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Faculty of Economics and Business

**THE INFLUENCE OF ELECTRONIC WORD-OF-MOUTH (e-WOM) ON
THE PURCHASE INTENTION OF YOUNG WOMEN TOWARDS
MALAYSIAN BRANDS COSMETICS**

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**Bachelor of Business Administration with Honours
(Marketing)
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Final Year Project Report

Masters

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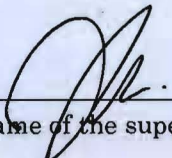
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THE PURCHASE INTENTION OF YOUNG WOMEN TOWARDS
MALAYSIAN BRANDS COSMETICS**

Gabriela Fahrynie Anak Joseph Jamy

This project is submitted in partial fulfillment of the requirements for the
degree of Bachelor of Business Administration with Honours
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Statement of Originality

The work described in this Final Year Project, entitled
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May 2017

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ABSTRACT

The Influence of Electronic Word-of-Mouth (e-WOM) on the Purchase Intention of Young Women towards Malaysian Brands Cosmetics

By

Gabriela Fahrynie Anak Joseph Jamy

The rising popularity of social media has made the Internet a prevalent platform for communication, and this has gained electronic word-of-mouth (e-WOM) a new dimension. This research attempts to answer the question on the factors that influence consumers' acceptance of the e-WOM, which brings to their purchase intention towards Malaysian cosmetics. A number of 200 sets of questionnaire have been distributed and the data obtained are analysed using Statistical Package for the Social Sciences (SPSS). Pearson's Correlation Analysis revealed that there is a significant correlation between argument quality and information usefulness, source credibility and information usefulness, information usefulness and information adoption, and between information adoption with purchase intention. In addition, Multiple Linear Regression showed a strong and significant relationship between argument quality and information usefulness, and source credibility with information usefulness. The same manner of results is also shown by the subsequent Simple Linear Regression analysis, which proved that information usefulness has a strong and significant relationship with information adoption, as is information adoption with purchase intention. Overall findings have proven that all the hypotheses are accepted. The results of this study should be able to contribute to both researchers and business practitioners.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter will introduce the research title and briefly explain what will be the essence of this study. The first chapter of this study will cover on the background of the research, the problem statement, the research questions that are to be investigated and its research objectives. It will also cover on the significance of the study, scope of the study and the conceptual framework that is proposed for this research.

1.1 Background of Study

The Internet is a series of latest technological advances that have transformed the world in fundamental ways. (Bargh & McKenna, 2004). Ever since the nineties, the world has witnessed Internet's tremendous growth, affecting consumer's choice of communication and taking over traditional methods of communication. In fact, in the fast pace of information and technology age, internet is fully utilized in this 21st century. About everyone who has access to the internet receives information from their electronic gadgets such as smartphones, laptops and communication tools that allows internet connectivity. According to Haythornthwaite (2001), those who are using the Internet showed an increasing exposure and commitment to Internet-based activity.

The advent of the Internet has enable consumers to gather unbiased information and reviews regarding products, and provides them the opportunity to offer their own thoughts by engaging in e-WOM (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004). Hennig-Thurau et al. (2004) also explained that given the Internet communication distinct characteristics which are; directed to multiple individuals,

available to other consumers for an indefinite period of time, and anonymous, e-WOM deserves the serious attention of marketing field professionals.

Preceding research also indicates that traditional word-of-mouth, or the offline form, has been shown to play a deciding role for customers' purchasing decisions (Richins & Root-Shaffer, 1988). While there has been an abundant research that discusses about the impact of the internet, social networking and the many, different methods of marketing on consumer buying behaviour, however, only limited research on consumers' e-WOM has been published to date, specifically in the context of Sarawak region. Particularly, those relating to how e-WOM influences the purchase intention towards cosmetic products.

