

Brand Sustainability and Social Responsibility: Impact on Consumer Loyalty in the Local Beauty Sector Amidst Geopolitical Crises

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The beauty market in Indonesia has been seeing significant growth annually from 2019 until now. As consumers grow increasingly discriminating, a beauty brand's dedication to ethical practices, including awareness of environmental, socio-political, and geopolitical issues, may distinguish it from rivals. The importance of corporate social responsibility (CSR) in shaping consumer perceptions has intensified due to the geopolitical crises occurring in light of the Palestine-Israel conflict. Consumers now anticipate brands to voice their opinions on social and political issues, and the degree to which a brand aligns with their own values influences their purchasing decisions. This paper will be focusing on the local beauty brands in Indonesia who are doing CSR initiatives in relation with the Palestine-Israel boycott issue. There is sufficient previous research on this topic. However, there is still limited research focusing on the CSR initiatives done as a result of boycotting the products to consumer loyalty. Therefore, this study aims to explore the effectiveness of the CSR initiatives done by local beauty brands who are supporting Palestine as oppose to the phenomena of boycotting as an effect to consumer loyalty as part of brands' sustainability and social responsibility seen in the evidence of the product user in Indonesia. This is a descriptive conceptual paper that proposes a comprehensive framework for understanding how local beauty brands can effectively leverage CSR strategies to foster consumers loyal in times of social and political turmoil. The proposition shows that CSR initiatives positively influence consumer loyalty through improving brand image, fostering trust, and resonating with consumer values amid the geopolitical conflict where consumer prefer brands showing authentic social responsibility and community support. This study is a conceptual study, hence the limitation of this paper lies in the absence of the empirical data. Future studies should be conducted quantitatively to test further the proposition and hypothesis.

Keywords: corporate social responsibility (CSR), consumer loyalty, local beauty brand, geopolitical issue, brand sustainability

Introduction

In recent years, consumers have transformed to be more value-oriented, choosing brands that correspond with their social and sustainable principles, showing a trend that has reshaped the beauty industry. Consumers are using their purchasing power to convey their ideals and expect brands to be held accountable for every action they are doing (Nazahra, 2024). The geopolitical tension happening between Palestine and Israel has changed the

world's perspective, impacting consumers loyalty to a certain brand and their purchase intention. Brands that responded differently towards social or political form their consumers perception may jeopardize their reputation, resulting in loosing consumer trust and loyalty. On the other hand, brands that actively participate in actions and efforts that resonate with consumer values may enhance their reputation and grow a loyal consumer base (Jungblut & Johnen, 2022). Some may seek for alternatives from brands that do not align with their personal values, as their demand for brands to speak out their voices toward this issue is expected. Boycott efforts are initiated by consumer behavior favoring local products as an alternative. This action is well known as consumer ethnocentrism, where consumer is more likely to purchase local products that is against the crises, which is ethically preferable rather than buying other brands that supports the act. This is a chance for local business owners and government to collaborate in fortifying local industry, enhancing its competitiveness in the national market, and preparing for competition (Nguyen, Ngo, Ngo, & Kang, 2018). In the present socio-political climate, corporate social responsibility (CSR) programs have become crucial for beauty brands seeking to enhance their brand image, increase awareness, and retaining loyalty of their current consumers. With the change of environment and the growth of technology, the beauty business sector stands at the intersection of consumer demands and ethical responsibilities. It is important for beauty brands to stay agile when facing and adapting to these evolving dynamics. These crises act as a test for a brand's dedication to sustainability and social responsibility, pointing out a clear position or the potential to alienate their audience. Indonesia has a really large crowds for their beauty products users, beauty influencer/trendsetters, and also beauty enthusiast/experts. With this big crowd, brands can leverage the power they have on doing offline and online marketing initiatives on retaining their current consumer. How loyal a consumer is to a certain brand can be tested through their behavioural pattern, where disloyal consumer is likely to disengage quickly and seek for alternatives if a brand faces an issue. While, loyal consumers do a wait-and-see strategy, to see the brand's response to issues prior to determining whether to maintain their support or not. This study examines the impact of brand responses and effort on their brand's sustainability and social responsibility to maintain consumer loyalty within the local beauty market, especially amid geopolitical crises. This study examines how CSR programs and sustainability pledges may mitigate the continuing effect of boycotts and position the brand on their social responsibility commitment, fostering a long-lasting brand, consumer trust and loyalty.

