LPPOM MUI for the 2012-2019 period shows that the types of halal certificate products and companies are growing annually except in 2019 (Halal MUI, 2020). These conditions may indicate that halal products are unable to compete with other products. For example, the profits of halal products are low or customers leave halal products. For Muslims, consuming halal products is a command. Islamic Shari'a commands to consume halal and thayyib (Al-Baqarah: 168). Ideally, a Muslim will be easier in using cosmetic products that have halal labels than other halal products labeled. It is because halal cosmetic is safe, clean, and clear. However, there is a phenomenon that there are many people who switch the use of products even though they have halal-labeled. Switching can occur from products that have not halal-certified to halal products, from one halal product to another, or there the switching from halal products to non-halal-labeled product.

Many cosmetic product variants and new brands have sprung up such as soap, shampoo, toothpaste, facial cream, perfume, powder, lipstick, etc. Nowadays their further expansion area is caused by switching customer. The use of cosmetics by Muslims is estimated at \$64 billion in 2018 and almost \$95 billion in 2024 (Standard, 2019). This situation shows that people can be disloyal to the existence of halal cosmetic products. The previous research (Nurbaiti, 2019; Septiani & Ridlwan, 2020) is more focused on the customer that interest in buying or using halal products. While this research still discusses the switching from halal cosmetics used.

This research is important to be analyzed. Consider if the customers already have the desire to switch, certainly it will be a significant impact on the future of the sustainability company (Permana, 2019). Then it also will impact the competitiveness and the profitability of the company. This research was conducted in the special region of Yogyakarta. It is because the special region of Yogyakarta is the cultural city and the city of students that more beneficial than other regions. It is also known as the variety of demographic factors, a large number of immigrants from all over Indonesia, and the potential market for the development of halal cosmetic products. This research wants to know the

behavior of switching customers from halal cosmetic products into cosmetic products that did not have halal certificates.

2. Materials and Methods

Customer behavior is actions and decisions to react stimulation that comes from internal aspect of the customer or from an external aspect of the customer (Kotler & Keller, 2016). The personal characteristics of customers also influence their behavior in responding the existence of halal cosmetic products, especially for the millennial generation. This study used a theory approach in switching behavior from Susan M. Keaveney and the relevant variables of the previous research. The variables tested were pricing, brand, promotion (Fintikasari & Ardyan, 2018), reputation, religion, sales ethics dissatisfaction, commitment (Romadhon, 2013), curiosity (Fintikasari & Ardyan, 2018), competitor attractiveness, and employment status.

2.1. Switching Behaviour

Switching behavior in the context of the cosmetic industry can be interpreted as a customer who had switched in using of one cosmetic product to another cosmetic product that has the same function. Switching customers behaviour can be caused by dissatisfaction or disappointment as a result of negative perceptions of the received quality service (Nimako, 2012). Switching customers can have a negative effect (Widianti & Trinanda, 2019) which can destroy the reputation of a company.

As the customers, in deciding whether keep using or switching the product can be caused by two aspects. The first aspect is the expected product quality. Then the second is perceived product quality. If the received product is as same as the expectation, the product will be perceived as good or satisfactory. If the received product exceeds the customer's expectations, the product quality also will be perceived as good. The impact of that is they will tend to be loyal to these products. Otherwise, if the quality of the received product is lower than expectation, it will be perceived as bad (Widianti & Trinanda, 2019) that causes the switching on customers.

2.2. Marketing Strategy

Marketing strategies are used by companies. These make the products or services offered can be accepted easily by customer. The marketing strategies of the company use pricing, promoting, building brands, and maintaining its reputation. Pricing is a value that is given and sacrificed for the benefit of using a product or service produced by a company (Kotler & Keller, 2016). Customers are people who have uncertain income. They will be very sensitive to cosmetic pricing. Furthermore, when the price is too expensive, they will move easily. Then brand is a description of a company where the better brand owned, the customers perceived that every product issued by the company have to be good. Customers who are loyal to the brands will become switch products (Fintikasari & Ardyan, 2018). Good brands have a good reputation. It influences customer loyalty. On another hand, a bad reputation can cause switching products by the customers.

Besides, the promotion strategy also has an impact on customer switching (Fintikasari & Ardyan, 2018). According to Kotler & Keller (2016) promotion is a type of communication that provides an explanation that convinces customers potential of goods and services. In other words, promotion can form loyalty or vice versa. Several previous studies have stated that promotions carried out by the companies can affect switching customers of the product (Romadhon, 2013; Nurbaiti, 2019).

