

AN ANALYSIS OF STRATEGIC PLANNING OF THE DEVELOPMENT OF BEAUTY INDUSTRY IN INDONESIA

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Abstract: The beauty industry in Indonesia has grown notably over the past decade, driven by higher public awareness of self-care, evolving lifestyles, digital advances, and the country's cultural diversity. This steady rise underscores the importance of having well-structured strategic planning to maintain sustainability and remain competitive in a constantly shifting market. This study examines how strategic planning is implemented within Indonesia's beauty sector by identifying both internal and external factors that shape business strategies for local as well as multinational companies. It focuses on two central questions: (1) which major factors influence the development of Indonesia's beauty industry, and (2) what types of strategic planning are used to support its expansion. The research employs a qualitative method based on secondary data. Porter's Diamond Theory and a SWOT framework are used to explore the sources of competitiveness, while the TOWS matrix is applied to develop strategic alternatives. The results show that the industry's progress relies not only on its internal strengths and limitations but also on how effectively it responds to external opportunities and potential risks. The study also highlights the need for cooperation among industry stakeholders, supportive government policies, and continuous innovation to keep pace with changing consumer preferences and increasing global competition.

Keywords: *Strategic Planning; Porter; SWOT/TOWS Matrix; Competitiveness; Beauty Industry*

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1. Introduction

The beauty industry has evolved into one of the fastest-expanding sectors in the global economy, covering a wide range of products and services such as cosmetics, skincare, hair care, fragrances, and aesthetic treatments. Its rapid growth is shaped not only by rising public attention to self-care practices but also by shifts in modern lifestyles, cultural changes, and accelerated technological innovation. The expansion of e-commerce platforms, social media, and digital marketing has broadened the industry's visibility and market reach, turning it into one of the most dynamic components of the creative economy over the past two decades. Supported by a large and continually growing consumer base, the beauty industry is projected to maintain strong long-term growth, fueled by deeper technological integration, evolving consumer preferences, and greater market penetration in many developing countries.

At the regional level, Southeast Asia has emerged as one of the most dynamic areas for beauty industry growth. Several factors contribute to this momentum, including a large and predominantly young population with strong consumption patterns, a rapidly expanding middle class, and widespread internet access. Social media platforms especially Instagram, TikTok, and YouTube have become influential drivers in shaping beauty trends, sparking the rise of both local and global phenomena. Within this landscape, Indonesia stands out as the largest market in the region and serves as a key hub for industry expansion. The country's rising purchasing power and increasingly diverse consumer preferences make it an attractive destination for both international and homegrown brands seeking new opportunities.

In Indonesia's domestic landscape, the beauty industry has grown vigorously and continues to demonstrate strong potential. Indonesian consumers are not only influenced by global brands but have also developed a growing appreciation for local products that prioritize natural ingredients, halal certification, and alignment with cultural and religious values. This shift signals a broader change in market orientation, where beauty products are no longer perceived merely as luxury goods but as items integrated into everyday routines. Demographic data reinforces this trend, showing that Indonesia has around 134.27 million women, most of whom fall within the 15–29 age range an age group known for high cosmetic consumption (Purbasari et al., 2021). These figures highlight the considerable strength of the domestic market and its potential for continued expansion.

The growth of Indonesia's beauty industry is further evident from the rising number of businesses participating in the sector. According to the Food and Drug Supervisory Agency (BPOM), the number of registered companies increased from 819 in 2021 to 913 by mid-2022, with 83% originating from the MSME segment (Hasibuan, 2020). This upward trend suggests that the industry is becoming increasingly inclusive, providing broader opportunities for small and medium enterprises to compete. From a market perspective, the beauty industry was valued at USD 7.3 billion in 2022 and is projected to grow at an annual rate of 5.81% through 2027 (Hasrudin & Sagena, 2023). Supporting this, Statista (Sham et al., 2024) reports an estimated yearly growth rate of 6.46% and notes that online sales accounted for roughly 25% of total transactions in 2021, demonstrating the significant role of digital channels.