Background

Palestine-Israel Geopolitical Crises

The Palestine-Israel geopolitical tension dates back to May 14th, 1948 and still continues up till today. It was first cause by the United Nations' implementation of the Partition Plan, which resulted in the initial Arab-Israeli conflict by dividing Palestine into Arab and Israel nations. Israel's launched hundreds of rockets, artillery bombardments, and airstrikes, which targeted both military and civilian infrastructure, including residential structures, media headquarters, and places for refugees and hospitals, resulting in the deaths of over millions of Palestinians (Centre for Preventive Action, 2024). This humanitarian catastrophe has intensified annually, as noted by the United Nations Development Programme (2024), which is due to the extensive devastation of the environment, the physical and psychological damage of thousands of casualties, the massive fatalities, and food poverty; the mass displacement and dearth of secure areas, as well as Israeli limitations on the distribution of products and services, are also contributing factors to this issue. Additionally, consumer scrutiny has been

intensified and global brand perceptions have been altered as a result of geopolitical crises. Brands that are associated with funding Israel or are known to take stance on Israel are spotlighted with public backlash by their consumers worldwide, who take part in boycotts. In 2005, Palestinian civil society initiated the Boycott, Divestment, and Sanctions (BDS) movement, which aimed to boycott Israeli companies and institutions. Although BDS is not an international treaty, it has gain significant support, leading to boycott actions against Israeli products. This also correlates with consumer ethnocentrism, which is the belief that purchasing domestic products is morally superior to purchasing foreign products; a consumer behaviour that prioritizes local products as alternatives as a result to boycotts (Nguyen et al., 2018). This shows an opportunity for the government and local brand owners to collaborate in order to fortify the local industry, enhance its competitiveness in the national market, and even prepare for competition. The boycott of foreign products, particularly those manufactured in Israel and supporting Israel, has a positive impact on the development of domestic product income (Ula, Hikmah, Wiradinata, & Senja, 2024).

Brands, Boycotts, and CSR Initiatives

In Indonesia, Fatwa No. 83/2023 was issued by MUI (Majelis Ulama Indonesia) in relation to boycotts to refrain consumers from using products associated with Israel. Muslims are advised to stop the purchase and use of products that are associated with Israel, as well as those that advocate for Zionism. This fatwa was well-received and adhered to by majority of the population in Indonesia, as the majority of the population is Muslim. The boycott of foreign products, particularly those manufactured and supporting Israel by giving donation and supporting it, in Indonesia itself has a positive impact on the development of domestic product income. The boycott movement led to a 30-40% increase in the sales of specific local products, where this illustrates that boycotts of foreign products in Indonesia foster the growth of local product sales (Handayani, 2023). In order to stay competitive, it is important for brands to develop a distinctive product and branding due to the increasing number of competitors. It is important for brands to implement diversification in their marketing strategies and products. In the beauty industry, which is linked to ethical, environmental, and social issues, corporate social responsibility (CSR) initiatives serve as a marketing strategy for branding. A robust corporate social responsibility (CSR) strategy can assist in reducing the risks associated with negative public perception or retaliation. Beauty brands may contribute to humanitarian operations and promote peace during periods of crisis, such as the Israel-Palestine conflict, by implementing corporate social responsibility (CSR) initiatives in a form of giving support and direct donations. The actions of these brands can also serve as a reflection of consumer loyalty, as consumers are more likely to purchase from brands that share their perception and abandon brands that contradict their perception.