Therefore, the current study will be carried out to examine how e-WOM influences the purchase intention for Malaysian brands cosmetics among the female community in Kuching, Sarawak using the conceptual framework adapted from the Information Adoption Model (Sussman and Siegal, 2003). The study will examine the outcomes of the e-WOM and its influence on the purchase intention for cosmetics, within a community of young women in the southwest of the state of Sarawak, on the island of Borneo.

1.2 Statement of Problem

Through various marketing methods, sales for international brands cosmetics in beauty stores around Malaysia seemed to be booming with profits. International brands cosmetics has gained popularity over the years among the image-conscious young women in Malaysia. Euromonitor International in their May 2016 report finds that throughout 2015, multinational corporations like The Procter & Gamble Co, Colgate-Palmolive Co, Unilever Group and L'Oréal Groupe retained their leading positions in beauty and personal care within Malaysia.

According to a report by Beauty and Personal Care in Malaysia (2016), the exceptional reputation of these companies, which is known throughout the world, has made consumers in Malaysia to develop strong confidence level towards beauty and personal care brands offered by internationally renowned brands like SK-II, The Body Shop and various other brands. As found by Hassali, Al-Tamimi, Dawood, Verma, and Saleem, (2015), according to Malaysia Department of Statistics, Malaysia's total trade volume in cosmetics and toiletries is about US\$407 million in 2013 and this demand was mainly met by imports (Cosmetics & Toiletries Market Overviews, 2015). Established brands from Europe and United States emerged as Malaysian consumers' favourite among the imported cosmetics and toiletry products that circulates the local market (The Malaysian Times, 2014). From the same research by Hassali et al., (2015), interactive advertising and marketing, along with growing prosperity are the factors that influenced Malaysian consumers' interest in premium brands that normally comes from the lines of international cosmetics brands, thus the preference for imported beauty products.

Therefore, it is a question whether Malaysian brands could match their international competitors in term of quality, and at the same time, planning strategic advertising which is a crucial component for brand survival (The Star Online, 2014). Lim Eng Huat (2014), Sri Tanjung managing director, stockist and wholesaler for local cosmetics and herbal brands, stressed to The Star, that a strong marketing campaign, combined with quality product and promise deliverance, is vital for beauty business. In order to match the pace of international brands cosmetics, local brands have to keep up their pace.

The level of influence of e-WOM on female consumers for Malaysian brands cosmetics in Kuching, Sarawak is not known. Besides, not much has been covered on how online messages influence the evaluation of potential customers and their purchase intentions of products (Chatterjee, 2001). In the local context of Kuching, there is yet a research to be done to investigate the level of influence of e-WOM regarding cosmetic products on female consumers, and how this could bring to their purchase intention. Therefore, this study aims to explore what is the level of electronic word of mouth (e-WOM) influence on female consumers, and how the message they received influenced them and their purchase intention. In understanding how electronic word of mouth (e-WOM) influence consumer purchase intention, it helps to create better understanding on how local brands cosmetics can perform on a different scale, in regards to its various competition from international brands and how these local brands can generate positive and beneficial e-WOM to encourage consumer purchase intention.

1.3 Research Questions

The questions that was proposed to be answered in this research is as follows:

- a) Does argument quality affects information usefulness?
- b) Does source credibility affects information usefulness?
- c) Does information usefulness influence information adoption?
- d) Does information adoption influence purchase intention?

1.4 Research Objectives

1.4.1 General Objective

The purpose of this research is to comprehend how electronic word of mouth (e-WOM) affects purchase intention among young women in Kuching, Sarawak towards Malaysian brands cosmetics.

1.4.2 Specific Objectives

- a. To determine whether argument quality significantly influence information usefulness for cosmetic products.
- b. To determine whether source credibility significantly influence information usefulness for cosmetic products.
- c. To determine whether information usefulness significantly influence information adoption for cosmetic products.
- d. To determine whether information adoption significantly influence purchase intention for cosmetic products.

