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MASTER OF BUSINESS ADMINISTRATION

UNDERSTANDING CUSTOMER CITIZENSHIP BEHAVIOR IN BEAUTY INDUSTRY, IN MALAYSIA

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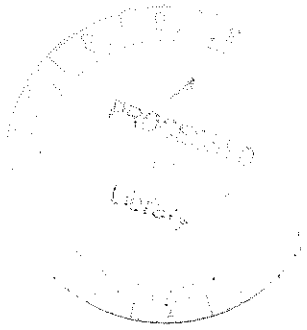

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Abstract

This paper is studying about customer citizenship behaviour in beauty industry, in Malaysia. Many research papers about service industry are available, but no specific journal article is mention on beauty industry in Malaysia. Malaysia market in beauty products and service was growth up steadily, more and more local manufacturers try to develop local brand. And beauty practitioners especially spa and massage therapy is over depending on foreign skilled worker while local has traditional technique but no one promote it. This study is helping practitioners to understand customer citizenship behaviour and apply suitable marketing strategy to earn bigger market share.

Six variables are studied which are customer-based corporate reputation (CBR), brand credibility, credibility of service worker, benevolence of service worker, customer perception on reciprocity, and feeling of trust to test customer citizenship behaviour. Statistical Package for the Social Science (SPSS) and Smart PLS 2.0 (Partial Least Squares path modelling) are using for data analysis. Estimated results is shown except credibility and benevolence of service workers, it is different with the survey conducted in United Kingdom. Reasons are the cultural difference and education background influence customer behaviour toward service worker. Discussion, conclusion and recommendations based on the finding are made in this study. Few suggestions for future research are shown to improve significant and specific of the study.

(216 words)

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Yong Ming Shiuan

10th August 2014

Declaration by Candidate

I hereby declare that this thesis "Understanding customer citizenship behaviour in beauty industry, in Malaysia" is my own work and effort and that is has not been submitted anywhere for any award. Where other sources of information have been used, they have been duly acknowledgement.

YongM

10 August 2014

Yong Ming Shiuan

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Chapter I: Introduction

1.0 Chapter Overview

This chapter describes the background of the research and telling what was going on in the beauty industry in Malaysia. Then, problem definition, research question and objectives take part to explain the necessity of the research. Scope of study is stated clearly, assumption, limitation and significance of the research were identified subsequently.

1.1 Research Background

For service industry, customers are carrying a broader meaning of the word 'customer', customers may deliver part of employees' work which may enhance company performance. Bowen and Schneider (1985) said customers often act as 'partial employee, participating in the service creation process through the application of their knowledge and skills. This kind of customer behaviour can be categories into two which is in-role and extra-role behaviours (Bettencourt and Brown, 1997).

Customer in-role behaviours represent the action required to perform the service delivery, such as being punctual for an appointment, comply with stipulate treatment, or describe the need clearly (Bove et al, 2009); and extra-role behaviours represent helpful behaviours that customers perform towards organisation, service worker, and other customers on a voluntary basis. When a customer performs those actions that were not requested by the organisation in the service delivery process, it gives a positive effect on the performance of the organisation, service worker efficiency and even benefits other consumer (Bove et al, 2009). Customer may need to sacrifice self-interest in term of times and effort while conducting extra-role behaviours (Staub, 1978) and it can be referred to customer citizenship behaviours (CCB).

Customer's motivation for participating in-role behaviours is to have a successful service outcome and how about the extra-role behaviours? No matter in-role or extra-role behaviours, it will benefit the organisation with

potential competitive advantages as well (Paine & Organ, 2000). Organisation need to identify the motivation of the customer to conduct voluntary, extra-role behaviour like positive word of mouth and valuable feedback for operating improvement.

Sung and Yang (2008) and Walsh et al (2009) said customers has higher intention to carry out citizenship behaviour and customer of high reputed organisation. Bartikowski and Walsh (2011) said positive reputation is a signal of quality and promise for the customer and it may encourage customer to perform an extra - role behaviours voluntary. However, customers do expect any form of rewards from company when they perform extra – role behaviours according to social exchange theory. It may not be recognised by formal reward system. Whether organisation reputation has stronger impact on customer citizenship behaviours or customer perception on the rewards have not covered by other journals. Further explanation on organisation reputation to extra-role behaviours and social exchange theory will be discussed in Chapter II.

Brand has a significant role in promoting customer behaviour that contributes to organization long term benefit (Sweeney and Swait, 2008). Built a credible brand required continuous and repeated interaction between customer and organisation, and the trust can be corrupt easily if violated by the firm. Based on information economics paradigm, brand is a source of information and valuable to the customer and assists them in reducing perceived risk of consumption and save decision making cost(Stigler, 1961; Stiglitz, 1987). Brand is an efficient marketing tool for customer to choose appropriate products and services, because the customer knows less about a company's product compared with the company itself (Sweeney and Swait, 2008). Meaning to say, brand credibility not only guidance of customer purchase intention and also influence of giving positive/ negative word of mouth as well.