2.3. Value of Customers

A Muslim as stated in the Holy Qur'an is commanded to consume halal and good (Al-Baqarah: 168). Religious awareness in understanding a product about what is allowed (halal) and what is not allowed (haram) or what is not yet clear (syubhat) can influence the decision to switch customers (Rakhi, 2019). Sales ethics as the knowledge of whether it is good or bad. The sales process that carried out by producers can make the customer switch. When the sale of a product was perceived or did not have good ethical values, it will have an impact on the possibility of switching customer behavior from the previous products used.

The status of a customer whether he/she is a worker or a student is also included in this research variable. The needs given for market study segments and the level of willingness to switch. It is dominated by workers or students. A customer who has a high commitment of product will repurchase the product even there is the marketing influence that can lead to switching behavior.

2.4. Competition

Competition of the marketing is a condition which a company in a particular product or service market will show respective advantages, with or without bounding the right regulations to reach customers (Kotler & Keller, 2016). Certainly, companies will think about certain strategies to keep their customers for not leaving their products in various ways. The increasing number of beauty cosmetic product variants from competitors makes it easier for customers to switch products. However, when the expectations from using goods or services are low. It can cause dissatisfaction.

Dissatisfaction is used to measure someone's feelings from their negative experiences, while satisfaction is vice versa. Dissatisfaction is a condition when the basic needs of humans are not fulfilled. They are assessed from physical and psychological aspects due to several factors of environmental conditions. It can cause switching from the customer (Permana, 2019). Likewise, curiosity can become the customer's cause of switching (Putra, 2013) especially for cosmetic products. It is because cosmetic products have quicker innovations by releasing new products and many variances.

The object of this research is people who use halal cosmetic products at first and switch to cosmetic products that did not have halal-certified at the special region of Yogyakarta. Quantitative research is chosen as the type of this research. The data sources used in this study are primary data, which is obtained directly from respondents through the distribution of questionnaires, and the statement related to the research.

This research used the purposive sampling technique with certain considerations. Selected samples were based on respondents who live in the special region of Yogyakarta and had used halal products for at least three months. They switched to use products that did not have halal-certified. Determining the number of samples using the Slovin formula was gotten 100 respondents. The data collection technique of this research used online and offline questionnaires. The measurement of the data used a Likert scale with a score range of 1-5. The research instrument test used the validity and reliability test. Testing the hypotheses used logistic regression with the help of SPSS v.25 for analyzing the results (Ghazali, 2018).

3. Results and Discussion

3.1. Descriptive Analysis of Respondents

Respondents are dominated by women (90%), a range of 20-30 years, or known as the millennial generation. This generation has the characteristics of being disloyal, curious for the experiment in purchasing product, and easy in trusting of people's recommendations around them. They also have a high sense of curiosity, including for cosmetic products. They are very connected with the internet network, technology, and social media. They usually read the reviews and comments from social media before buying the product. The switching value has a consequence that makes the purchasing of the products. It can provide more value for themselves. They always try to be beautiful and clean. Millennials consider the influencers reviews or an important experience. These behavior patterns influence them easily to switch the product.

Customers who switch are also dominated by workers (69%). It is because young women who work in companies with monthly salaries can afford various cosmetic products to support their beauty. They are more expansive for budgeting in purchasing cosmetics. The average customer only spends less than IDR 200,000 each month to buy halal cosmetic products. They can survive in using halal cosmetics for more than 9 months with the most used popular halal cosmetic product. It has issued by Wardah. The dominance of the use of Wardah products shows that Wardah is successful in branding the products as a pioneer of halal cosmetic products in Indonesia.

3.2. Customers Switching Behaviour from Halal Cosmetic.

The results from Table 1. can be seen that 100 respondents are predicted that only 26 people (26%) have never switched with an explanation. Based on the results of observations, it also found that 9 people (34.6%) have never switched at all, while 17 people (65.4%) have switched. On another hand, it can be seen from the respondents who have switched based on the prediction. The result is 74 people (74%) with an explanation. Based on the results of observations, 4 people (5.4%) have never switched yet and 70 people (94.6%) are predicted ever switch away from halal cosmetic products.