Although Indonesia's beauty industry shows strong growth potential, it still encounters several notable challenges. Competition from established global brands remains intense, supply chains are not yet fully efficient, and many consumers continue to favor imported products over local alternatives. A recent survey found that 48% of Indonesian consumers prefer global brands, while only 36% choose local products, with the remaining 16% expressing no clear preference (Hasrudin & Sagena, 2023). These figures indicate that local brands must continue to build a stronger reputation and improve their competitive positioning. At the same time, Indonesia possesses valuable advantages, particularly its abundant natural resources, including long-used herbal ingredients for cosmetic and health-related products. The growing influence of cultural globalization and digitalization also creates new opportunities for exporting Indonesian beauty products. To fully leverage these opportunities, domestic manufacturers need to enhance product quality, secure the necessary certifications, and prioritize continuous innovation to compete effectively in the global market.

The Indonesian government recognizes the beauty industry as a strategic contributor to national economic development. This is reflected in the National Industrial Development Master Plan (RIPIN) 2015–2035, which identifies the cosmetics sector as one of the priority industries. Similarly, the Making Indonesia 4.0 roadmap places cosmetics and personal care within its strategic industrial categories (Amrina et al., 2021). Government support is delivered through a

range of measures, including fiscal incentives, reductions or exemptions in import duties for raw materials, human resource development programs, international partnerships, and promotional activities through trade exhibitions (*Ministry of Industry of the Republic of Indonesia*, n.d.). These initiatives are intended to bolster the competitiveness of Indonesia's beauty industry in both local and international markets.

To navigate existing challenges while making full use of emerging opportunities, companies in this sector require comprehensive strategic planning. Such planning offers a clear structure for identifying opportunities, anticipating risks, and managing resources effectively. Strategic management tools such as Porter's Five Forces, the Resource-Based View (RBV), and the Balanced Scorecard enable firms to design strategies that strengthen their market position and improve overall competitiveness. In Indonesia, the need for robust strategic planning has become even more urgent due to rapidly shifting market dynamics, heightened global competition, and increasingly discerning consumer expectations regarding product quality, authenticity, and sustainability.

In line with the conditions, this study examines how strategic planning supports the development of Indonesia's beauty industry. The analysis focuses on identifying both internal and external factors, tracking industry trends, and outlining competitive strategies that businesses can apply. Beyond its academic contribution, the research aims to promote innovation and strengthen the competitiveness of the national beauty sector in practical terms. Ultimately, the study is expected to generate insights that benefit not only the beauty industry but also broader economic growth and the global recognition of Indonesian-made products.

2. Literature Review

2.1. Beauty Industry Growth

Over the past decade, the global beauty industry has continued to show steady expansion, making it one of the most dynamic segments within the broader consumer goods sector. In 2023, global retail sales across skincare, haircare, makeup, and fragrance products reached roughly USD 446 billion, a 10% rise from the previous year (Hwang, 2023). This upward trajectory is projected to persist, with estimates suggesting a compound annual growth rate of about 5% through 2030. Digital transformation and the rise of e-commerce have played a major role in accelerating this growth, particularly in the aftermath of the COVID-19 pandemic. Reports indicate that online beauty sales jumped by more than 25% in 2020 and have remained strong since (*Ministry of Industry of the Republic of Indonesia*, n.d.). By 2025, nearly half of all global beauty purchases are expected to occur through digital channels (International, n.d.). These shifts highlight the need for companies to embrace strategies centered on omnichannel integration, influencer-based promotion, and more personalized customer experiences to stay competitive in an evolving marketplace.

The beauty industry includes a wide range of products and services, from cosmetics, skincare, and haircare to perfumes and aesthetic clinics. As noted by (International, n.d.), this remains one of the fastest-growing global sectors, supported by rising self-care habits, rapid digital innovation, and evolving consumer lifestyles. Indonesia has emerged as one of the largest beauty markets in Southeast Asia. Statista data (Damanik et al., 2025) estimates that the Indonesian market will reach €8.48 billion by 2024, with an average annual growth rate of 4.45%. Despite this promising outlook, the market continues to be dominated by global brands. International players control about 48% of total sales, while local brands account for 36%, with the rest shared by regional and independent labels. This dominance presents ongoing challenges

for local businesses, particularly in terms of strengthening competitiveness, advancing innovation, and improving distribution networks.