Besides reputation and brand credibility, service personnel as front line to serve the customer has a vital role in affecting customer behavioural intention by their attitude and behaviour during the service encounter (Hartline and Ferrell, 1996). Continuous interaction between customer and service personnel creates the

kind of relationship between both parties and it is a driver of customer citizenship behaviour (Bove et al., 2009). Another study about influences of service personnel conducted by MacKenzie et al., (1998) and Ahearne et al. (2005) suggest that service personnel improves customers' identification with the organisation and it contributes to customer citizenship behaviour. Thus, credibility and benevolence of service personnel was studied as variable and compared with other factors.

Social exchange theory was developed to study human behaviour initially (Homans, 1958), and later it extended to analysing organisation behaviour (Blau, 1964; Emerson, 1962). The social exchange model stated that the interaction between individual and organisation was happening in order to maximise their benefits and minimize their costs (Salam, Rao, & Pegels, 1998). It is called reciprocal benefits, and it is a social norm where an individual is looking for their benefits when conducting certain action, such as trust, love and gratitude (Shiau, Luo, 2012). The researcher cannot find related journal that has compared and tested the significance of the social exchange model, reciprocal with organisation reputation, credibility and impact of service personnel towards customer citizenship behaviour.

1.2 Current issues in beauty industry

Beauty industry is developing fast globally, and beauty becomes a necessity for most people among the fairer sex (BFs Magazine, 2008). Successful advertising like young women with flawless skin, promoting "magic" anti-ageing cream on billboards, leggy model in fashion magazines, or posts about losing a few kilograms of weight after attending slimming centre in Facebook page implanted important of the outer appearance and its impacts (Bernama, 2014). It makes physical beauty become paraded and idolised nowadays, and some women cannot even leave their room without makeup and men too are actually grooming themselves.

Personal grooming becomes virtually indispensable for the modern society and people related it with healthy living, good appearance enhances opportunity and

self-achievement. Consumers are willing to spend a large portion of their income to maintain personal hygiene and a neat appearance. It is a result of health awareness and aggressive product branding.

The statistics portal shown global cosmetic industry is categories into six main division, and skin care products contribute 33.8 percent of global market in year 2012 (Statista, 2014). United States has generated USD 54.89 billion in cosmetic market at 2012, and the industry has created 53,619 job opportunity for national (Statista, 2014). It is the biggest cosmetics market in the world. The industry is growing rapidly with the advent of internet companies. Based on survey conducted, online shop and mail- order household sales have contributed USD 7.2 billion revenue in United States year 2010. Cosmetic sales are estimated to grow while many consumers realise the necessity and role of beauty products in achieving social and economic goals.

Report of "Global Beauty Care Products Industry 2012- 2017" said Compound Annual Growth Rate (CAGR) of beauty industry will grow 3.4percent over next five years (Yeomans, 2012). The increasing demand is mainly from Europe and Asia Pacific (APAC). In 2011, demand of Asia Pacific region in cosmetic ingredients has generates around USD 21 billion of increment retail value (Yeomans, 2012). The report has covered hair care, colour cosmetic, skin care, fragrance and it states a potential growth in premium and luxury beauty products due to expanding middle class in developing countries. Market researchers have estimated personal care products especially skin care, sunscreen, deodorants may reach USD 630 billion in year 2017 (Yeomans, 2012).

In addition, in year 2008, the United Kingdom Health & Beauty Retailers reported that United Kingdom consumers tend to save money on buying "big" things, but they do not cut their budget on beauty products during economy recession. A UK-based consulting company on brand and product strategy conducted a survey and the result indicates that beauty industry is the most consistent throughout the economic downturn and recovery cycle (Bernama, 2014).

1.21 Malaysia

In Malaysia, beauty industry is under supervision of Ministry of Domestic Trade, Co-operative and Consumerism (MDCC) that ensure quality of beauty therapist on their professions like behaviour and good practices are maintained all the time (MDCC, 2013). It's intended to protect consumer from improper practices and irresponsible behaviour that may harm their health and wellbeing in the beauty industry. According to MDCC (2014), beauty industry refers to those provides service as follows:

"Any procedure which is intended to maintain, or enhance a person's external physical appearance or to produce a greater feeling of well-being, including facial or body treatments, application of cosmetics, manicure or pedicure, application, or mending, of artificial nails, epilation including electrolysis, hot or cold wax"

Cosmetic products in the local market is categories into five which are colour cosmetics, skincare, perfumes and fragrances, toiletries and hair care products (Opportunity Malaysia, 2003). It is governed by the Control of Drugs and Cosmetic Regulations 1984 and is regulated by the National Pharmaceutical Control Bureau (MDCC, 2013). It used to supervise and maintain products quality and protect consumers from hazard or unethical issues.

