

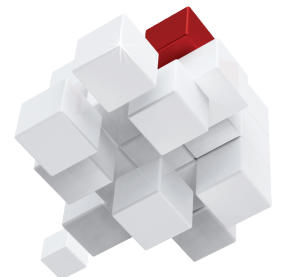


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# RESEARCH ON THE REPURCHASE FACTORS OF DOMESTICS COSMETICS PRODUCTS BY GENERATION Z IN CHINA

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# INTRODUCTION



# 01 | Cosmetic Market in China



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In China, Cosmetics include things for the skin, hair, bath, color cosmetics, scents, and deodorants. **Gen Z and millennial women** are the largest buyers of the cosmetics market in China, who are very knowledgeable about skin care and beauty products (Bloomberg, 2022) .

**China is by far the second-largest producer of cosmetics in the world after the US** (Sun, 2022) and is therefore considered as a highly competitive region. At present, international companies dominate the Chinese cosmetics industry (Eastward Media, 2022) .

The "**Guo Chao**" or the **Chinese fad** has evolved into a way for the Chinese to express their national identity, including ethnocentrism, through purchasing and consuming local items.



Figure1&2 : Domestic Cosmetic Products with Chinese Elements

# 01 | Generation Z in China



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China's Generation Z, accounting for 16.7% of the population born after 1995, has seen **a faster growth in spending power** than any generation in China (Bloomberg, 2020)

Pursuing  
emotional  
needs through  
consumption

No savings &  
Impulse  
Purchases

A sense of  
national pride

Better Quality &  
Good Image



Figure 3

Particular Upbringing (Yang et al, 2020), i.e.

- 1) Rigid social hierarchy mobility;
- 2) Favorable material conditions;
- 3) The digital age;
- 4) Shrinking family sizes (mostly 3–4 persons) and
- 5) Academic Burden from increasing competitive awareness.



Figure 4





# 02

## PURPOSE OF THE STUDY



## 02 | Purpose of The Study

The aim of this study is to better understand the main factors that prompt Chinese Gen Z consumers to buy domestic cosmetics again. The current study's goal is to determine the extent to which customer ethnocentrism (CE), word-of-mouth (WOM), perceived pricing (PP), and country of origin (COO) have an impact on future repurchase intentions (RI). The following research goals should be advanced in order to meet the study objectives:

- ① Examine the impact of the dependent variable **perceived price (PP)** and **country of origin (COO)** on the independent variables **repurchase intention (RI)**.
- ② Examine the direct effects of the mediating component **WOM** on the independent variables **PP, COO**, and the dependent variable **RI** as well as how it influences this connection.
- ③ Examine how the independent variables **PP, COO**, and the dependent variable **RI** are related when the moderator **Customer Ethnocentrism (CE)** is present.

From the viewpoint of China's Generation Z, this study shows why consumers repurchase local beauty brands, which aids marketers in better understanding consumer attitudes and behaviors and achieving marketing development.



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Figure 5 : The brand mission of TIMAGE (a domestic make-up brand) is based on Chinese aesthetics, to express the beauty of Chinese women.



# 03

## LITERATURE REVIEW





## 03 | Literature Review



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Table 3.1 Main Literature for the variables

Source	Relevant Variables	Literature
(Zeithaml, 1988)	Perceived Price	Customers frequently code the price in a way that makes sense to them while shopping, as opposed to the product's actual price, such as the label price stated by the supplier
(Khare et al., 2012)	Perceived Price	The perceived value of a supplier's price in terms of money in comparison to the pricing of other suppliers is known as the perceived price
(Khare et al., 2014)	Perceived Price	Quality perceptions can frequently be used to forecast purchasing behavior regarding price searches, generic product purchases, price recalls, sales responses, and coupon redemption.
(Raghubir & Corfman, 1999)	Perceived Price	Customer sensitivity to profitable offers and transactions is a factor in price perception. Customers are happy when they believe the pricing and quality are fair.

