

**ANTECEDENTS OF CUSTOMER EXPERIENCE  
VALUE ON HALAL COSMETICS PRODUCTS  
IN MALAYSIA**

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**ASIA e UNIVERSITY**

**2018**

**ANTECEDENTS OF CUSTOMER EXPERIENCE VALUE  
ON HALAL COSMETICS PRODUCTS  
IN MALAYSIA**

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**A Thesis Submitted to Asia e University in  
Fulfilment of the Requirements for the  
Degree of Doctor of Philosophy**

**SEPTEMBER 2018**

## **ABSTRACT**

This study focuses on the determinants of customers' satisfaction in the Malaysian for Halal cosmetics products. This study conceptualises consumption values as a multi-dimensional construct which consists of six dimensions of values, i.e. functional value, social value, emotional value, conditional value, epistemic value and religiosity value. This study examines both rational states and emotional states of the consumers by studying the relationships between consumption values, consumers' experience and customers' satisfaction toward Halal cosmetics product. The sampling consists of 359 Muslim and non-Muslim consumers from the urban states of Peninsular Malaysia which comprises Wilayah Persekutuan (KL, Putrajaya and Labuan), northern states (Perlis, Perak, Kedah and Pulau Pinang), southern states (Melaka and Johor), western states (Negeri Sembilan and Selangor), east coast (Pahang, Terengganu and Kelantan), Sabah and Sarawak were collected and analysed using Structural Equation Modelling (SEM PLS 3.0). Out of the 7 hypotheses tested, four are supported. The analysis revealed positive relationships between functional value, social value, emotional value and consumer experience value toward customer satisfaction for consuming the Halal cosmetics product. Furthermore the result also demonstrated that both Muslim and non-Muslim consumers are satisfied purchasing the Halal cosmetics product. The study also highlights the implications and limitations of the study as well as the suggestions for future research.

## APPROVAL PAGE

I certify that I have supervised / read this study and that in my opinion it conforms to acceptance standards of scholarly presentation and is fully adequate, in quality and scope, as a thesis for the fulfilment of the requirements for the degree of Doctor of Philosophy.

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## DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name: Yeo Bee Li

A handwritten signature in black ink, appearing to be 'Yeo Bee Li', written in a cursive style.

Signature of Candidate

Date: 2/10/18



## ACKNOWLEDGEMENT

*You'll meet more angels on a winding path than on a straight one.*

*~Terri Guillemets~*

The successful completion of this thesis was made possible through the invaluable contribution of a number of people. To say “thank you” to all of you is not even enough to express my gratitude. I would like to extend my greatest appreciation to all of them as I never could have carried on towards the end alone.

First and foremost, I would like to sincerely acknowledge the dedication of my respected supervisor, Dr Rozita Hj. Naina Mohamed, for making this thesis possible. It would have been impossible to complete this research without her assistance and guidance from the beginning of the proposal development to the writing of this thesis. I am therefore deeply grateful to her for her tireless and selfless support and sharing her rich experiences throughout the course of this research. My sincere thanks and appreciation also goes to all the staffs of School of Graduate Studies in AeU for their selfless kindness, warmth, and helps during my study.

To the respondents all over Malaysia, I am indeed indebted to them for their support in the difficult task of data collection. Special thanks to the Guardian Malaysia stores for allowing me to collect data from their premises and also to everyone who in one way or another has helped me in my data collection process.

Most importantly, I would like to acknowledge the people who mean world to me; my father, my husband and my children. To my ever supportive husband, Leong Teck Shyun, thank you for the undying support you have provided me and for believing in me that I can finish my thesis on time. You have been a valued companion throughout this journey. To my wonderful children, Jasmine, Reanne and Chloe; thank you for bearing with me and my mood swings and being my greatest supporters. You have always been the motivation that led to my accomplishment. Your constant support, love and patience have always been a source of my strength to carry on with this study.

Last but not least, I would like to thank my family for all their love and encouragement. The completion of this thesis would have brought joyful tears to my mum, Madam Tan Yoke Hoon if she had been alive but I know she is rejoicing in heaven to see her daughter pursuing her deepest dream. To my dad, Mr Yeo Hock Tean, for being the best father, thank you for your supports and encouragements when I felt it was getting tougher. To my brothers, sister, sisters in law and brother in law, thanks for your concern and words of encouragement.