According to statistic data provided by Asia-Pacific Cosmetics and Toiletries Market Overview 2010, Malaysia consumers spend RM 1.6 billion annually on cosmetics especially skin care products (Bernama, 2014). However, local markets are relatively under developed and small compared with developed countries and it is dominated by imported cosmetics and toiletries products from Thailand, The United States (America), France, Singapore and Japan Bureau (MDCC, 2013). Consumers tend to purchase imported products which indicate to quality and effective. Cosmetics products brands from Europe and United States was the favourite of local consumers. Local producers of beauty products are forced to concentrate on medium to low market products such as shampoo.

This kind of situation is improving slowly with lot of government support and promotion over many years. Currently, local cosmetics brands are gaining public's trust steadily and it means local manufactures are doing well and meet the standard to compete with foreign products. Consumers may purchase local products rather than foreign products if it is effective with proper packaging and branding. Many of domestic cosmetics companies have been exporting their product to countries like Australia, Europe and China (Bernama, 2014). Although it still a long way to go,but the result is encouraging and it indicates Malaysia has a huge potential to generate profit and participate in the global market.

Besides that, local market was benefited from global halal cosmetics market which has USD 2.3 trillion estimated value, covering both food and non- food sectors (McDougall, 2012). It is a great opportunity for local market where muslim is the largest ethnicity in Malaysia which has 60 percent of the total population. In 2011, total trading figures of Malaysia has reached RM 1.269 trillion according to the Mintel Market Research (McDougall, 2012). It has 8.7 percent increase compared with previous year. According to the Muslim Organization Industry Development Corporation (HDC), Malaysia's halal market exports grow by a third from 2010 to 2012 (Barker, 2013). The market is growing from RM1.3 billion to RM 1.73 billion or 33 percent increase within the period. Non-Muslim consumers may also purchase halal cosmetic products because of its "purity" and high quality standard. The Malaysia government body has issued a total 395 halal certificate to cosmetics companies up to this year.

1.3 Problem Definition

There are lots of research on cosmetics usage and market growth, but it focuses more on product perspectives like product quality and qualified skilled worker not in customer point of view. Customer perception is the determinant on product acceptance and business expansion through extra-role behaviour like word of mouth. Meanwhile, technology provides consumers various types' information and greater number of choices, and consumers become more

fastidious. Advantages of product quality will become smaller, and it's no longer the determinant of purchasing. Therefore, it is a necessity to study how customer based corporate reputation, role of service worker and customer self-perception are important to encouraging customer citizenship behaviour in the beauty industry.

1.4 Research Questions

- What are the factors that influence customer citizenship behaviour in the beauty industry, in Malaysia?
- Are corporate reputation and credibility playing a significant role in customer citizenship behaviour in the beauty industry, in Malaysia?
- Are service worker playing a significant role in customer citizenship behaviour in the beauty industry, in Malaysia?
- Do customer self-perception influence customer citizenship behaviour in the beauty industry, in Malaysia?

1.5 Research Objectives

- To identify factors influencing customer citizenship behaviour towards beauty industry in Malaysia.
- To identify which factor has the strongest impacts on customer citizenship behaviour in the beauty industry, in Malaysia.
- To address the identified factors of customer citizenship behaviour with appropriate solution for betterment.

1.6 Assumption

Respondent understands question of the survey and able to indicate their answer clearly in the questionnaire.

Assuming respondent takes it serious while answering the research questionnaire.

1.7 Scope of Study

This research sample is open to those that meet the requirement below:

- Targeted respondent of the research is the population who stay or enjoy beauty services in Malaysia before or currently. They must be reachable through online social network site or in the Port Dickson area, Negeri Sembilan, because this research is using convenience sampling. Age of respondent must above 18 years old which have decision making power on their income or pocket money. No study on specific group of population.

- Coverage of beauty products and services for this study are including cosmetic products, facial treatment, and personal care: skin care products and services where the pricing is affordable for population based on wide range of respondents' requirement.

- Quantitative research approach is used in this research. SPSS software version 20 and smart PLS will be used for analysis.

1.8 Limitations

The sample size is targeted at 384 respondents with acceptable percentages on confidence level and confidence interval. More respondents make the result become more reliable, but researcher able to collect a reasonable amount of respondents only due to lack of time and huge population.

Some result can be bias while some respondents may not answer the truth or not serious when answering questionnaire when the researcher does data collection. But it may provide approximately accurate result for the research overall.

Because lack of resources, the researcher can only focus on respondent that is available and convenient to reach which may cause result bias but it's still reliable in certain extend.