Consumer Loyalty

The consumer loop theory explains that after deciding to purchase a product, the next thing to do know is which brand consumers are purchasing from. In the circular consumer decision loop, this is referred to as brand consideration. At first, consumers only prioritize the brands that they are already familiar with due to the availability of the products on the market. However, as they begin to more actively evaluate brands and understand the value of the brand and how conscious and responsible the brand is to the community, they might expand their selection. After the consumer selects the brand they want to purchase, brands need to maintain their consumers loyalty through post-purchase experiences. The three main stages are, “enjoy”, “advocate”, and “bond”, which

influences their decision if they have two options to pick from. Numerous post-purchase activities may influence brand loyalty, including information that aids the consumer in their active evaluation and online resources available for consultation following product purchase. To cultivate loyalty, interactions must be carefully selected to impact the consumer throughout the contemplation to closing process. Essentially, the loyalty loop has a feedback mechanism where consumers continuously assess their purchases even post-purchase of the product. This is something that brands need to consistently provide exceptional performance and experience to consumers; or else, loyal consumers may begin to consider alternative brands. For brands, it is advantageous to have consumers who are loyal to their brand, as this enables them to leverage a strategic word-of-mouth marketing technique, which is more effective in influencing the purchasing decisions of others. This shows the establishment of enduring brand value, cost reduction, price insensitivity, and an increase in profitability and growth. The development of self-brand and brand-social linkages is facilitated by word-of-mouth marketing, which in turn promotes consumer sharing behaviour and increases consumer loyalty (Dapi & Phiri, 2015). The cosmetics industry is a dynamic market in which brand loyalty is both difficult to acquire but also simple to lose. Brand loyalty is characterized by actions that impact both pre- and post-purchase experiences: engaging consumers throughout their purchase journey and ensuring their loyalty by consistently providing pertinent information, persuasive communication, offering appropriate content at the right time, and engaging with them on social media. According to Kulle and Hellsten (2017), a single error can have an irreparable impact on a brand's consumer loyalty. Consequently, numerous organizations prioritize the development of consumer loyalty as a critical objective in their marketing strategies. There is sufficient previous research on the effect of social responsibility initiatives that brands do to consumer loyalty. However, more research is needed to analyse how that can affect the brand's sustainability as well.

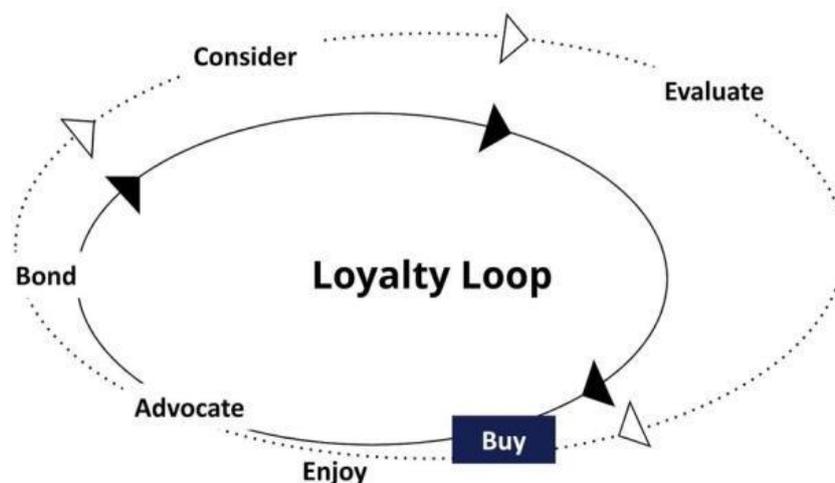


Figure 1. The loyalty loop diagram (Source: Kulle & Helsten, 2017).

Methods

This study is a descriptive qualitative paper, which describes the CSR initiatives done by local beauty brands in Indonesia to as a form of their social responsibility to maintain brand sustainability and consumer loyalty. A method used to answer the research question is by analyzing and synthesis of existing research to have more profound comprehension on the topic. Conceptual descriptive approach is used to analyze literature,

identifying theories, frameworks, also relating it with the boycott and geopolitical crises phenomena. Empirical descriptive approach is used by doing surveys and social media analysis to get handful more information for this study. This study is also a type of phenomenological research that reveals the boycott phenomenon, as a result to reduce income and profits from products affiliated to Israel, and as a way for brands to show their social responsibility to community. This data analysis used in this study is content analysis technique, specifically the examination of news content published in a variety of online media and social media platforms. This study will focus on local beauty brands in Indonesia that are showing their social responsibility through creating sympathy and taking sides on the Palestine-Israel issue. This study will focus on 20 local beauty brands which includes: Aubree, Avoskin, Bhumi, Esqa, Facetology, Kahf, Labore, Luxcrime, Make Over, Mother of Pearl, Pratista, Raecca, Rei Skin, Rose All Day, Runa Skin, Skin Game, Teratu Beauty, Trueve, Wardah, and Whitelab.