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## LIST OF ABBREVIATIONS

ACSI	American Customer Satisfaction Model
AVE	Average Variance Extracted
BTOS	Bartlett's Test of Sphericity
CAGR	Compound Annual Growth Rate
CBSEM	Covariance-Based SEM
CE	Customer Experience
CEV	Customer Experience Value
CFA	Confirmatory Factor Analysis
CR	Composite Reliability
CS	Customer Satisfaction
CV	Conditional Value
EPV	Epistemic Value
EV	Emotional Value
EXTV	Extrinsic Value
$f^2$	Effect Size
FMI	Future Market Insights
FV	Functional Value
GDP	Gross Domestic Product
GIE	Global Islamic Economic
GMO	Genetically Modified Organism
GMP	Good Manufacturing Practices
GST	Goods and Service Tax
HAE	Halal Advertising Effect
HDC	Halal Industry Development Corporation
HPA	Halal Product Attributes
HPD	Halal Packaging Design
HRP	Halal Reference Price
HSA	Halal Store Atmosphere
HTMT	Heterotrait-Monotrait Ratio
INTV	Intrinsic Value
ISO	International Organisation for Standardisation
JAKIM	Department of Islamic Development Malaysia
KMO	Kaiser-Meyer-Olkin
LV	Latent Variable
PA	Product Accessibility
PLS	Partial Least Square
$Q^2$	Q Square
$R^2$	R Square
RSQ	Retail Service Quality
RV	Religiosity Value
SEM	Structural Equation Modelling
SEPA	Status, Esteem, Play and Aesthetics
SPSS	Statistical Package for Social Sciences
SV	Social Value
TCV	Theory of Consumption Value
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
VBSEM	Variance-Based SEM



# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Chapter Overview**

This chapter starts out by presenting the background of the study, the problem statement, formulation of research questions, objectives and scope of research. A brief explanation of the study's significance for academics, Halal cosmetics manager and government are also discussed in this chapter. Finally, it concludes with a presentation of the research organisation for this study.

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

Islam is the fastest growing religion worldwide while its followers are now the second largest population; this targeted market poses a wide range of opportunities for associated companies and corporations by 2030 as it reaches 26% global population count (Halal Journal, 2015). Worldwide increasing number of Muslims and their rising awareness for health and beauty are the reasons why changing behaviours can be seen among these customers, resulting in demands for innovative health and beauty products. Astute consumers are now specifying their requirements for value-added products, which includes Halal-certified products, plant-based items, and environmentally-beneficial products (Soraya, 2010). Now conceptually universal, the phenomenon of Halal-certified products have spurred production lines and promotional bodies to achieve the certification and entice such niche market (Ahmad et al., 2015). Such unprecedented development has caught the interest for

various key players of the industry towards understanding the religion and its followers' consumerism behaviour better (Khayruzzaman, 2016). Approximately 70% of global Muslims have been estimated to comply with the Halal standards (Minkus-McKenna, 2007). In Malaysia, Muslim citizens make up the majority of the multi-racial community, encompassing 60.4% of the population, whereby the issue of Halal products is highly critical (Yuhanis & Chok, 2012). As a potential source for domestic financial growth, a comprehensive approach towards the industry has been initiated (Rosita et al., 2012).

A report by Future Market Insights (FMI) has emphasised the burgeoning recognition the general population shows towards Halal-certified products and demands for Halal cosmetics. The FMI has estimated a 9.9% compound annual growth rate (CAGR) of the industry in Asia Pacific during the forecasted period of 2015-2020. Furthermore, according to the Third Industrial Master Plan, food and non-food Halal items have been estimated to have the annual global value of USD 2.1 trillion from 2006 to 2020. The government has launched and streamlined the tactics towards tackling the development of the Halal industry from 2006 to 2010, which included Halal training programme by HDC (2007), and organising World Halal Forum and World Halal Research annually. In 2008, the Ministry of Finance has authorised incentives for the Halal Industry, while Halal Industry Master Plan has been put forward by the cabinet. HDC has also launched the first World Halal Directory Widget in 2009 as part of the revolutionary strategy signifying the seriousness of the venture due to its attractive potential.

Rather than being merely a religious issue, Halal consumerism is also applicable in the context of business and marketing, with it being heralded as the global symbol of quality and selective lifestyle (Azmi et al., 2010). In Islam, the term 'Halal' encompasses anything that is permissible and is not limited to dietary consumption only, but rather as the complete way of life.

As a largely unexplored trade, the cosmetics and personal care industry for Muslim population is a pool of potential of opportunities, resulting in it being focused on. The business market can benefit significantly from strategised provision of alternative items that satisfy specific religious requirements (Bird, 2006). Corporations that fail to tap into Muslim consumers' demands will suffer setbacks in attaining future business opportunities, as its potential is immeasurable and constantly sustained by demands of safe, environmentally-conscious, and culturally and religiously appropriate for this population (Halal Journal, 2008).

Halal cosmetics like lipstick, skincare and personal care products, and alcohol-free perfume do not contain any 'haram' sourced ingredients, which include pigs or other animals slaughtered not according to Quranic processes (Malay Mail Online, 2014). More than 100 certified companies operate in local industry (i.e. Southern Lion, Wipro Unza, Johnson & Johnson, SimplySiti, Clara International, Forest Secret, Loreal and Alliance Cosmetics, whereas some of the leading items are products of Loreal, Maybelline, Eversoft, Johnson & Johnson, Safi, Silky Girl, SimplySiti, and Shokubutsu.