Table 1. Switching Customer Behaviour of Halal Cosmetic

Observed Have you ever think to switch to other halal cosmetic?	Prediction		Percentage
	Never (person)	Ever (person)	
Never	9	17	34.6%
Ever	4	70	94.6%
Overall percentage			79.0%

Source: Primary data processed, SPSS Output (2020)

The results of those observations indicate that the influence of the independent variable in this study is 79% of the respondents who are predicted to never move from halal cosmetic products at all. There are 9 people. The respondents who are predicted to have moved are 70 people. These results imply that customers of halal cosmetic products tend to be disloyal to the products used. Furthermore, they can switch to other cosmetic products easily.

3.3. *Fitting Logistic Regression Model*

Base on Hosmer and Lemeshow test shows that the probability value of 0.180 is greater than 0.05. It means that the model can predict the value of the observation. This value indicates that the binary regression analysis can be used for further analysis in getting the probabilities for a customer to switch from halal cosmetics products to cosmetic products that did not have halal-labeled.

The results of the assessment, fit model are obtained by paying attention to the number – 2 Log likelihood in Block Number 0 is 114.611 while in Block Number 1 – 2 LL is 99.003. A decrease in the value of – 2 Log Likelihood shows that the logistic regression model has better regression analysis. Thus, the specified model of this study is appropriate and fits with the obtained data. Nagelkerke R Square value is 0.646. It means that the contribution of all independent variables to the dependent variable in this study is 64.6%. While the remaining 35.4% is influenced by other factors, out of the model used in this study.

Omnibus Tests of Model Coefficients shows that the probability value is (sig) 0.038 < significance level (α). It means that the hypothesis states that the independent variable has a positive effect on the dependent variable is accepted. In other words, the variables of pricing, dissatisfaction, commitment, curiosity, brand, promotion, competitor attractiveness, religion, reputation, sales ethics, and current work status together have the opportunity to the positive influence on the customers switching behavior of halal cosmetics.

3.4. *Partial Test (Variable in the Equation)*

Table 2. Variable in the Equation

Independent Variable	B	S.E.	Wald	df	Sig.	Exp(B)
Pricing	0.212	0.110	3.683	1	0.055	1.236
Dissatisfaction	-0.084	0.119	0.508	1	0.476	0.919
Commitment	-0.150	0.155	0.940	1	0.332	0.861
Curiosity	-0.000	0.145	0.000	1	0.998	1.000
Brand	0.126	0.154	0.675	1	0.411	1.135
Promotion	-0.181	0.072	6.286	1	0.012	0.834
Competitor Attraction	0.070	0.087	0.636	1	0.425	1.072
Religion	0.094	0.131	0.518	1	0.472	1.099
Reputation	-0.318	0.161	3.877	1	0.049	0.728
Sales Ethics	0.180	0.100	3.213	1	0.073	1.197
Job Status	0.760	0.644	1.393	1	0.238	2.139
Constant	0.878	2.186	0.161	1	0.688	2.405

It can be seen that there are 4 significant independent variables (Table 2). There are pricing, promotion, reputation, and sales ethics with significant $\alpha < 10\%$. Logistic regression equation can be written as follows:

$$\ln \frac{p}{1-p} = 0,878 + 0,212 X_1 - 0,181 X_6 - 0,318 X_9 + 0,180 X_{10} \quad (1)$$

or

$$\frac{p}{1-p} = e^{0,878} x e^{0,212 X_1} x e^{-0,181 X_6} x e^{-0,318 X_9} x e^{0,180 X_{10}} \quad (2)$$

Based on Table 2, it is known that the pricing has a significant value, Table < Table statistics is $0.055 < 0.10$. It means that the pricing variable has a significant positive effect on switching customers of halal cosmetic products. The positive coefficient indicates that the pricing variable has a positive impact on switching customers' opportunities. It means that if the price is increased, the opportunity for the tendency of customers to switch is greater. Furthermore, the odds ratio exp (β) value is 1.236 times or 74.8%, which means that if other variables are considered constant, then the behavior tendency to switch halal cosmetic products is caused by the pricing factor of 1.236 times or 74.8%.

These results are appropriate with the research of Romadhon (2013) which states that price is a major factor in switching behavior customers of halal cosmetic products. Even though the halal lifestyle campaigned, the command is to always consume halal and goods that does not only make loyal customers with halal cosmetic products. Based on the results of respondent characteristics and previous research variables, it indicates that the women millennial generation have a high response effect of switching halal cosmetic products due to pricing factors. This condition shows that pricing is the only element of the marketing mixed. It is very sensitive among customers. The right pricing strategy will support the development of halal cosmetic products and retain opportunities for customers to switch using other cosmetic products.