Population and Sample

This study will focus on Indonesian citizens especially Generation Z in the age range of, residing in the Jabodetabek area. The sample will include 40 loyal consumers of brands that shows their stance to Palestine, including those who engage in boycott actions against brands who are affiliated and brands who are not affiliated. This sampling strategy shows an extensive understanding of the effect that influences consumer loyalty by the initiatives done for the brands sustainability and social responsibility. Another qualitative approach is being used by conducting surveys with consumers, which is done through online platforms. The followings are the semi-structured questions: (1) Are you an active users of local beauty brands in Indonesia? (2) Do you use any of these brands mentioned: Aubree, Avoskin, Bhumi, Esqa, Facetology, Kahf, Labore, Luxcrime, Make Over, Mother of Pearl, Pratista, Raecca, Rei Skin, Rose All Day, Runa Skin, Skin Game, Teratu Beauty, Trueve, Wardah, Whitelab? (3) On Oct.-Nov. 2023, many beauty brands are showing their side on the Palestine-Israel crises. If your selected brands are standing on the different perspective than what you have, will you switch to another brand? (4) Do you boycott brands who have the opposite perspective than you? (5) What do you think of brands that use this phenomenon to increase their sales and image only? (6) Does doing CSR initiatives like giving donation to Palestine make you more loyal to that brand?

Results and Discussion

Table 1

Social Responsibility Initiatives of Local Beauty Brands

No.	Brand name	Initiatives done
1	Aubree	Posted their stance to Palestine through Instagram Post Voice comes from not only the brand but the owner of the brand
2	Avoskin	Posted their stance to Palestine through Instagram Post Collaborated with Kitabisa for crowdfunding
3	Bhumi	Posted their stance to Palestine through Instagram Post Donated IDR 5,000 on every product sold in Nov. 2023
4	Esqa	Posted their stance to Palestine through Instagram Post Donated IDR 600,000,000 through Baznas & PCRf
5	Facetology	Posted their stance to Palestine through Instagram Post Donated IDR 30,000 on every product sold in Nov. 2023
6	Kahf	Posted their stance to Palestine through Instagram Post Crowdfunded with Paragon Corp. to donate fresh money and products for essential necessities

Table 2 to be continued

7	Labore	Posted their stance to Palestine through Instagram Post Crowdfunded with Paragon Corp. to donate fresh money and products for essential necessities
8	Luxcrime	Posted their stance to Palestine through Instagram Post Donated IDR 50,000,000 through Baznas
9	Make Over	Posted their stance to Palestine through Instagram Post Crowdfunded with Paragon Corp. to donate fresh money and products for essential necessities
10	Mother of Pearl	Posted their stance to Palestine through Instagram Post Crowdfunded through Mer-C Indonesia, up to IDR 2,000,000,000 in amount
11	Pratista	Posted their stance to Palestine through Instagram Post Donated more than IDR 10,000,000 through Yayasan Mahad Islam Rafiah Akhyar
12	Raecca	Posted their stance to Palestine through Instagram Post
13	Rei Skin	Posted their stance to Palestine through Instagram Post Donated 50% of their October profits through UNRWA
14	Rose All Day	Posted their stance to Palestine through Instagram Post Donated IDR 500,000,000 through Baznas
15	Runa Skin	Posted their stance to Palestine through Instagram Post Donated a portion of their product's sales
16	Skin Game	Posted their stance to Palestine through Instagram Post Donated IDR 10,000,000 through Embassy of the State of Palestine
17	Teratu Beauty	Posted their stance to Palestine through Instagram Post Donated a portion of their product's sales
18	Trueve	Posted their stance to Palestine through Instagram Post Donated IDR 30,000,000 through Dompot Dhuafa
19	Wardah	Posted their stance to Palestine through Instagram Post Crowdfunded with Paragon Corp. to donate fresh money and products for essential necessities
20	Whitelab	Posted their stance to Palestine through Instagram Post Donated 2.5% of their November-December 2023 sales through Dompot Dhuafa