## 03 | Literature Review



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Table 3.1 Main Literature for the variables

Source	Relevant Variables	Literature
(Bilkey & Nes, 1982)	Country of Origin	The COO effect is used to examine how consumers perceive products from particular nations based on population figures and attributes such as national traits, history, customs, and economic and political context.
(Maher & Carter, 2011)	Country of Origin	The COO is employed as a cue of both external (intangible product attributes) and internal (tangible or physical characteristics) product characteristics
(Suhaily & Darmoyo, 2017)	Country of Origin	Customers frequently utilize it to assess product quality and make purchasing decisions
(Sharma, 2011)	Country of Origin	Customers in developed and developing nations are more likely to purchase goods made in developed nations
(Batra, 1997; Han, 1989)	Country of Origin	Customers in underdeveloped markets had a better perspective of imported goods due to the inferior quality of state-owned items
(Chiou, 2003)	Country of Origin	Customers who utilize and purchase information with extensive prior knowledge, for instance, evaluate products using attribute-based information rather than prejudices

## 03 | Literature Review

Table 3.1 Main Literature for the variables

Source	Relevant Variables	Literature
(Ennew et al, 2000)	Word of Mouth	Customers spread negative comments, they will be strongly inclined to express their rage to others (even in exaggerated terms)
(Davidow, 2003)	Word of Mouth	The WOM activity will affect the degree of satisfaction or repurchase intention
Murtiashi et al. (2014)	Word of Mouth	WOM had the strongest effect on the BE dimension, followed by brand loyalty (BL), brand association (BAS), perceived quality (PQ), and brand awareness (BA)
(Dichter, 1966)	Word of Mouth	WOM is a term for informal communications between senders and recipients about a product or service
(Gremler and Brown, 1996)	Word of Mouth	Customers are more likely to make larger purchases and develop a devoted following when they are willing to advertise goods or services positively

## 03 | Literature Review



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Table 3.1 Main Literature for the variables

Source	Relevant Variables	Literature
Sharma (2015)	Consumer Ethnocentrism	CE can reflect attitudes toward both domestic and foreign services and goods.
(Luque-Martinez et al, 2000).	Consumer Ethnocentrism	Businesses can use consumer opinion surveys (CE) as one of the indications of consumers' acceptance of international brands
(Shimp and Sharma, 1987)	Consumer Ethnocentrism	Consumer ethnocentrism is the view or attitude that buying things from other countries is morally right and appropriate
(Cleveland et al., 2009)	Consumer Ethnocentrism	Consumers who are ethnocentric already have a favorable predisposition in favor of native goods, and when they simultaneously hear the favorable word of mouth, this strengthens their choice of domestic brands
(Sun et al., 2019)	Consumer Ethnocentrism	Consumer ethnocentrism had a beneficial impact on the brand equity of local brands but not foreign brands in their investigation of E-WOM-CE links among Chinese consumers

[illegible]