Both the global and Indonesian beauty markets benefit from digitalization and influencer marketing, but the comparison is not at the same level of strategic depth and maturity. Influencer engagement is becoming more credibility-based around the world. To lower perceived consumer risk, it focuses on expertise, trustworthiness, and brand-endorser congruence. On the other hand, Indonesia's beauty market is mostly driven by consumption, and local brands often put influencer reach ahead of credibility, which makes it harder for them to compete with well-known global brands. This gap shows how important it is for endorsers to be credible and for brands to have a good image to lower people's perceptions of risk and make local brands more competitive.

2.2. Beauty Industry Situation in Indonesia

The beauty industry has evolved into one of the most dynamic global economic sectors, driven not merely by product diversification but by deeper transformations in consumer values, lifestyle orientations, and digital engagement. Rather than focusing solely on functional attributes, contemporary beauty markets increasingly emphasize experiential value, symbolic meaning, and brand narratives that resonate with consumers' identities and social values (Masood & Zaidi, 2023). This shift signals a structural change in the industry, where competitive success is shaped by firms' ability to integrate innovation, storytelling, and value-based positioning into their offerings. Such dynamics are evident not only in advanced economies but also in emerging markets, where rising digital penetration and income growth have accelerated changes in consumption patterns.

Indonesia reflects this broader global transformation, though with distinctive market characteristics. The rapid expansion of its beauty and personal care sector is less a function of market size alone than of changing consumer behavior shaped by digital connectivity and social media influence. Damanik et al. (2025) say that skincare and cosmetics are the most popular beauty products among consumers. This shows that people are moving away from using beauty products for special occasions or luxury items and toward using them to prevent problems and improve their daily lives. This trend indicates that Indonesia's market appeal is rooted in consistent, daily consumption bolstered by robust brand engagement, rather than ephemeral volume expansion.

Over time, Indonesia's beauty industry has transitioned from a peripheral creative segment into a structurally significant contributor to the national economy. Beyond revenue generation, the sector plays an important role in employment creation, MSME development, and export diversification (Hasrudin & Sagena, 2023). This broader economic contribution underscores that industry growth is not merely consumption-driven but increasingly embedded within national value chains and entrepreneurial ecosystems. As such, the industry's resilience depends on its capacity to continuously upgrade capabilities in innovation, branding, and distribution.

A distinctive source of competitive advantage in Indonesia's beauty industry lies in halal-oriented innovation and culturally grounded branding. From a competitive advantage perspective, halal certification and culturally resonant narratives function as differentiation strategies that are difficult for foreign competitors to imitate. Local brands such as Wardah, Emina, Somethinc, and Avoskin leverage religious legitimacy, affordability, and culturally aligned messaging to build consumer trust and emotional attachment. This aligns with resource-based and differentiation theories, which posit that firms achieve sustained competitiveness by deploying unique, valuable, and context-specific resources. Using local ingredients like turmeric,

aloe vera, coffee, and jicama boosts this advantage by connecting beauty products to Indonesia's rich natural resources and farming, making the value offered more sustainable (Turcu & Brancu, 2023).

Demographic structure further reinforces these dynamics. Indonesia's large population of young female consumers represents not just a quantitative market opportunity but a qualitatively demanding segment characterized by high information access and value-driven decision-making. Millennials and Gen Z consumers increasingly evaluate beauty products based on scientific credibility, ethical production, environmental responsibility, and alignment with personal values (Lanto, 2021). This shift reflects a transformation of cosmetics from discretionary luxury items into integral components of daily lifestyle and self-expression, placing greater pressure on brands to maintain credibility and authenticity.

