

# **INTI INTERNATIONAL UNIVERSITY**

## **MASTER OF BUSINESS ADMINISTRATION**

### **The Impact of Brand Equity on Gen-Y in the Purchase of Foreign Cosmetic Products**

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## **Abstract**

The research aims to investigate the impact of brand equity on generation Y in the purchase of foreign cosmetic products in Malaysia. For this purpose, four elements as brand equity's components were identified that has potential affect purchasing foreign cosmetic products, and they are Brand Loyalty, Brand Awareness, Brand Association, and Perceived Quality. The paper clarifies the interrelation between the four brand equity model components and purchase decision. A quantitative approach was adopted, with the questionnaire as the main tool. SPSS software was used for a descriptive analysis, and PLS estimation software was used to test the relationship between the various constructs. Based on a sample of 301 Gen-Y consumers, structural equation modeling is used to test hypotheses. The research reveals that brand awareness, brand loyalty and perceived quality have a significant impact on Gen-Y in the purchase of foreign brands cosmetic products. The paper suggests that local cosmetic marketers should carefully consider the brand equity components when designing their branding strategies. The local cosmetic marketers should also enhance brand awareness to affect consumer purchase behaviour in order to strengthen their competitive position in relation to foreign brands. A total five chapters are included in this research, namely, introduction, literature review, research methodology, findings and discussion, conclusion and recommendations.

**Key Words:** Brand equity; Purchase decision; Consumer behavior; Cosmetic products; Malaysia.

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## DECLARATION

"I hereby declare that this research project is of my own effort expect for those summaries and information of which the sources are clearly specified"

26<sup>th</sup> August 2014

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## **Chapter 1: Introduction**

### **1.0 Chapter Introduction**

In this chapter, the author is going to provide a background study for this research at the beginning including the research problems, research questions, research objectives as well as significant of the research also identified and discussed in this chapter.

### **1.1 Background of the Study**

Today, the society tends to put more efforts in personal hygiene and beauty given the ascending standard of living that comes from higher purchasing power as well as market trend (Souiden & Diagne, 2009). Money was spent in cosmetics and skin cares that eventually leads to development in related industry as people emphasizes in beauty. According to a study by Guthrie et al. (2008), people become more confident with make-ups on and the society is becoming more and more concern on outlook and appearance and believes that cosmetics will help them to look more attractive.

With the aid of expansion of market globalization, people are given the opportunity to have alternatives from a long list of imported brands; hence, other than the products of local brands, people nowadays can also choose their preferred products from a wide range of international brands (Hanzaee & Andervazh, 2012). As the rapid growth in cosmetic industry, all brands from different countries tend to reach the globalized consumer market by trying to add in extra values in their products. Therefore, competition became intense as due to the increasing number of international brands available in one market. This resulted in international brands competing with the existing local brands and this scene can be seen prevalently especially in developing countries like Malaysia, Thailand, India and Indonesia et al. People from developing countries

as mentioned prefer international brands when it comes to cosmetic preference (Saksono, 2012).

## **1.2 Malaysia Cosmetic Industry**

There is a wide variety of cosmetic products available in the Malaysia market ranging from skin care, hair care, oil and fragrances, perfumes, and color cosmetics (Cosmetic Industry, 2009). Consumer spending on cosmetics increased at least 40% for the past few years and it grew from RM1.4 billion to RM1.9 billion in the range of 1995 to 2007. There was a huge change in the local market for cosmetics. Previously, only the basic personal care products were popular in the local market like the bath or hair care. Given the development of disposable incomes of the society, people tend to demand more hence new products were being marketed to cater for the business needs and opportunities. International brands tried to penetrate into the local market since there was a demand in the changing preference and lifestyles of the local market (Uchenna et al., 2012).

People emphasized on appearance and outlook hence they are willing to put in efforts in personal grooming, especially for the higher income group, where money will be spent on cosmetics to make themselves look better, not only the women market, but also men (Cosmetics Industry, 2009). According to the Malaysian Industrial Development Authority (MIDA), there are more than 50 large and 30 SMEs manufactures cosmetics in Malaysia. Among the popular local brands in Malaysia are: Safi, Stage, Skinz, Gervenne, Silkygirl Cellnique, Enchanteur, Beautilicious etc., which have created their own markets (Paris, 2010).

## **1.3 Problem Statement**

Due to globalization, the cosmetic industry in Malaysia has become more



competitive. In recent years, the domestic cosmetics market has been developing rapidly, but was almost monopolized by foreign brands. Furthermore, it is estimated to have a wide selection of more than 60,000 of different beauty products in the local market. Among the dominant products were imported products from Thailand, Singapore, Japan and France (Cosmetic Industry, 2009). The main problem that there is no nominated local enterprise in the high-end market and low-end market is also gradually infiltrated by foreign brands (Country Market Insight, 2009). In Malaysia, consumers in the selection of cosmetics are often likely to buy foreign brands. Malaysia, in particular received a huge number of cosmetics manufacturers. The top ten positions in cosmetics were mainly occupied by international manufacturers in 2008, with Unza (M) Sdn Bhd the only domestic player present. Leading international players managed to maintain their positions have strong brand equity, given their larger budgets than domestic players (Country Market Insight, 2009). Quoting the official portal of Malaysia External Trade Development Corporation, the total market for cosmetics was valued at RM321.2 million with imports of cosmetics and toiletries accounting for 72.3% of the domestic consumption in 2012.

