FACTORS INFLUENCING BRAND LOYALTY OF MALAYSIAN GEN Y TOWARDS FASHION CLOTHING BRANDS

BY

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ABSTRACT

The objective of the present study is to investigate the factors influencing brand loyalty of Malaysian Gen Y towards fashion clothing brands. Using the Customer-Based Brand Equity (CBBE) as the underpinning theory of the present study, a research framework examining the factors influencing brand loyalty of Malaysian Gen Y towards fashion clothing brands were proposed. Past researches have established that dimensions of CBBE have influenced brand loyalty, and therefore the present study conceptualized brand loyalty as the dependent variable while brand awareness, perceived quality, green brand associations, brand affect, and brand uniqueness as the independent variables. Through dissemination of online survey, data was collected from 208 Malaysian respondents whose age is between 24 and 39 years old by the year 2020. The data analysis revealed that each independent variable has a positive relationship with the dependent variable. However, only perceived quality and brand uniqueness have a significant influence on brand loyalty. Between these two significant factors, brand uniqueness is the most influential. The present study provides valuable information about the Malaysian Gen Y consumers that will allow managers to utilize their resources effectively and efficiently by focusing on aspects of business that would achieve brand loyalty from this segment of customers.

ملخص البحث

الهدف من هذه الدراسة الحالية اكتشاف العوامل التي تؤثّر في الولاء للعلامة التجارية لدى جيل الألفية الماليزي تجاه علامة موضة الأزياء. وباستخدام حقوق العلامة المرتبطة بالعميل بوصفها نظرية أساسية للدراسة الحالية، تمّ اقتراح إطار للبحث الذي يتطرّق إلى العوامل التي تؤثّر في الولاء للعلامة التجارية لدى جيل الألفية الماليزي تجاه علامة موضة الأزياء. وأثبتت الدراسات السابقة أن كانت لحقوق العلامة المرتبطة بالعميل لها تأثير في الولاء للعلامة التجارية، ومن ثمّ تصوّرت هذه الدراسة الولاء للعلامة التجارية بوصفها متغيّراً تابعاً بينما تصوّرت الوعي بالعلامة التجارية والجودة المدركة ورابطات العلامة التجارية الخضراء والانفعال على العلامة التجارية وتفرّد العلامة التجارية بوصفها متغيّرات مستقلّة. ومن خلال توزيع الاستطلاع عبر الإنترنت، تمّ جمع البيانات من مائتي وثمانية من المستجيبين الماليزيين الذين تبلغ أعمارهم ما بين أربعة وعشرين سنة وتسعة وثلاثين سنة بحلول عام 2020 الميلادي. واعتماداً على تحليل البيانات، تمّت الإشارة إلى أن كل المتغيّر المستقلّ له علاقة إيجابية بالمتغيّر التابع. ومع ذلك، إن الجودة المدركة وتفرّد العلامة التجارية فقط لها تأثير مرموق في الولاء للعلامة التجارية. وبين هذين عاملين خطيرين، إن تفرّد العلامة التجارية هو الأكثر تأثيراً. وتوفّر الدراسة المعلومات الثمينة عن عملاء جيل الألفية الماليزيين ممّا يمنح المديرون لاستفادة مواردهم بشكل فعّال وكفوء من خلال التركيز على الجوانب التجارية المهمّة حقاً بغية تحقيق الولاء للعلامة التجارية من العملاء في هذا القطاع.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).

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Suharni Maulan
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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Hafizul Marhan bin Solehan

Signature ....   Date ....

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ACKNOWLEDGEMENTS

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LIST OF ABBREVIATIONS

CBBE   Customer-Based Brand Equity

EFA   Exploratory Factor Analysis

SAC   Sustainable Apparel Coalition

USA   United States of America

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter describes the background of the present study by first giving an overview of the fashion clothing, the businesses surrounding it, and the Generation Y as its consumers. It is followed by the statement of the problem that will justify why this research is being conducted. Finally, the research objectives, research questions, and significance of the study are further explained in this chapter.