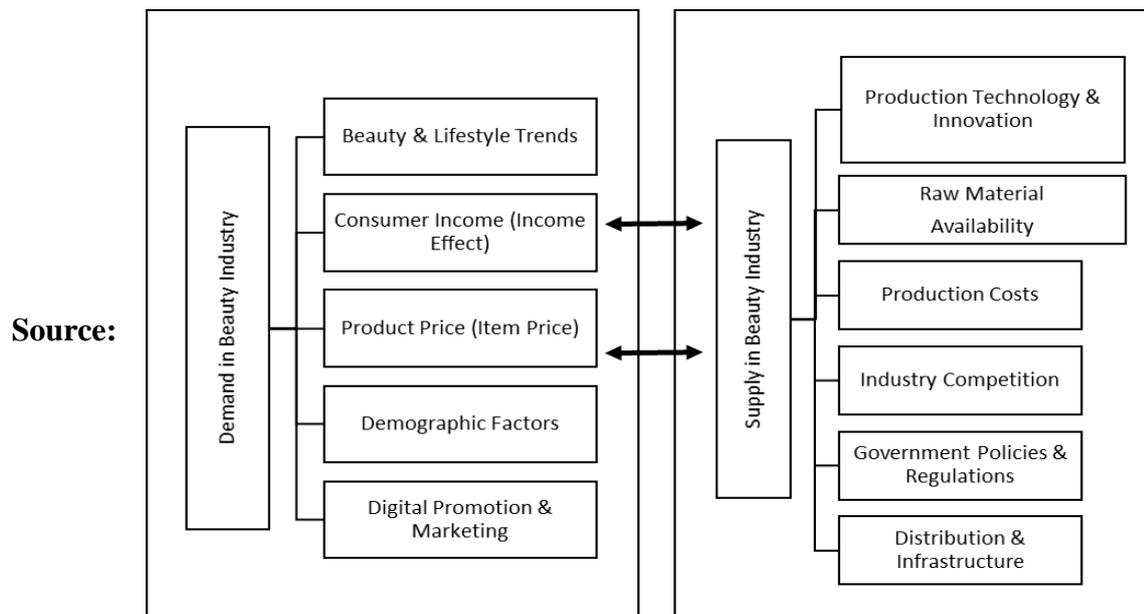
Institutional support has also shaped the industry's trajectory. Through the Making Indonesia 4.0 initiative, the government has positioned cosmetics and personal care as strategic sectors grounded in innovation and technological upgrading. However, persistent challenges remain, particularly in enhancing product quality standards, expanding international and halal certifications, and responding to intense competition from established global players, including East Asian and Western brands. As argued by Hasrudin & Sagena (2023), Indonesia's ability to emulate phenomena such as K-Beauty will depend not on imitation, but on strategic differentiation rooted in local identity, cultural diversity, and biodiversity-based innovation. Overall, Indonesia's beauty industry represents a strategic sector whose competitiveness is shaped by the interaction of cultural relevance, digital transformation, and institutional support rather than growth metrics alone. Its long-term sustainability will depend on how effectively stakeholders translate halal and cultural branding into enduring competitive advantages, strengthen innovation capacity, and align economic objectives with social and cultural values. With such an approach, Indonesia holds the potential not only to consolidate its domestic leadership but also to position itself as a distinctive player in the regional and global beauty landscape.

2.3. Conceptual Framework

Factor Influencing

Using a supply and demand perspective, the development of Indonesia's beauty industry can be viewed through the interaction between consumer demand and the industry's ability to provide products and services. This framework considers the various factors that influence consumer preferences, purchasing habits, and brand loyalty on the demand side, while on the supply side it looks at how firms innovate, maintain product availability, and build effective distribution networks. Examining the industry from both angles helps assess how prepared Indonesia's beauty sector is to respond to increasing market needs. This approach offers a holistic basis for analyzing strategic planning aimed at supporting sustainable industry growth, as illustrated in Figure 1.

Figure 1: A supply and demand model of beauty industry



Ferdinand & Ciptono (2022)

Theories for a Strategic Planning Analysis

Bakan & Doğan (2012) introduced the Diamond Model as a framework for examining an industry's competitive advantage at the national level. The model highlights that competitiveness is shaped by several interacting components: factor conditions, demand conditions, related and supporting industries, firm strategic and rivalry, as well as government intervention. Applied to Indonesia's beauty industry, the Diamond Model helps illustrate how local strengths, such as the country's biodiversity and the rise of halal beauty trends, can serve as competitive advantages in a market often dominated by global brands. To complement this, SWOT analysis is used to assess the internal and external conditions influencing industry performance (Namugenyi et al., 2019). Offering an initial overview of the position of local brands amid strong international competition. The TOWS Matrix, developed as an extension of SWOT (Wehrich, 1982), provides concrete strategic options based on those internal and external factors. When Porter's Diamond Theory, SWOT analysis, and the TOWS Matrix are combined, they offer a more holistic framework for understanding the strategic landscape of Indonesia's beauty industry. The Diamond Model outlines macro-level competitive forces, SWOT maps key strengths, weaknesses, opportunities, and threats, while the TOWS Matrix translates these insights into practical strategies that local firms can apply to enhance their competitiveness in a market still led by global players.