1.5 Significance of the Study

Although numerous research has been carried out on the topic of the influence of e-WOM on purchase intention worldwide, however, as far as concerned, there is a gap of research whereby no particular related topic was carried out in Kuching, Sarawak. Thus, the aim of this study is to answer the big question of how does e-WOM influences the purchase intention for Malaysian brands cosmetics among young female consumer in Kuching.

Apart from understanding the concept of e-WOM itself on the purchase intention, this study will also look at the determinants of purchase intention resulting from electronic word of mouth (e-WOM). Due to e-WOM being the main element in this research to predict if purchase intention could be triggered by the sharing of information, opinions and reviews via various online social platforms, it is essential to this study in understanding these determinants as it seeks to reveal whether e-WOM does in fact influences the intention to purchase or otherwise. Thus, this research will help to investigate further in the department of this particular topic. It is advantageous to investigate this 21st century marketing tool, as it is necessary for beauty business to maintain and grow its customer traffic, especially in this challenging time where business is gaining more competitions each day from the emergence of new businesses. In addition, the information obtained for this research purpose is applicable and can be of reference to future researchers who might possess similar interest regarding this topic.

1.6 Scope of the Study

This study will examine which factors would be the determinants of consumer purchase intention towards local brands cosmetics that is resulting from the e-WOM. The factors that are being examined in this study are argument quality, source credibility, information usefulness and information adoption.

The four factors; namely argument quality, source credibility, information usefulness, and information adoption will determine whether e-WOM does plays a role in influencing consumer purchase intention.

This study will be conducted in Kuching, Sarawak. Kuching is chosen as this research area mainly because the capital city of Sarawak has a vast population of 617,887 residents as reported by the Official Website of the Sarawak Government (2016). Out of these 617,887 total population, the study will be done on young women between the ages of 18 to 29 years old. Therefore, due to the heavy population in Kuching, this means that business is growing rapidly in Kuching area as compared to the rest of the state. Given its status as the main city of Sarawak, there is more concentration of people in Kuching, hence, more working class community, which brings to higher buying power. Thus, business tends to open up more in the city and this afterwards leads to the growth of local cosmetics business in Kuching. For that reason, it is regarded as a strategic area for this research to be conducted since it contributes to getting concise data for this study.

1.7 Conceptual Framework

Below depicts the conceptual framework used in this study:

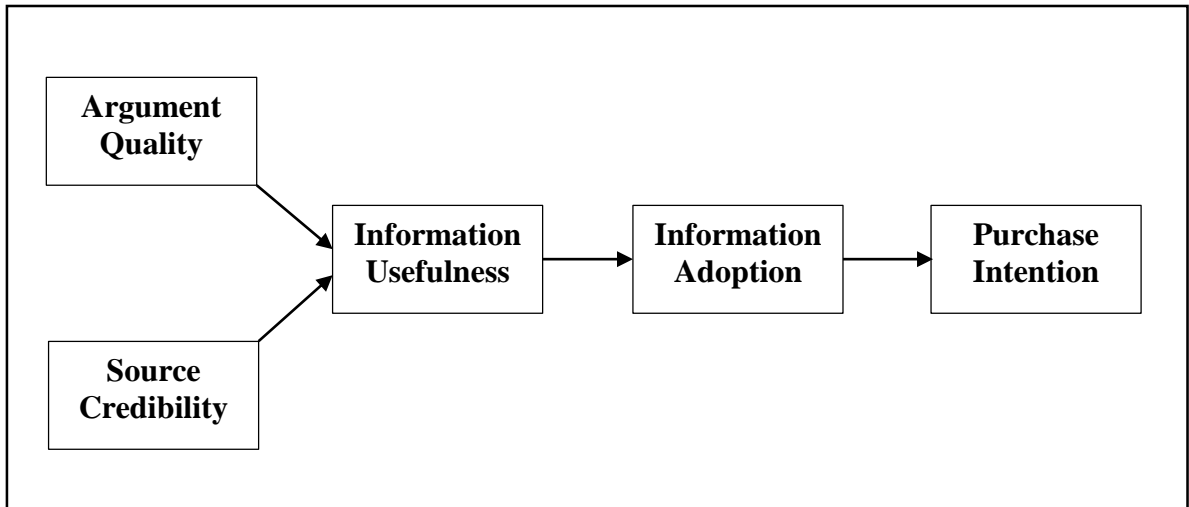


Figure 1: Conceptual framework adapted from the Information Adoption Model (Sussman & Siegal, 2003)