1.1.1 An Overview of Fashion Clothing Businesses

Since the beginning of human civilization, clothing plays a critical role in covering our delicate bodies. Clothing acts as a second layer of our skin; it is worn to achieve comfort and protect against any external elements that may cause harm to our bodies. Because of this fundamental function, clothing is deemed a necessity for human beings. Hence, it belongs to the category of physiological needs in Maslow's hierarchy of needs (Cham, Ng, Lim, & Cheng, 2017). Fast forward to this era, the role of clothing has tremendously evolved to not only worn for comfort and protection but also as a form of nonverbal communication (Rosenfeld & Plax, 1977). With clothing, the ambiguous attributes of a person such as his or her religious belief, ethnicity, social status, attitudes, or occupation may be identified.

Clothing is one of the elements that make up fashion (Jan & Abdullah, 2015). Fashion is defined in the Oxford Dictionary as "a popular or the latest style of clothing, hair, decoration, or behaviour" (Fashion, n.d.), and according to Solomon and Rabolt

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(2004, as cited in Rahman & Mannan, 2018), fashion is "a form of collective behavior, or a wave of social conformity". Regarding clothing, wearing one that corresponds with the up-to-date fashion will allow the person to express his or her identity and become part of a trending social culture. Furthermore, fashion clothing is a kind of code that is constantly changing, in which the code is composed of the styles of clothing and the fashions that affect them throughout a period (Davis, 1994, as cited in O'Cass, 2004).

Satisfying the human needs and wants for fashion clothing is a huge business with many opportunities. Globally, the fashion industry was valued at US$2.5 trillion in 2017 (McKinsey & Company & The Business of Fashion, 2018). In the same year, the retail market of clothing alone was worth US$1.41 trillion (comprises 52.6% of women's clothing, 31.3% men's clothing, and 16.1% children's clothing), and the value is expected to increase by 29.7% to reach the value of US$1.83 trillion by 2022 (S. Lu, 2018). Global Fashion Agenda and The Boston Consulting Group (2017) forecasted that by 2030, the consumption of clothing in the developed and developing countries would surge from 60 million tons to 102 million tons – an increase of 63% – which the number tantamount to over 500 billion of t-shirts.

In the Malaysian context, data from the Ministry of International Trade and Industry (2017) reported that the export of clothing products such as shirts, pants, and skirts from Malaysia amounted to RM4.89 billion in 2014. The number increased in the following year to RM5.6 billion and stepped up even more in 2016 with RM5.67 billion recorded. From January to June 2017, the export value of clothing products amounted to RM3.07 billion. United States of America (USA) became the largest export destination for clothing products from Malaysia in 2016, followed by other countries such as Japan, Turkey, China, and Singapore. Meanwhile, the value of import of clothing products into Malaysia was also increasing over the years, from RM3.24 billion

in 2014 to a significant climb of RM 7.37 billion in 2015 and continued to rise in 2016 with the amount RM8.16 billion. RM3.58 billion of import value for clothing products was recorded from January to June 2017. In 2016, major sources of imports of clothing products coming into Malaysia are mainly from China, Vietnam, Indonesia, India, and Thailand.

Global fashion clothing brands such as H&M, Zara, Uniqlo, and Cotton On are among the well-known global brands that have set their presence in Malaysia. For instance, the fashion clothing brand that originates from Japan, Uniqlo, has opened its first flagship store in Bukit Bintang, Kuala Lumpur, in November 2010 (Sekhar, 2020). The number of stores rises over the years, and as of October 2020, the brand has established 50 stores throughout Malaysia. In addition to the brick-and-mortar store, Uniqlo has also launched their online store for Malaysian consumers in 2014 ("UNIQLO launches online store in Malaysia", 2014). Another popular global fashion clothing brand, H&M, entered the Malaysian market in 2012 by setting up their first store located in Bukit Bintang, Kuala Lumpur (Kam, 2012). According to Jayne (2020), the Swedish brand has established at least 40 stores nationwide. H&M joined the Malaysian e-commerce bandwagon in 2017 and was offering its customers exclusive line of items that are only available in H&M's online store (Pinto, 2017). Most of the global fashion clothing brands that ventures into Malaysia offer the consumers a vast range of clothing that is meant for men, women, and children.