3. Research Method

This research adopts a qualitative approach, relying primarily on secondary data gathered from credible and accessible sources relevant to the study's focus. Several theoretical frameworks such as Porter's Diamond model (Grant, 1991), and SWOT/TOWS analysis were also incorporated to guide the analytical process and support the interpretation of the findings. The secondary sources include academic journals, books, institutional reports, government publications, policy documents, and reputable online materials that discuss both the beauty

industry and medical travel sector in Indonesia. The choice of a qualitative method is based on its strength in exploring complex social and economic issues in depth, allowing the researcher to capture industry trends, challenges, and opportunities beyond what numerical data alone can provide. The data collection process involved screening, selecting, and reviewing documents, followed by systematic reading and coding to identify recurring themes and patterns related to the development of the beauty industry and medical tourism. To ensure validity, triangulation was carried out by comparing information from different sources, while critical evaluation was used to assess the reliability of each reference. This approach provides a solid foundation for subsequent analysis and ensures that the findings reflect both theoretical insights and real-world conditions within the Indonesian context.

For the analytical phase, the study uses a multi-framework strategy to produce a comprehensive interpretation of the data and address the research hypotheses. The supply and demand model for the beauty and medical travel industries was first applied to examine how consumer needs, preferences, and expectations interact with industry capacity, available services, and supporting infrastructure. This model helped identify key factors influencing destination choices and competitiveness. To deepen the analysis, Porter’s integrated Diamond model was then employed to evaluate the competitiveness of Indonesia’s beauty industry through four dimensions: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. This framework made it possible to capture both macro-level and micro-level drivers of growth. In addition, a SWOT analysis was used to map internal strengths and weaknesses alongside external opportunities and threats, enabling the research to connect theoretical perspectives with practical strategic implications. By integrating these three analytical tools, the study highlights the main factors shaping the development of Indonesia’s beauty and medical travel sectors and presents strategic directions tailored to the country’s socio-economic characteristics, ensuring that the results remain relevant and applicable.

4. Results and Discussion

Competitive Advantages of Nation Analysis

Table 1 presents a summary of the competitive advantages of Indonesia’s beauty industry, compiled from the analysis of secondary data.

Table 1: The competitive advantages of nation on Beauty Industry in Indonesia

Aspect of CAoN	Advantages	Disadvantages
Productive Factor	<ol style="list-style-type: none"> 1. Abundant natural resources for natural ingredients (spices, herbs). 2. Availability of creative workforce in cosmetics, formulation, and packaging design. 3. Continuous advancement of cosmetic manufacturing technology. 4. Many local brands are emerging (e.g., Scarlett, 	<ol style="list-style-type: none"> 1. Limited research laboratories and raw material certification facilities. 2. Shortage of human resources specializing in R&D (Research and Development) in cosmetic chemistry. 3. Not all factories have obtained international certification.

	Somehinc, Emina)	
Demand Conditions	<ol style="list-style-type: none"> 1. Large population dominated by young generations. 2. Increasing awareness of self-care and skincare trends 3. Local influencers and beauty vloggers actively drive demand growth. 4. Local consumers tend to be loyal to domestic products with good quality and affordable prices. 	<ol style="list-style-type: none"> 1. Rapidly changing trends force brands to continuously innovate. 2. Many consumers still worry about quality/counterfeit issues with local brands.
Related and Supporting Industries	<ol style="list-style-type: none"> 1. Growth of e-commerce industry and digital platforms supporting distribution. 2. Many creative agencies, content creators, and Key Opinion Leaders (KOLs) available for collaboration. 3. Rapid development of logistics and fulfillment services. 4. Availability of local packaging and printing material marketplaces. 	<ol style="list-style-type: none"> 1. Local raw material supply chains are not yet fully stable. 2. Weak integration between the cosmetic industry and the academic/research sector. 3. Lack of banking sector support for beauty SMEs.
Firm Strategy, Structure, and Rivalry Strategy	<ol style="list-style-type: none"> 1. Many local creative brands are emerging and daring to compete. 2. Companies are beginning to pay attention to sustainability, clean beauty, and halal products. 3. Many local players adopt marketing technologies such as AI, live commerce, etc. 	<ol style="list-style-type: none"> 1. Very intense competition and market saturation. 2. Many new brands are unprepared for long-term competition as they only follow trends.