The latest Global Islamic Economic (GIE) Review (2016) by global knowledge services provider Thomson Reuters has shown that Muslims has spent US\$1.9 trillion in the preceding year across the globe, mainly in food and beverage, fashion, cosmetics, travel and recreation. The numbers are expected to increase to US\$2.6 trillion by 2020, whereby expenditure specifically for cosmetics are estimated to amount to \$73 billion by 2019 with the Asia Pacific region showing strong demand (GIE, 2016). The consumer population using Halal products are expected to stay loyal to such brands, ensuring no seriously impacting downturn (Yousef, 2010; Ireland & Rajabzadeh, 2011).

Local Halal export business have yielded RM39 billion in 2015, and projections estimated a growth of 19% to RM50 billion in 2016, dependent on comprehensive promotions by the industrial key players. The export value for Halal cosmetics and personal care industry has reflected 5.5% (RM 1.7 billion) out of the total Halal export (RM31.1 billion), which indicates huge potential for market growth. Moreover, Halal Industry Development Corporation (HDC) (2013) has pointed out the various incentives provided to support and encourage local and international Halal operators both and for investment in the trade. They may enjoy up to 100% tax exemption for 10 years and duty import exemption.

Referring to Table 1.1, the contribution from Malaysia Halal exports has increased by 4.5% from the total export as at December 2015 (Halal Industry Development Corporation, 2015). According to Halal Journal (2014), the net worth of the Halal cosmetics sector is \$26 billion and is expected to grow to \$39 billion by 2018. Total

export of Malaysia Halal cosmetics and personal care was RM2.3 billion in 2014 (Halal Industry Development, 2015).

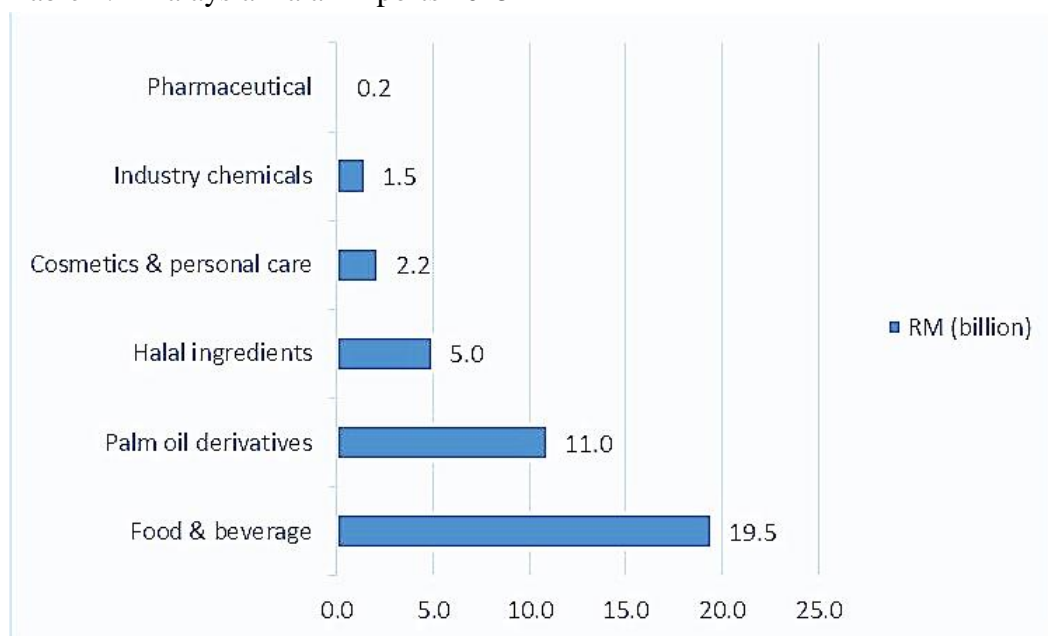
Table 1.1 Halal Export Value 2011-2015 (MYR)

Year	Halal Export Value (MYR)	Increased percentage
2011	23,854,885,327	
2012	31,990,638,903	+34.1%
2013	32,842,002,120	+2.7%
2014	37,691,265,205	+14.8%
2015	39,397,081,360	+4.5%

Source: Halal Industry Development Corporation (2015)

Table 1.2 shows the breakdown of the total Malaysia export in Year 2015 by industry. Cosmetics and personal care contributed to 2.2% from the total export and is forecasted to growth in the future.