Malaysia too has its homegrown fashion clothing brands that the players consist of organizations as huge as Cheetah and Padini – which both have already been listed in Malaysia's stock exchange – to the independent entities such as Tarik Jeans, Pestle & Mortar Clothing, Bella Ammara, Cala Qisya, Mimpikita, and many more. Each brand offers their exclusive fashion clothing lines that caters to their dedicated segments of

Malaysian consumer markets. Padini, much like Uniqlo and H&M, is also offering wide selections of clothing that include men, women, and children. Since the inception of the brand in 1975, Padini can be found in more than 330 locations within Malaysia and 15 other Asian countries (Tai, 2017). The parent company of the Padini brand, Padini Holdings Berhad, also owns several other fashion items brands such as Vincci, Seed, P&Co, PDI, and Miki.

1.1.2 Generation Y and Fashion Clothing

Millennials, Generation Y, or simply Gen Y refer to the cohort who was born between the years 1981 and 1996 (Dimock, 2018). In the USA, Gen Y is projected to become the largest cohort by 2019 (Fry, 2018). Meanwhile, in Malaysia, Gen Y has surpassed the previous generations, Gen X and Baby Boomers, with 29% versus 19% and 15%, respectively (Department of Statistics Malaysia, 2016). Based on PwC (2012) report, the Gen Y cohort is important and valuable because they represent 40% to 50% of the total workforce in Malaysia.

Previous literature has studied the behaviour of the Gen Y cohort towards fashion clothing. A study was done by Dias (2003) in the USA, who compared the buying motivation of fashion items between Gen Y, and its prior generation, Gen X. One of the findings of the study concludes that Gen Y prefers the fashion brands that can resonate well with the realistic nature of this cohort. In Australia, Hourigan and Bougoure (2012) identified that materialism and gender are the most important drivers among Gen Y to be involved with fashion clothing. Furthermore, the research conducted by O'Cass and Siahtiri (2014) shows that young adults of age between 18 and 24 in China consume fashion clothing of certain brands as a means of raising their social status.

ComScore (2012) estimated that the purchasing power of the Gen Y cohort in the USA is worth US$170 billion per year. Even though the annual average spending of Gen Y is lesser than that of Gen X (US$1,908 versus US$2,336), in the clothing department Gen Y dedicated the most share of expenditure (3.7%) as compared to Gen X (3.2%) (U.S. Bureau of Labor Statistics, 2018). Ideally, as this generation matures over the years, more of them will be joining the workforce, going further in their careers, earning more, and giving rise to their overall purchasing power. Focusing on just the older Gen Y who are above 30 years old, their average spending on clothing is almost equal to that of Gen X (PYMNTS.com, 2018). Hence, the high number of this segment and the increasing spending power of Gen Y makes this cohort one of the preferred target market for businesses – including the fashion clothing industry – to profit from.

1.2 PROBLEM STATEMENT

Customers are the lifeline of every business in the world. Without continuous purchases from customers, any business will not survive, let alone thrive and prosper. It is especially true in the market where competition is fierce such as the fashion clothing industry. Over the years, more fashion clothing brands have entered the consumer market founded by public-listed corporations, small and medium enterprises, or celebrities. As competitions arise, the market share firmly held by a brand may be challenged. Therefore, one of the strategies being devised by businesses is building loyalty among the customers.

Over time, the characteristics, preferences, and tastes of the consumers may change due to a multitude of factors. People, classified by generations according to the year of birth, possess values, preferences, and behaviours that differ between each generation while holding similar attitudes and beliefs among members of the same

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generation as a result of shared life experience (Meriac, Woehr, & Banister, 2010; Parment, 2013). Gen Y, which is the focus of the present study, was born and raised in an era where the majority of the products and services being used are attached to brands (Merrill, 1999). Compared to prior generations, Gen Y received better education (Wolburg & Pokrywczynski, 2001) and is the first generation growing up surrounded by technology and internet connectivity which has become part of their lifestyle (Bilgihan, 2016). This cohort has been exposed to more than 20,000 commercial messages per year (Syrett & Lammiman, 2004). All these factors are making them somewhat immune to the traditional method of advertising (comScore, 2012; Cone Inc. & AMP Agency, 2006; Syrett & Lammiman, 2004), become extra conscious towards marketing schemes (Tsui & Hughes, 2001, as cited in Lazarevic, 2012), and least loyal to brand compared to other generations (Bilgihan, 2016; Lazarevic, 2012).