Government	<ol style="list-style-type: none"> 1. BPOM regulations and Halal labels are pushing the industry to become more professional. 2. Support programs from the Ministry of Industry and Creative Economy Agency. 3. Availability of MSME training and cosmetic certification. 4. Domestic Content Requirement policy encourages local manufacturing. 	<ol style="list-style-type: none"> 1. BPOM and Halal certification processes are relatively long and costly for small players. 2. Limited tax incentives or import facilitation for machinery/formulas. 3. Insufficient international promotion for local beauty products abroad.
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The findings are organized using Porter’s Diamond Model, which forms the foundation for the subsequent SWOT assessment. The evaluation of Indonesia’s industry competitiveness is structured around the four core components of Porter’s framework, providing a clear overview of the factors that shape national-level competitive strength.

SWOT Analysis

The findings summarized in Table 1 are further expanded into a set of internal and external factors that influence the development of Indonesia’s beauty industry. These factors are organized into four categories within the SWOT framework: Strengths (S), which reflect supportive internal attributes; Weaknesses (W), which indicate internal limitations; Opportunities (O), representing favorable external conditions; and Threats (T), which capture external challenges. A detailed breakdown of these classifications is provided in Table 2.

Table 2: SWOT Analysis of Beauty Industry Development in Indonesia

	Strengths (Internal Factors)	Opportunities (External Factors)
Favorable Factors	<p>S1 = Abundant natural resources for natural ingredients (spices, herbs) (Productive Factor)</p> <p>S2 = Availability of creative workforce in cosmetics, formulation, and packaging design (Productive Factor)</p> <p>S3 = Continuous advancement of cosmetic manufacturing technology (Productive Factor)</p> <p>S4 = Many local brands are emerging (e.g., Scarlett, Somethinc, Emina) (Productive</p>	<p>O1 = Increasing awareness of self-care and skincare trends (Demand Conditions)</p> <p>O2 = Local consumers tend to be loyal to domestic products with good quality and affordable prices (Demand Conditions)</p> <p>O3 = Many creative agencies, content creators, and Key Opinion Leaders (KOLs) available for collaboration (Related and Supporting Industries)</p> <p>O4 = Support programs from the Ministry of Industry and the Creative</p>

	<p>Factor) S5 = Large population dominated by young generations (Demand Conditions) S6 = Availability of local packaging and printing material marketplaces (Related and Supporting Industries) S7 = Local influencers and beauty vloggers actively driving demand growth (Demand Conditions) S8 = Rapid development of logistics and fulfillment services (Related and Supporting Industries)</p>	<p>Economy Agency (Government) O5 = Domestic Content Requirement (TKDN) policy encourages local manufacturing (Government) O6 = Growth of e-commerce industry and digital platforms supporting distribution (Related and Supporting Industries) O7 = Availability of MSME training and cosmetic certification (Government)</p>
	<p>Weaknesses (Internal Factors)</p>	<p>Threats (External Factors)</p>
<p>Unfavorable Factors</p>	<p>W1 = Limited research laboratories and raw material certification facilities (Productive Factor) W2 = Shortage of human resources specializing in R&D in cosmetic chemistry (Productive Factor) W3 = Not all factories have obtained international certification (Productive Factor) W4 = Continued dependence on imported active ingredients (Productive Factor) W5 = Lack of banking sector support for beauty SMEs (Related and Supporting Industries) W6 = Many consumers still worry about quality/counterfeit issues with local brands (Demand Conditions) W7 = Very intense competition and market saturation (Firm Strategy, Structure, and Rivalry) W8 = Local raw material</p>	<p>T1 = Rapidly changing trends force brands to continuously innovate (Demand Conditions) T2 = Fluctuations in consumer purchasing power during economic crises (Demand Conditions) T3 = Weak integration between the cosmetic industry and the academic/research sector (Related and Supporting Industries) T4 = Many new brands are unprepared for long-term competition as they only follow trends (Firm Strategy, Structure, and Rivalry) T5 = BPOM and Halal certification processes are relatively long and costly for small players (Government) T6 = Insufficient international promotion for local beauty products abroad (Government) T7 = Local products still lag behind Korean brands in terms of perceived quality in the global market (Firm Strategy, Structure, and Rivalry)</p>

	supply chains are not yet fully stable (Related and Supporting Industries)	
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Correspondence Analysis and TOWS Matrix