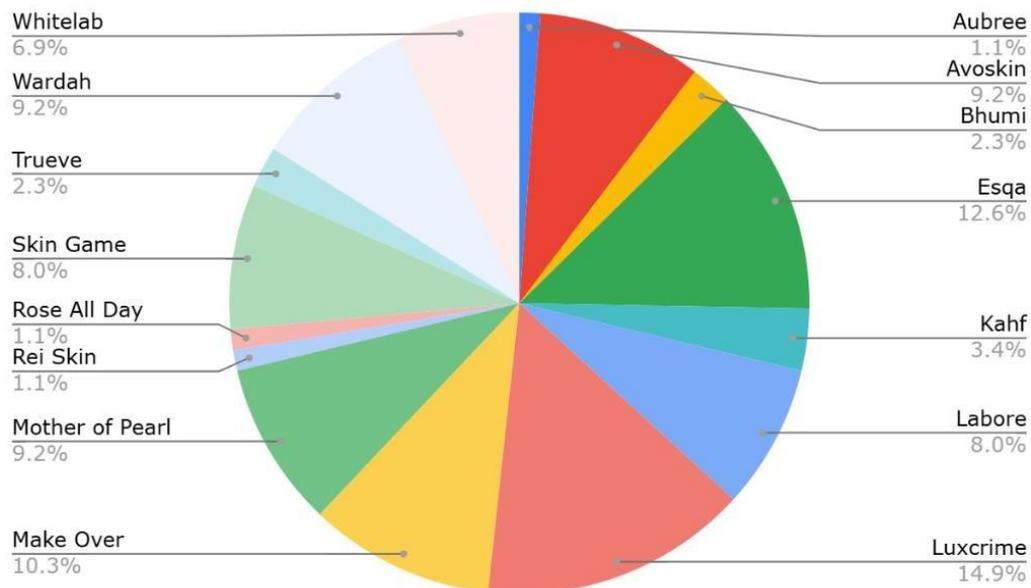


Figure 2. Most used local beauty brands.

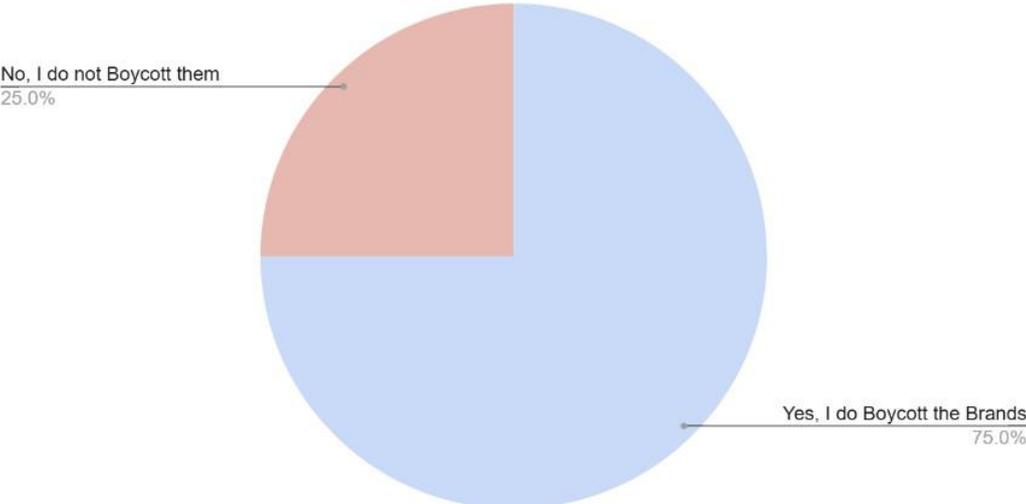


Figure 3. Boycott actions to brands with different perspective.