Despite the challenges, fashion clothing brands cannot afford to ignore this segment of consumers because their increasing population and total spending power may bring more profit to the businesses in the long run. The right strategies need to be devised in order to stay relevant for Gen Y consumers. Thus, there is a need for a study to identify the factors that can influence Gen Y's brand loyalty towards fashion clothing brands, both in action and mind. In this regard, to the researcher's knowledge, most of the studies are centred on Western countries and less on Asian countries, specifically in Malaysia. Therefore, the present study is conducted to close this gap. Based on the customer-based brand equity model proposed by Aaker (1991) and Keller (2013), the present study responds to the suggestions by Su and Chang (2018) to investigate the impacts of brand equity dimensions on brand loyalty in the context of the fashion clothing brand, focusing on general Malaysian Gen Y cohort.

1.3 RESEARCH OBJECTIVES

The objectives of the present study are as follows:

1. To investigate the relationship between brand awareness and brand loyalty of Malaysian Gen Y towards fashion clothing brands.

2. To investigate the relationship between perceived quality and brand loyalty of Malaysian Gen Y towards fashion clothing brands.

3. To investigate the relationship between green brand associations and brand loyalty of Malaysian Gen Y towards fashion clothing brands.

4. To investigate the relationship between brand affect and brand loyalty of Malaysian Gen Y towards fashion clothing brands.

5. To investigate the relationship between brand uniqueness and brand loyalty of Malaysian Gen Y towards fashion clothing brands.

6. To determine the most influential factor that drives brand loyalty of Malaysian Gen Y towards fashion clothing brands.

1.4 RESEARCH QUESTIONS

The present study intends to answer the following research questions:

1. What is the relationship between brand awareness and brand loyalty of Malaysian Gen Y towards fashion clothing brands?

2. What is the relationship between perceived quality and brand loyalty of Malaysian Gen Y towards fashion clothing brands?

3. What is the relationship between green brand associations and brand loyalty of Malaysian Gen Y towards fashion clothing brands?

4. What is the relationship between brand affect and brand loyalty of Malaysian Gen Y towards fashion clothing brands?

5. What is the relationship between brand uniqueness and brand loyalty of Malaysian Gen Y towards fashion clothing brands?

6. What is the most influential factor that drives brand loyalty of Malaysian Gen Y towards fashion clothing brands?

1.5 SIGNIFICANCE OF THE STUDY

The present study provides significant contributions from both academic and managerial perspectives.

From academic perspective, the present study adds to the body of knowledge of consumer behaviour on brand loyalty. The present study takes the approach of customer-based brand equity in measuring brand loyalty. It extends the customer-based brand equity dimensions as proposed by Aaker (1991) to include the green brand associations, brand affect, and brand uniqueness constructs as factors influencing brand loyalty, in order to reflect the context of fashion clothing brands and the Gen Y population being studied.

From managerial perspective, the present study will guide marketers in the fashion clothing industry to build brand loyalty among Gen Y consumers, specifically in the Malaysian context. Marketers should understand that each generation of consumers possess different characteristics, preferences, and tastes, which can affect businesses in many ways, and that must be tackled wisely. Brand loyalty, being the ultimate goal of every marketer, is the key to a successful and prosperous business. By understanding the factors that impact brand loyalty, marketers should be able to concentrate only on the critical factors, allowing them to plan marketing strategies and allocate the limited business resources effectively and efficiently. Combined with the

fashion clothing's industry competitive but profitable nature, the present study will be a valuable source of reference for fashion clothing marketers.

1.6 DEFINITION OF TERMS

Listed below are several important terms that will be used throughout the present study.

Fashion clothing refers to the style of clothing that follows the latest trend.