Figure 1 shows the conceptual framework of Information Adoption Model adapted from Sussman and Siegal (2003). The conceptual model above is used in this research because it is applicable to the concept of this study where the effect of e-WOM is studied in order to identify if it is a manipulating factor of the purchase intention towards Malaysian brands cosmetics. This framework laid out the determinants that could affect consumer purchase intention. As seen from above, argument quality and source credibility determines information usefulness, which will then lead to information adoption, and finally brings to purchase intention.

1.8 Definition of Terms

1.8.1 Word of Mouth (WOM)

Word-of-mouth is referred to as an oral form of interpersonal communication among acquaintances that is not for commercial purpose (Arndt, 1967).

1.8.2 Electronic Word-of-Mouth (e-WOM)

Electronic word-of-mouth (e-WOM) communication refers to statements made by prospective, actual, or past customers, regarding a product or company which is made accessible via the Internet to the community (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004).

1.8.3 Argument Quality

Argument quality refers to the persuasive strength of arguments that an informational message contains (Bhattacharjee and Sanford, 2006).

1.8.4 Source Credibility

Source credibility is defined as the degree to which an information source is perceived by information recipients to be believable, trustworthy, and competent (Cacioppo, Petty, Kao, & Rodriguez, 1986).

1.8.5 Information Usefulness

Information usefulness is the information delivered by believable sources or in other words, credible, is perceived to be reliable and useful, and thus facilitates the transfer of knowledge (Ko, Kirsch, & King, 2005).

1.8.6 Information Adoption

Information adoption is the extent to which consumers modify their behaviour by acting on the suggestions made in online reviews (Sussman & Siegal, 2003).

1.8.7 Purchase Intention

Purchase intention is consumer willingness to buy a certain product or service, it is a dependent variable that depends on factor such as recommendation from a trustworthy or reliable source (mbaskool.com).

1.9 Concluding Remarks

This chapter have discussed and made use of previous studies relating to e-WOM and purchase intention, and its influence on one another for the purchase of local brands cosmetics. The problem statement, research questions, research objectives, significance of the study, scope of the study, conceptual framework and definition of terms was done in this chapter. The literature review for this study will be proceeded in the next chapter.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter mainly discusses published facts from previous researches on the chosen topic area. Information from previous works relevant to the hypotheses, the research questions and to this investigation will be included. The focus of this chapter will be on the literature for e-WOM, the Malaysian cosmetics industry and the Theory of Information Adoption Model that will be used in this study. Further, hypotheses will also be developed and relationship details between each variable will be demonstrated.

2.1 Electronic Word-of-Mouth (e-WOM)

In the 21st century where information and technology prevail, information flow has not known its limit and it is boundless to the reach of consumers. If formerly consumer obtained information through traditional way such as one-way communication, these days, getting information to consumers has been made easier by the emergence of Internet and Web 2.0 sites. Web 2.0 is an up-to-date online tool that uses applications and approaches such as social networking sites, blogs, online communities, and customer review sites (Constantinides & Fountain, 2008).

The web has also risen opportunities for people to communicate in the form of e-WOM, which now can be carried out through electronic media, for example the social networking sites, online discussion forums, newsgroups, electronic bulletin board systems, review sites and blogs (Goldsmith, 2006). It has transformed the Internet from being a broadcasting medium to an interactive one, which allows social participation that is technology-mediated (Chua & Banerjee, 2015). Moreover, with the proliferation of social sites and online community on the internet, more people can