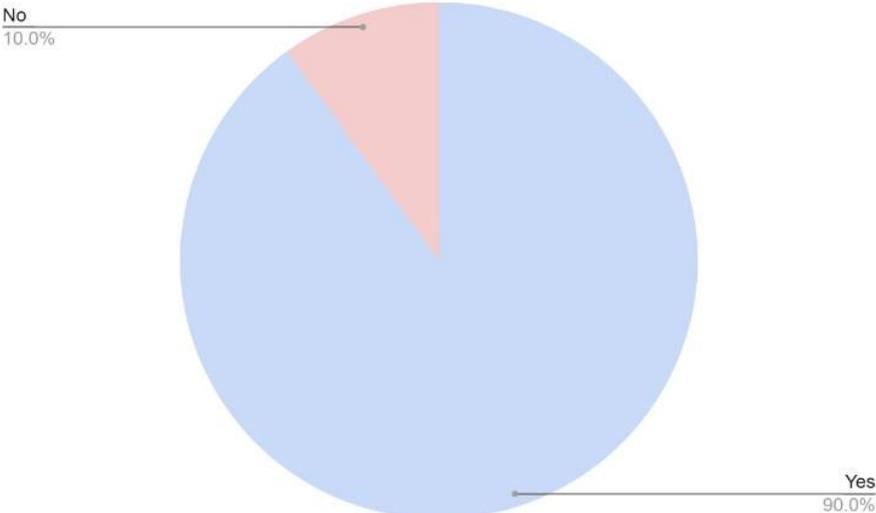


Figure 4. Switching to brands with different perspective.

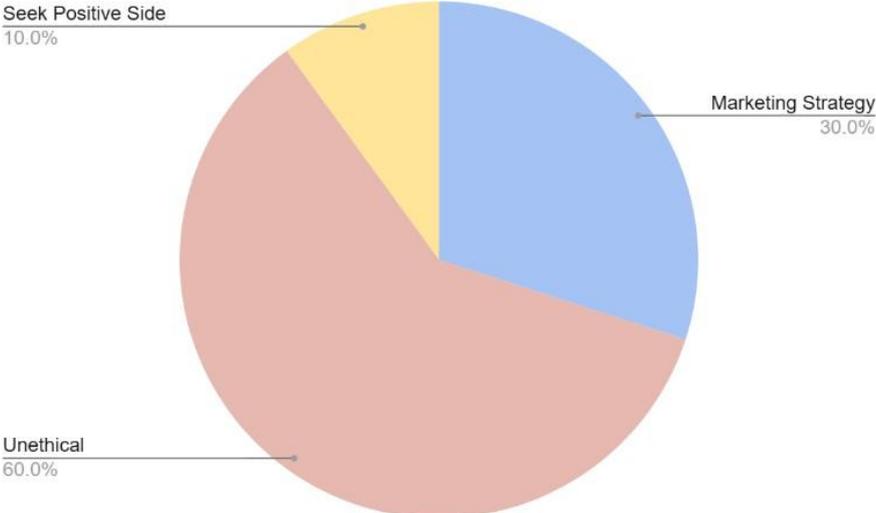


Figure 5. Consumers reaction to brands that uses phenomena to improve brand image.

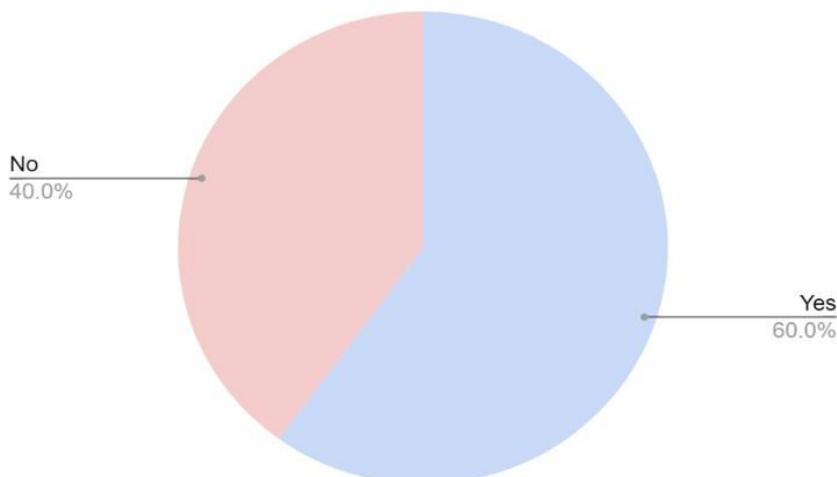


Figure 6. CSR initiatives and consumer loyalty.