This study employs correspondence analysis through the TOWS matrix to connect the relationships among the identified SWOT factors and derive appropriate strategic alternatives. These interrelated factors are then developed into matched strategies, which are summarized in Table 3. The TOWS matrix consists of four primary strategic categories SO, WO, ST, and WT. Internal factors (S and W), representing the strengths and weaknesses of the beauty industry, are grouped into sets such as S1–S8 or W1–W8. These internal elements are analyzed alongside external factors (O and T), allowing various significant correspondences to emerge. Organizing the factors into groups helps streamline the correspondence analysis and supports the formulation of integrated strategic options. As shown in Figure 2, applying the TOWS matrix enables the mapping of these relationships and translates them into strategies that enhance the competitive position of Indonesia’s beauty industry.

Figure 2: Mapping of TOWS Matrix Analysis

TOWS matrix of Beauty Industry Development in Indonesia																	
SWOT	Strengths (S)								Weaknesses (W)								
SWOT	S1	S2	S3	S4	S5	S6	S7	S8	W1	W2	W3	W4	W5	W6	W7	W8	
	(P)	(P)	(P)	(P)	(D)	(R)	(D)	(R)	(P)	(P)	(P)	(P)	(R)	(D)	(R)	(R)	
Opportunities (O)	O1	▲	▲	▲	○	▲	○	▲	○	○	▲	○	○	○	○	○	
	O2	▲	▲	▲	▲	▲	○	▲	○	○	▲	○	○	○	○	○	
	O3	▲	▲	▲	▲	○	▲	▲	▲	▲	▲	○	○	▲	▲	○	▲
	O4	○	▲	▲	▲	▲	▲	○	○	▲	▲	▲	▲	▲	▲	○	○
	O5	○	○	▲	▲	▲	▲	○	▲	▲	▲	▲	▲	▲	▲	○	○
	O6	○	▲	▲	○	○	▲	○	▲	○	○	○	○	▲	○	○	▲
	O7	○	▲	○	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	○	▲
Threats (T)	T1	○	▲	▲	▲	▲	○	▲	○	▲	▲	○	○	○	○	▲	○
	T2	○	○	▲	▲	▲	○	○	▲	○	○	○	○	○	○	▲	○
	T3	○	○	○	○	○	▲	○	▲	▲	▲	▲	○	▲	▲	▲	▲
	T4	○	▲	▲	▲	○	○	▲	○	○	○	○	○	○	▲	▲	○
	T5	○	○	○	○	○	○	○	○	▲	▲	▲	○	○	○	○	○
	T6	○	○	○	○	○	○	○	○	▲	○	○	○	○	▲	○	○
	T7	○	○	○	○	▲	○	○	○	○	○	○	○	○	○	▲	○

Note:
1. P= Production factor, R= Related and supporting industries, F= Firm strategy, structure and rivalry, D= Demand factor, G= Government
2. '▲' denotes high correlation and '○' denotes no/low correlation

Table 3. Correlation Between SWOT Factors and Formed to The Competitive Advantages of Nation

	Strengths (S)	Weaknesses (W)
Opportunities (O)	SO1 : S1 to S3, O1 to O3 (Productive Factors) SO2 : S2, O6, O7 (Productive Factors) SO3 : S3 to S6, O4, O5 (Productive, Demand Factors & Related Industries) SO4 : S4, O2, O3 (Productive Factors) SO5 : S4 to S8, O7 (Productive, Demand Factors & Related Industries) SO6 : S5, O1, O2 (Productive Factors) SO7 : S6 to S8, O3 (Related Industries & Demand) SO8 : S7, O1, O2 (Productive Factors) SO9 : S8, O5, O6 (Related Industries)	WO1 : W1 to W6, O4, O5 (Productive Factors, Demand Factors & Related Industries) WO2 : W1 to W6, O7 (Productive Factors, Demand Factors & Related Industries) WO3 : W2, O1 to O3 (Productive Factors) WO4 : W5, W6 (Related Industries & Demand Factor) WO5 : W8, O6, O7 (Related Industries)
Threats (T)	ST1 : S2 to S4, T4 (Productive Factor) ST2 : S3 to S5, T1 to T2 (Productive Factor & Demand Conditions) ST3 : S8, T2, T3 (Related Industries)	WT1 : W1, W2, T1 (Productive Factors) WT2 : W1 to W3, T3 (Productive Factors) WT3 : W1 to W3, T5 (Productive Factors) WT4 : W6, W7, T3, T4 (Demand Factors & Related Industries) WT5 : W7, T1, T2 (Related Industries)

