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I hereby declared that I had read through this thesis and in on my opinion this project is adequate in terms of scope and quality which fuifill the requirements for the award of Bachelor of Technopreneurship with Honours (BTEC)

Signature :
Supervisor Name : Miss Sitinor Wardatulaina Binti Mohd Yusof
Date :

Signature :
Panel Name : Assoc. Prof Dr. Norfaridatul Akmaliah Binti Othman
Date :

THE MODERATING EFFECT OF BRAND IMAGE TOWARDS PUBLIC
RELATIONS AND CUSTOMER LOYALTY IN COSMETIC INDUSTRY

KONG SHEY LI

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Faculty of Technology Management and Technopreneurship

Universiti Teknikal Malaysia Melaka

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DECLARATION OF ORIGINAL WORK

I declare that the work I am submitting for assessment contains no section copied in whole or in part from any other source unless explicitly identified in quotation marks and with detailed, complete and accurate referencing.

Signature :

Name : Kong Shey Li

Date :

DEDICATION

To my beloved dad and mom who gave me my first lessons in spiritual things. To my beloved supervisor, Miss Sitinor Wardatulaina Binti Mohd Yusof who gave me motivation and guidance. To my friends who gave me assistance in the research. To the reading public in general.

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ABSTRACT

The researches have shown that is over demand and high competition among cosmetic industry. The purpose of this research is to study the moderating effect of brand image towards public relations and customer loyalty in cosmetic industry. The study contributes to the understanding of the relationship between public relations and customer loyalty and the moderating effect of brand image towards this relationship. The survey data was collected from 385 cosmetic consumers in Malaysia through questionnaire distribution and the data were analyzed using Statistical Package for Social Science (SPSS) ver. 23 with descriptive analysis, Pearson's correlation analysis, Pearson's partial correlation analysis and regression analysis. The results of the analysis show that public relations and brand image have a significant impact on customer loyalty. The relationship between public relations and customer loyalty is moderated by brand image, however, the tendency for public relations to be positively to customer loyalty will be less significant when brand image is high rather than low. Future research is indicated, to apply the current framework to different type of cosmetic products, industry, and country; and using qualitative or mix-method for the research to make the comparison of the research.

Keywords: Public relation, customer loyalty, brand image, cosmetic industry Malaysia

ABSTRAK

Penyelidikan menunjukkan bahawa permintaan dan persaingan yang tinggi di kalangan industri kosmetik. Tujuan kajian ini adalah untuk mengkaji kesan penyederhanaan imej jenama terhadap perhubungan awam dan kesetiaan pelanggan dalam industri kosmetik. Kajian ini menyumbang kepada pemahaman tentang hubungan antara perhubungan awam dan kesetiaan pelanggan dan juga kesan penyederhanaan imej jenama pada hubungan ini. Data tinjauan akan dikumpul daripada 385 pengguna kosmetik di Malaysia melalui soal selidik. Data akan dianalisis melalui Statistical Package for Social Science (SPSS) dengan analisis deskriptif, analisis korelasi Pearson, analisis korelasi parsial, dan analisis regresi. Keputusan analisis menunjukkan bahawa perhubungan awam dan imej jenama memberikan impak kepada kesetiaan pelanggan. Hubungan antara perhubungan awam dan kesetiaan pelanggan telah disederhana oleh imej jenama, namun, kecenderungan positif perhubungan awam kepada kesetiaan pelanggan akan dikurangkan jika imej jenama tinggi. Untuk penyelidikan masa depan, rangka kerja digunakan untuk jenis produk kosmetik yang lain, industri yang berbeza dan negara-negara yang lain; dan menggunakan kaedah kualitatif atau kaedah campuran untuk membuat perbandingan antara penyelidikan.

Kata Kunci: Perhubungan awam, kesetiaan pelanggan, imej jenama, industri kosmetik Malaysia

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LIST OF ABBREVIATION & SYMBOL

ANOVA	=	Analysis of Variance
SPSS	=	Statistical Package for the Social Sciences
PR	=	Public Relations
CL	=	Customer Loyalty
BI	=	Brand Image
ι	=	Constant
e	=	Residual

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter was the introduction of the research. The purpose of this research is to analyze the moderating effect of brand image towards public relations and customer loyalty in cosmetic industry. Thus, this chapter discussed about the background, problem statement, research objectives, research questions, scope as well as the significance of the research.

1.2 Background of Research

Highly demand in cosmetic product lead to the market of the cosmetic industry in Malaysia grows. The cosmetic products are developed constantly to fulfill the requirement of the customer which cause increase highly the competition in this market. However, the customers are lack of knowledge regarding the cosmetic products in the terms of ingredients. When engaged with other marketing efforts such as advertising, packaging attributes and situational influence, customers are easy to changing their purchase intention. How to maintain and develop customer loyalty in today's competitive environment becomes one of the issues faced by the firm. The purpose of the marketing activities for any business is to develop and enhance customer loyalty towards their brand, products or services (Watson, Beck, Henderson and Palmatier, [2015](#); Dick and Basu, [1994](#)). Customer loyalty becomes one of the competitive advantages as customer will repurchase the products or services in the particular firm which create revenue to the firm. Yet the relationship between public relations and customer loyalty need further examine as the long-term relationship needed to build within the organization and its various public.