Discussion

From Table 1, it is known that all 20 selected brands in this study show their stance to Palestine by posting it through their social media account, Instagram. One brand, Aubree not only uses this opportunity to express their thoughts through the brand, but also personally through their owner's social media account. Brands can convey easily their social responsibility through posting their stance to a certain issue, fresh money donation, sales percentage donation, products donation, and also collaborating with crowdfunding institutions to submit their donations to Palestine. Brands who show their response in a form of donation and crowdfunding need to show the proof of where the money and goods that they are donating go, since it is also the brand's responsibility and fulfillment of their commitment to their consumers. If they are collaborating with institutions or non-governmental organization (NGO), it is important to collaborate with the trusted ones. Consumers can also easily see how serious those brands are as a response to this issue. A lot of the brand's consumers appreciate the act and initiatives that the brand has done. This is shown by that the brands post Instagram comment which is filled with different words of appreciation, gratitude, and compliment as the brands have been actively vocal to this issue.

The survey was done to 40 respondents via online platform. All of the respondents are active user of local beauty brands in Indonesia. From Figure 2, it is known that the three top used brands are Luxcrime which is used by 14.9% of the respondents, Esqa which is used by 12.6% of the respondents, and Make Over which is used by 10.3% of the respondents. From Figure 3, it is known that 75% of the respondents boycott brands who have a different perspective regarding to the Palestine-Israel issue than them. All brands used in this study are brands that show their stance with Palestine for this issue. While, 25% of the respondents do not boycott those brands. A few reasons cover on how crucial that brand's product is to their skincare and beauty regime, they are more price sensitive than issue sensitive, and it is hard for them to find other substitutes for the product that they are using. From Figure 4, it is known that 90% of the respondents will switch to different brands, if the current brand that they are using has different perspective than them. Respondents find it more heartwarming to buy products from brands that have the same perspective toward a geopolitical issue with theirs. While, 10% of the respondents feel that a brand that has a different perspective than them will not change their loyalty and purchasing decision towards the brand itself.

Figure 5 shows the consumers reaction to brands that only uses this phenomenon as a chance to improve brand image, hence creating a chain of higher consumer loyalty. 60% of the respondents think that it is unethical for brands to “use” this issue as a way to leverage their sales, image, and retain their current consumer. One respondent mentioned that this is unethical for brands to do, since without pure intention, at the end, the only thing that matters is the quality of the product; if they cannot keep up with the others, it will ruin their sales, image, and lose loyal consumer. Another respondent mentioned that, brand that only uses this phenomenon as a way to boost sales and image without truly caring will only hurt their own reputation and eventually lose their consumer’s respect. 30% of the respondents understand that brands also leverage this phenomenon as an opportunity for their marketing strategy; they feel like there’s nothing wrong on leveraging this phenomenon because every brand has their own strategy to retain consumers as long as it is done in a positive way like giving out donations to Palestine. While, the rest 10% of respondents see that the initiatives the brands done are correct if seen from a positive side and harm no one. From Figure 6, it is known that 60% of the respondents feel that the CSR initiatives done by brands as a way to complete their social responsibility to the community may increase their loyalty towards the brand. They support the initiatives that the brand does, because they also feel like they can be a part of that initiatives and also completing their social responsibility as well. Respondents feel happy when knowing that the brands that they have been using are aware about this issue. While, 40% of the respondents feel that CSR initiatives done by brands will not increase their loyalty because they seek for other factors like quality and price, but these initiatives can make them want to support the brand even better than before.

Conclusion and Recommendations

CSR initiatives done by brands to complete their social responsibilities to the community and to sustain their business model in the community by giving donation in a form of money, crowdfunding, and products for Palestine are found to be effective in increasing their loyalty to the brands. Consumers loyalty to a certain brand is easily influenced if brands do not have the same perspective with them towards a certain social issue. Consumer also feels that brands who only uses this phenomenon as a way to fix their brand image and increase their sales with no pure intention are unethical. In this future, more surveys should be done with more samples and different age range so it each age range can give more insights base on their perception and knowledge.

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