Customer and **consumer** are used interchangeably throughout the present study, referring to the individual who purchases and/or uses a product or service.

Generation Y or **Gen Y** refers to individuals born between the year 1981 and 1996, in which by the year 2020, their age is between 24 and 39 years old.

Brand loyalty refers to Malaysian Gen Y consumers who are devoted to fashion clothing brands both behaviourally and attitudinally.

Brand awareness refers to Malaysian Gen Y consumers' ability to recognize and recall that a brand is a member of the fashion clothing product category.

Perceived quality refers to the perception of Malaysian Gen Y consumers regarding fashion clothing brands' ability to meet or exceed the expectations of quality clothing.

Green brand associations refer to Malaysian Gen Y consumers' perception that relate fashion clothing brands with environmental protection activities.

Brand affect refers to the emotional response of Malaysian Gen Y consumers due to consuming fashion clothing brands.

Brand uniqueness refers to the degree of differentiation that Malaysian Gen Y consumers feel about fashion clothing brands relative to other competing brands.

1.7 CHAPTER SUMMARY

This chapter on introduction presents an overview of the fashion clothing, the businesses surrounding the fashion clothing industry, and Gen Y's connections with the fashion clothing. The problem statement highlighted the challenges faced by fashion clothing brands and the rationale of the present study. Both the research objectives and questions have been clearly defined, and the significance of the study is justified from both the academic and managerial perspectives.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews and discusses the literature pertaining to the constructs being researched. Firstly, it discusses brand loyalty as the dependent variable, followed by customer-based brand equity as the underpinning theory. The independent variables, namely brand awareness, perceived quality, green brand associations, brand affect, and brand uniqueness, will be explained. Hypotheses will be developed based on the study of literature along with the research framework. Finally, the chapter will be summarized.

2.2 BRAND LOYALTY

Today's businesses face stiff competition not just locally but also globally in various industries, with no exception to the fashion clothing segment. Apart from acquiring new customers frequently, winning the existing customers' loyalty is also critical, if not more so, for sustaining the business. The cost needed to gain new customers may be six times more than the cost of acquiring loyalty from existing customers (Fornell & Wernerfelt, 1987; Rosenberg & Czepiel, 1984). Moreover, businesses with more loyal customers enjoy higher market share and can effectively manage their budget on marketing activities (Hoisington & Naumann, 2003), as well as having customers who are willing to pay a higher price (Chaudhuri & Holbrook, 2001; Starr & Rubinson, 1978). Strong brand loyalty allows businesses to strengthen their position in the market and foresee and manage the demand for products or services (Keller, 2013, p. 35).

Brand loyalty is an important construct in comprehending consumer behaviour and has been studied and discussed by marketing scholars for decades. As early as 1923, Copeland's article in the *Harvard Business Review* elicited the term "consumer insistence," which refers to the phenomenon where consumers are unwilling to change the brand of product that they desire to buy, except emergencies (Copeland, 1923). Starting from Copeland's article, the brand loyalty construct has been further researched until the present day under the perspective of behaviour, attitude, or combination of both (East, Wright, & Vanhuele, 2010; Oh & Fiorito, 2002).

According to Aaker (1991, p. 48), brand loyalty is "a measure of the attachment that a customer has to a brand". Oliver (1999, p. 36) provides a concise definition of brand loyalty which states: "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior". Oliver's definition suggests that brand loyalty consists of two distinct components, which are behavioural and attitudinal (Chaudhuri & Holbrook, 2001).

Behavioural loyalty involves the action of buying a similar brand continuously (Chaudhuri & Holbrook, 2001), but the behaviour itself does not necessarily mean one is loyal to the brand (Rai & Srivastava, 2014, p. 48). Customers may purchase a product of a particular brand repeatedly due to no other similar or alternative products available in the market accessible to that customer, or perhaps the price of the brand is the cheapest among other brands. Once the condition is challenged – for example, when a new brand enters the market or competing brands starting to lower their prices – is when the said 'loyalty' of that customers is truly tested. Thus, another consideration is required to grasp the underlying concept of brand loyalty by including the attitudinal