3.4.2. Promotion

Based on Table 2, it is known that the significant value of Table < Table statistics is $0.012 < 0.10$. It means that the promotion variable has a significant effect on switching customers of halal cosmetic products. The negative coefficient indicates that the promotion variable has a negative effect on switching customer opportunities. It means that if the promotion is carried out massively, the opportunity for customer's movement will be smaller. Furthermore, the exp odds ratio (β) value is 0.834 or 66.7%, which means that the tendency for behavioral considerations to switch halal cosmetics is caused by the promotion factor. There is an increase by 0.834 times or 66.7% compared to products that are not promoted.

If producers of halal products carry out a promotion, it will encourage a decrease in switching to halal products by 0.834 times if there is no promotion. Through this promotion, customers are reminded again of the superiority of the halal products that are consumed. Thus, customers become interested and loyal to these halal products and prevent the act of switching products (Fintikasari & Ardyan, 2018).

3.4.3. Reputation

Based on Table 2, it is known that the significant of value of Table < Table statistics is $0.049 < 0.10$. It means that the reputation variable has a significant negative effect in influencing customers to switch to halal cosmetic products. The negative coefficient indicates that the promotion variable has a negative impact in influencing the opportunities for customer switching. It means that if the promotion is carried out extensively, the opportunity for customers to switch is smaller. Furthermore, the odds ratio exp value is 0.728 or 63.6% which means that the opportunity for the tendency of customer behavior to move cosmetics is caused by a reputation factor of 0.728 times or 63.6% compared to non-reputable products. Customers who use unreputable cosmetic products will increase switching products.

The higher reputation of halal product used will be trusted and loyal of halal product. Thus, customers reduce their actions to switch to other products. Even direct or indirect experience that customers felt, will shape the company's image or reputation in the eyes of their customers. A good reputation means that customers project that certain cosmetic products are good, suitable, as expected. Otherwise, a bad reputation causes customers to switch to other products.

3.4.4. Sales Ethics

Based on Table 2, it is known that the significant value of Table < Table statistics is $0.073 < 0.10$. It means that the sales ethics variable has a significant positive effect on customers switching to halal cosmetic products. Furthermore, the odds ratio $\exp(\beta)$ value is 1.197 or 74.2%, which means that the opportunity for a behavior tendency in moving cosmetics is caused by the sales ethics factor. There is an increase of 1.197 times or 74.2%. It is compared with cosmetic products that did not apply sales ethics. Customers feel that the company sales products are less accurate. Also, it will increase customers to switch products. This result is suitable with the opinion of Keaveney (1995) which states that unethical behavior can cause customers to switch products. Sales practices that did not provide a sense of security, comfort, and health, are the contributing factors. Besides, dishonest behavior in explaining the advantages and disadvantages of the cosmetic products sold is also the cause factor of customers to switch.

Different from the results in Table 2, there are 7 other variables in this study that are not significant. It is because of the sig probability > 0.10 . There are dissatisfaction, commitment, curiosity, brand, competitor attractiveness, religion, and job status. Its means that the opportunity to switch products between customers who are satisfied and dissatisfied, have the commitment or not. Also whether they have curiosity or not, pay attention to the brands or not, are influenced by the attractiveness of competitors or not, have strong religious beliefs or not and employees or students after using halal cosmetic products was same. Customers perceive that halal cosmetic products are suitable, have several advantages that cause customers to be predicted not to move halal cosmetic products due to these factors.

4. Conclusion

The switching customers are dominated by workers (69%). It is because young women who work in companies that earn monthly salaries can afford various cosmetic products to support their beauty. They are more expansive in the budgeting of purchasing cosmetics. They also have high curiosity, aggressive nature, and full consideration in determining their consumption behavior. Thus, there are disloyal including using halal cosmetic products. Simultaneously all independent variables in this study have an effect on switching customer's opportunities from halal cosmetic products. While partially the factors that have the opportunity to influence customers of halal cosmetic products are the pricing, promotion, reputation, and sales ethics aspect. The most main influence aspect in customers switching behavior of halal cosmetic products is the pricing. It is considered quite expensive. Also, it does not suitable with the expected quality that makes them switching.

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