Public relation is one of the promotion tools used to market the brands and build relationship with the public. Ex-Minister of Communications and Multimedia, Datuk Seri Dr Salleh Said Keruak agree that public relation acts as one of the important catalyst in maintain the sustainability of the corporate as they perform a more active and dynamic role in forming the reputation of the corporate. Two fundamentals which are trust and reputation have highlighted to shows their importance towards organization sustainable and future growth (New Straits Times, [2015](#)). Grunig and Hunt ([1984](#)) introduce that public relation function as a communication management between the corporate and its public. Previous researchers have highlighted the purpose of public relation is to maintain mutually beneficial relationships within the organization and the society.

According to the survey done by GO Communications towards 130 companies in Malaysia, 67% of them stated that they participate or involved in public relation as part of the marketing activities in 2012 which has an increase in 35% over 2011. Company believes that public relations should involve in marketing planning. In 2012, the allocation of marketing budget in engaging public relations was 12%. 87% companies believed that public relation is effective in relation to its cost and also potential in reaching their target customer, which was an increase of 27% over 2011. According to the survey, the key reasons to engage with public relations agencies were highlighted. 71% of the company intended to increase brand awareness; 67% believed that public relation strengthen their market position; and 61% determined to enhance corporate reputation (Marketing Magazine, [2012](#)). Thus, it can be seen that the importance of public relations cannot be negligible.

Consistent results related to the element that influence the perceptions of the consumer towards public relation practice positively have not been examined according to the past research (Hsieh and Li, [2008](#); Sen and Bhattacharya, [2001](#); Ellen, Mohr and Webb, [2000](#); Brown and Dacin, [1997](#)). Some studies pointed up that the inconsistent results might be influence by the moderator variable such as brand association. When the good brand image companies engaged with public relations. The public will trust to the company. However, when negative brand image exist, the effect of public relations will be less significant. Example given is tobacco giant Philip Morris which spent \$75 million on its charitable PR contributions in 1999, and then invested a \$100 million on advertising campaign to publicize them. Not surprisingly, public create doubt in their mind regarding the truth and confidence towards the public relation. They create a sense that the motives of company are just to breed public cynicism (Watkins, Christensen, Kraemer and Porter, [2015](#)). In this case, when the customer is expressing or showing the unsupported or unfavorable towards the brand, the effectiveness of public relations activity will less significance. Thus, the brand image is suggested as the key moderator.

The overlap of public relation and brand image are more effective in enhancing customer loyalty as they convey the message to its public, deal with public perception and create customer touch points. Consequently, the purpose of the study is to examine the effect of brand image towards public relation and customer loyalty in cosmetic industry.

1.3 Problem Statement

Customer loyalty becomes one of the issues concerned by the firm. There is the increase in launching the product and brands nowadays which cause the customer have alternatives choices when purchasing the product or brand. Thus, the huge number of cosmetic brand available in Malaysia results in high competitive faced by the new entry player as well as the available industrial player (Hassali, [2015](#)). However, the knowledge of the cosmetics consumer towards the products was limited (Yang and Liu, [2014](#)). Customer's purchase intention was influenced easily by heavy advertising, marketing and growing prosperity (Hassali, [2015](#)) which means customer can switch the brands easily. Therefore, how to obtain and maintain customer loyalty becomes one of the major issue and challenge to the cosmetic industry in Malaysia.

A strong firm-customer relationship creates customer loyalty (Ndubisi, [2007](#)) while public relations as one of the element of promotion mix helps in enhancing the long-term relationship between organization and public (Grunig & Hunt, [1984](#)). Good public relations as part of the marketing strategy build a strong bond within company and its public. They convey the story and message of the brand or organization to the public. Strong firm-customer relationship can be enhanced through communication with

customers. However, there is limited number of research focus on the relationship between public relations and customer loyalty.

In addition, the moderating variable is considered in this research as it performs a key role in enhancing or weakening the relationship between public relation and customer loyalty. The effectiveness of public relation in enhancing customer loyalty is influence by the brand image (Hsieh and Li, [2008](#); Hanzaee and Farsani, [2011](#)). A well-developed and established brand name is vital in the cosmetics industry. The positive brand image magnifies the function of public relations. However, the impact of negative brand image towards the relationship of public relation is negligible. Therefore, the moderating effect of brand image towards public relation and customer loyalty is analyzed.

1.4 Research Questions

Based on this research, there are a few questions which are directly related to the topics. The researcher would like to answer the following research question (RQ) in the research:

1. What is the characteristic of cosmetic consumer in Malaysia?
2. How far does the public relation influence the customer loyalty in cosmetic industry?
3. Does the relationship between public relations and customer loyalty, moderated by brand image?

1.5 Research Objectives

Based on this research, there are few objectives that need to achieve. Those objectives have shown as below:

1. To identify the characteristic of cosmetic consumer in Malaysia.
2. To examine the influence of public relation towards customer loyalty in cosmetic industry.
3. To analyze the relationship between public relations and customer loyalty, moderated by brand image.

1.6 Scope

In this research, the researcher focuses on the moderating effect of brand image towards public relations and customer loyalty. Cosmetic industry is selected in this research. This study will focus on color cosmetic and skin care brand exist in Malaysia. This two product category exhibits the greatest demand (Asia Personal Care and Cosmetics Market Guide, [2016](#)). According to Director General Technical Report (DGTR) ([2006](#)), the market of cosmetics has divided into three parts which is mass market, prestige brands and others. In mass market, the price range of the products from low to medium and sold in supermarkets, pharmacies and through direct selling agents. For prestige brands, exclusive, high priced brands sold at departmental stores. Others market such as outlets which operate individually in shopping complexes. In this research, mass market product brand is selected to examine the relationship of public relation, customer loyalty and brand image.