Table 1.2 Malaysia Halal Exports 2015



Source: Halal Industry Development Corporation (2015)

As per Matrade (2016), chemicals & chemical products has maintained its position as the second largest contributor for the economy in Malaysia, contributing 7.6% for the total 0.4% increment has been recorded in 2016 to yield RM43.12 billion compared to RM40.63 billion in the preceding year. The incremental numbers are significantly caused by the trade of essential oils and perfume materials, cosmetics, toilet and cleansing preparations by 11.9%, yielding RM3.5 billion. Soap, and cleansing and polishing preparations export specifically has contributed a bigger fraction with 5.2% valued at RM2.5 billion.

The growing demand for safe, high quality and natural products has encouraged the potential growth for Halal cosmetics and personal care products (Halal Journal, 2008; Patton, 2009; Lada et al., 2009; Swidi et al., 2010). Despite the low level of awareness regarding Halal cosmetics, the patrons are ready to pay for the purchases should the products are readily available and easily accessible (Kamaruzaman, 2009). Moreover, Indonesia and Singapore as emerging Halal market (57.6% and 37.7% respectively) has been found to be agreeable and supporting for Halal cosmetics purchases if availability of the products are ensured of.

Regardless of the ground-rooted presence of Halal cosmetics in Malaysia, consumer preference and high market share in the country has not been achieved, displaying lacing interest and needs for Malaysian consumers to opt for it. Besides that, although Halal products have emphasised on safety, hygiene and religion values, majority of the Muslims have shown higher interest for foreign-made cosmetics brands than local manufactured brands (Che Mohd Hashim et al., 2014). These loopholes have directly impaired sales and consumption of Halal cosmetics among

the Muslim citizen. For instance, Unza’s first Eversoft product was formulated in Japan in 1985 includes shower foam, facial cleanser, anti-aging skin care, whitening skin care and olive oil but still has low market share compared with other established non-certified Halal cosmetics products. Euromonitor (2015) reported that, In Malaysia, the total sales skin care products for year 2016, has grown 6% recording RM2.1 billion. Table 1.3 shows the performances of the skin care brands, in terms of % retail value.

Table 1.3 Performances of the Skin Care Brands (%) Retail Value

Position	Skin Care Brands	% Retail Value				Country of Origin
		2012	2013	2014	2015	
1.	SK II	7.5	7.6	7.7	7.8	Procter & Gamble (M) Sdn Bhd
2.	Nu Skin	6.4	6.9	7.3	7.5	Nu Skin Enterprises Inc
3.	Shiseido	5.8	5.7	5.7	5.7	Shiseido Co Ltd
4.	Artistry	5.0	5.1	5.1	5.2	Amway (M) Sdn Bhd
5.	Loreal	4.4	4.5	4.6	4.7	Loreal (M) Sdn Bhd
19.	Eversoft	1.5	1.5	1.4	1.4	Wipro Unza (M) Sdn Bhd

Source: Euromonitor (2015)

Table 1.3 has shown top 5 brands that lack the Halal certification, whereby Halal-certified Eversoft is 19<sup>th</sup> and Aiken is 28<sup>th</sup> out of 32 brands. In terms of total retail value, Eversoft holds 1.4% while Aiken has captured 0.8% only. Nevertheless, other Halal-certified items may be categorised under “others” rather than individually. As a primarily Islamic country, Malaysia has displayed very low numbers for Halal-certified cosmetics production sales, with just RM1630 million for skin care products. Therefore, even if a product is certified and marketed in a Muslim country, poor planning and strategizing results in failure to champion the market. The value-action gap refers to consumers’ claim that they are concerned about the Halal certification. However, they have a hard time to carry out the action. Scholars have argued that there is a gap between consumers claim and action (Kalafatis et al., 1999;

Gardyn, 2003). Thus, in order to successfully market and sell the Halal cosmetics product, it is important to understand what causes them to act (customer experience value), what are the values that cause them to act (consumption values) and their post purchase reactions (customer satisfaction).

## **1.2 Statement of Problems**

Today, Halal is not only a religious issue but its scope has extended to a global business symbol that insures quality and lifestyle selection (Azmi, 2010). It is important to note that these products are not solely produced for Muslims. Nowadays, countries like the UK and the USA where Islam is not their official religion; are continuously on the rise of producing Halal-based products due to a respect for religious standards as well as high economic capital generated by Halal brands. Multinational companies like Nestle, Unilever, Loreal, McDonalds, KFC and Subway are producing more goods in cooperation with Halal certification authorities to keep consumers' options in check. Despite the increasing consumer interest in such goods, the industry still lacks research-oriented theories on buying Halal cosmetics products.

An understanding into what consumption values are would play a role in bringing awareness and predicting consumers' buying behaviour because value is indeed a powerful perception. Most consumers, however, have a hard time carrying out the action and making sense of how their emotions are affecting their behaviour. As scholars have argued that there is a gap between consumers' claim and action (Kalafatis et al., 1999; Gardyn, 2003), the model of consumption values theory