The correspondence analysis of internal and external factors shows that Indonesia's beauty industry holds strong strategic potential shaped by both domestic dynamics and global developments. Key strengths such as diverse natural resources, a growing pool of creative talent, and consistent government support form a solid basis for long-term industry growth. These advantages align well with external opportunities, including increasing consumer interest in self-care, rapid digital adoption, and supportive MSME policies. The findings suggest that companies capable of leveraging these synergies can boost their innovation capacity and solidify their market position. The success of brands like Wardah, Somethinc, and Scarlett illustrates how the integration of local resources, technology, and cultural relevance can generate distinctive competitive advantages in both national and international markets. Strengthening the alignment between internal strengths and external opportunities is therefore essential for maintaining competitiveness amid the dominance of global brands.

Despite these promising opportunities, the analysis also identifies several weaknesses that could hinder sustainable industry progress if left unaddressed. Constraints such as limited research capacity, heavy reliance on imported active ingredients, and insufficient collaboration between industry and academic institutions continue to pose challenges. These internal limitations become more significant when combined with external threats, including rapidly shifting beauty trends, fluctuations in consumer purchasing power, and lengthy certification processes that may delay innovation. Addressing these issues requires stronger coordination among producers, researchers, and government institutions. Enhancing R&D capabilities, establishing dedicated innovation hubs, and promoting the use of locally sourced ingredients can help reduce dependency on imports while reinforcing the unique identity of Indonesian beauty products. Such steps will not only improve national resilience but also support differentiation and sustainability in the global marketplace.

The strategic mapping produced through the TOWS Matrix highlights the need for adaptive and well-integrated planning across the industry. SO and ST strategies place emphasis on product innovation and brand differentiation, whereas WO and WT strategies underscore the importance of capacity building, research strengthening, and supportive policy development. Companies that combine these approaches can better anticipate market shifts and design competitive products aligned with evolving consumer values. At the same time, government involvement remains crucial particularly in easing certification processes, providing fiscal incentives, and promoting local products internationally. The effectiveness of these strategies relies on the shared commitment of all stakeholders, including industry actors, policymakers, and consumers, to cultivate a beauty ecosystem that is not only profitable but also ethical, inclusive, and sustainable over the long term.

5. Conclusion

This study examined the strategic factors shaping the development of Indonesia's beauty industry through the use of Porter's Diamond Model, SWOT analysis, and the TOWS Matrix. The findings show that the industry holds several notable competitive advantages, including rich natural resources, a creative and innovative talent base, and strong government support through industrial programs and MSME initiatives. When these internal strengths are aligned with external opportunities, such as rising consumer awareness, accelerating digital transformation, and favorable national policies, they can significantly enhance innovation capacity and reinforce the competitiveness of local brands. The growth of companies like Wardah, Somethinc, and Scarlett illustrates the ability of Indonesian firms to compete internationally through well-crafted strategies and the integration of cultural identity into their branding.

However, the analysis also identifies several weaknesses and threats that need to be addressed to secure long-term industry sustainability. Heavy reliance on imported raw materials, limited research and development capabilities, and insufficient collaboration between industry and academic institutions continue to limit innovation. External challenges, such as fast-changing beauty trends, consumer price sensitivity, and lengthy certification processes further complicate competitiveness. Improving R&D capacity, strengthening supply chains for local ingredients, and streamlining certification procedures are essential steps to mitigate these obstacles.

In conclusion, the long-term competitiveness of Indonesia's beauty industry relies on strong collaboration among various stakeholders, including government bodies, private firms, academic institutions, and consumers. Strategic planning that incorporates innovation, sustainability principles, and cultural relevance is crucial for positioning Indonesia as a leading beauty hub in

Southeast Asia. Future studies may consider using quantitative methods or hybrid techniques such as SWOT–AHP to prioritize strategies and generate more measurable insights into the effectiveness of national beauty industry policies.

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