Comparatively, the local cosmetics brands are relatively small such as Silkygirl, Cellnique, Elianto, Dashing, Aiken, Safi total have 5% market shares in cosmetic industry. Other foreign brands including Estee Lauder, Lancome, Olay, Clinique, Revlon, Shiseido, SK-II, Biore and L'Oreal Paris have been leading the market in both upper and lower end in Malaysia (Social walk Beauty Healthcare, 2012). Data clearly showed that the local market preferred international brands due to the fact of these bigger brands from multinational companies actually produces higher quality of products thus a better brand image compared to the local brands.

Other data shown that the local brand is difficult to seize market with those international brands. According to US Commercial Service (2008), the Perfume from France represents 56% Malaysia Perfume market share followed by U.S. production which had gained 17% of the total market share, and the local brand

only take a quite small market share. On the other hand, in Malaysia color cosmetics market, the L'Oreal was the leading company from 2011 which it seize 21% of the market share, followed by Avon with a percentage of 17% of market share value (Social walk Beauty Healthcare, 2012). And actually, there are none of Malaysia local cosmetic brand has seize more than 5% market share which all of the data shows foreign brand cosmetics are play dominant role in Malaysia. Therefore, the domestic cosmetics enterprises face a big challenge is competitive with the foreign cosmetic products in order to survive in such environment.

In such a competitive industry, having a strong brand and being the preferred choice amongst consumers over their competitors is significant. A strong brand will eventually enhance consumer's attitude strength towards the product association of a particular brand (Ukpebor and Ipogah, 2009). According to Vranesevic and Stancec (2003), a brand can become increasingly important in influencing consumer's preference. Given the enhancement of standard of living, consumers tend to have certain expectations from particular brands and will eventually rely on it by default purchasing (Reardon et al., 2005). As purchasing power of the society is increasing, sales of foreign brand's products are also increasing. People don't mind to pay for a premium for higher quality products, as they believe that expensive products will give them assurance of attractiveness enhancement. Moreover, price is no longer the reason that will affect buying decision of consumers, it is the brand recognition instead (Aaker, 1991). As such, bigger and more expensive brands tend to have higher sales volume. And also have many researcher Yoo et al., (2000) based on the brand equity to investigate the factors influenced the consumers purchase decision; and researcher Kotler et al., (2002) state establish a strong brand equity, which can develop and success in long term. However, so far little research has been carried out on how brand equity is comprised in the cosmetic industry among Generation Y consumers. However, and this is gap between previous studies and current study. The outcome of the current study will fill this gap.



### **1.4 Research Questions**

The research questions were obtained by identifying the main issues related to the study.

- What are the various factors that impact Gen-Y in the purchase of foreign brand of cosmetic products?
- Which factor is the most significant in affecting Gen-Y in the purchase of foreign brand of cosmetic products?

### **1.5 Research Objectives**

An overarching research objective is to test the impact of brand equity on Gen-Y in the purchase of foreign cosmetic products.

- To evaluate the relationship between brand loyalty and Gen-Y's foreign cosmetic brands purchase decision.
- To evaluate the relationship between brand awareness and Gen-Y's foreign cosmetic brands purchase decision.
- To evaluate the relationship between brand association and Gen-Y's foreign cosmetic brands purchase decision.
- To evaluate the relationship between perceived quality and Gen-Y's foreign cosmetic brands purchase decision.

### **1.6 Significance of the Study**

The main purpose of this study is to investigate the impact of brand equity on Gen-Y in purchase of international cosmetics brands.

The result of the study will be useful especially for marketing professionals in the local market industry in order to have an in-depth understanding of the targeted group of consumers of their buying decision. In this study, the target

consumer is generation Y consumers and will help the marketer professionals know the Gen-Y's purchase behavior.

The outcome of the research mainly will help the domestic cosmetic manufacturers to market their products in a more effective way by enhancing satisfaction of customers with addressing their factual needs. They will get the results from this research and to know which is most important factors could impact the consumer's purchase decision. The outcome of this research will help them improve their competitive in such environment and develop in the future.

The outcome of the research also will helps the international brands to define their pros and cons in brand equity that also reflects in enhancing business performance.

### **1.7 Limitations of the Study**

There were a few factors that are likely to influence the study outcome which includes the factor of economic condition and geographical location.

First of all, the secondary data being used in this research includes journals and articles were not up-to-date which affected the outcome in some extent as there might be some differences in the past environment comparing to the current one.

Secondly, the targeted group of study is the university students as they consist of a number of generation Y. However, the outcome of the study were doubted as the respondents come from the same environment which they might have something similar in ideas. And the sample size are 301 Gen-Y who use the foreign cosmetic products may not enough to reflect accurately all the impact of the different aspects of brand equity in Gen-Y's purchase decision.

The third limitation is location restrictions, survey will be carried out in NILAI University and INTI International College Subang only two areas in Malaysia. Because of that, the results may not provide a comprehensive picture of the whole country.

### 1.8 Scope of the Study

The target population in this study is the Gen-Y consumers among 18 to 35 years old who use foreign cosmetic products. In addition, the geographical scope of the investigation is Gen-Y customer who studying in NILAI university and INTI International College Subang.

### 1.9 Outline of the Research

This research consists five chapters, as summarized in below table:

Research Overview	
<b>Chapter 1: Introduction</b>	There are 5 chapters in this study. Chapter 1 consists of the introduction of the research, which includes the background of the research, research problems, questions, as well as objectives. Later in this chapter are the limitations of study, followed by significance and scope of the study were explained.