## 04 | Theoretical Framework

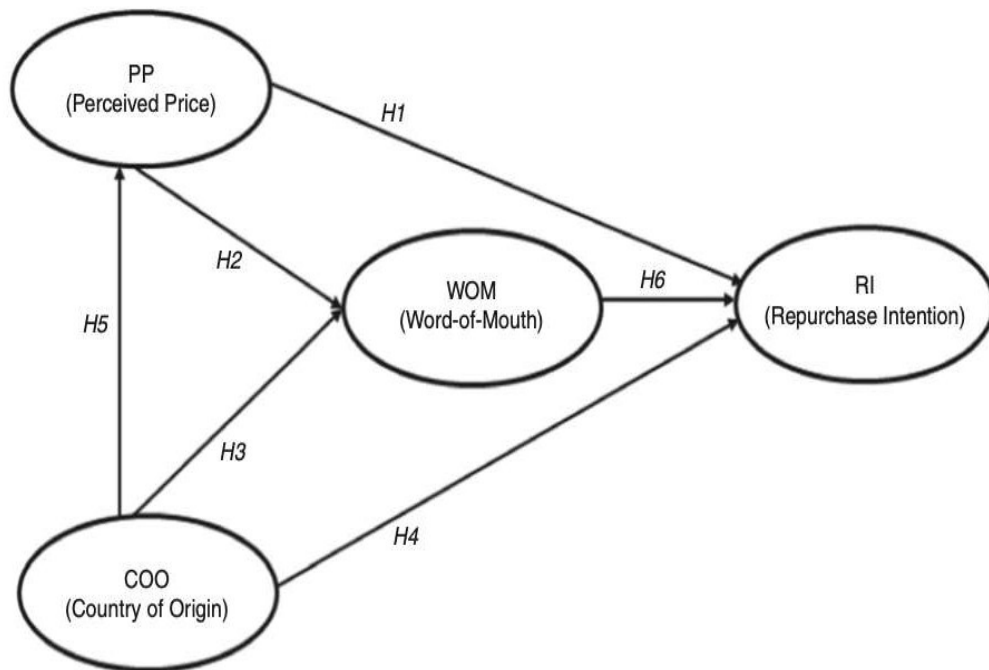


Figure 6: The Moslehpour et al. (2017) model

Heilier et al. (2003), created a generic service sector model by fusing consumer theory with **consumer brand preferences** and **perceptions of value for money**. According to this model, **customer retention** is determined by brand preference, service quality, fairness, and value, as well as by customer satisfaction, historical loyalty, anticipated switching costs, and these factors.

In order to test consumer RIs, **Moslehpour et al. changed this model in 2017 to create a new structural model (Figure 6)**. The Moslehpour et al. (2021) model is utilized to analyze the impact of PP, COO, and WOM on RI in the **cosmetic market**, which is very helpful for this paper.

Unlike Moslehpour et al. (2017), this study is focused on **the repurchase behavior of Chinese customers in the local market** even if they both examine the repurchase awareness of the beauty industry.

## 04 | Theoretical Framework



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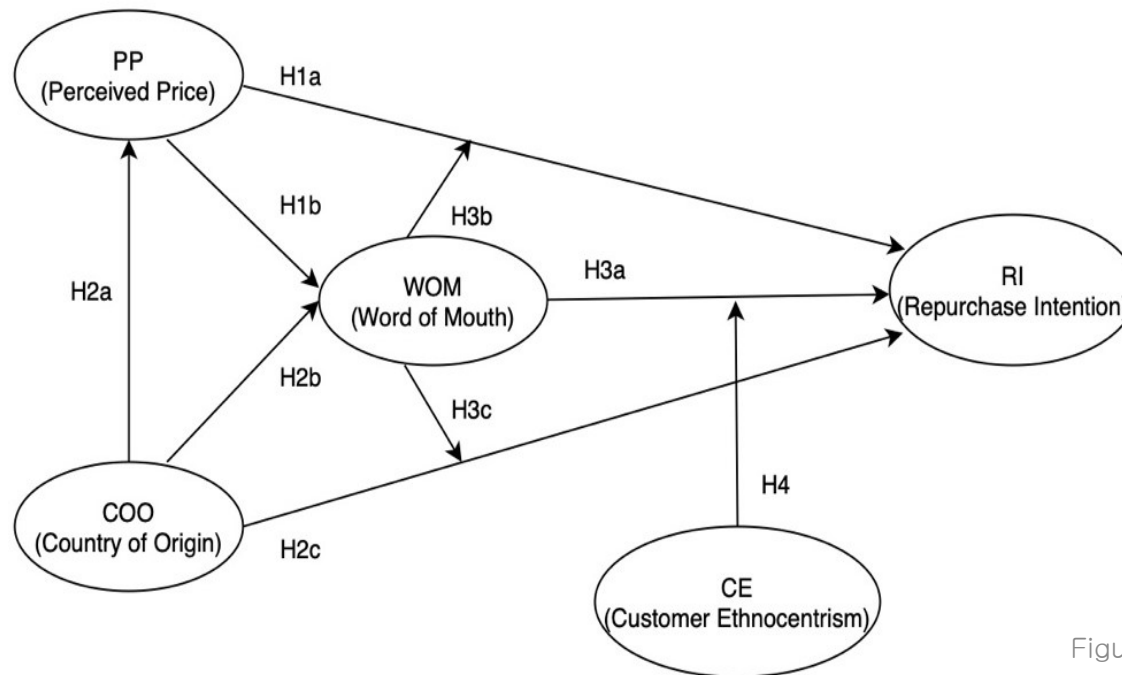


Figure 7

Therefore, based on some of the parameters employed by Moslehpour et al. (2017), this study **adds a new factor**. In order to examine the link between independent and dependent variables, **customer ethnocentrism was added as a moderator**; the theoretical model is shown in Figure 7 and is based on the literature review.



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# 05

## CONCEPTUAL FRAMEWORK & HYPOTHESE



# 05 | Conceptual Framework & Hypotheses



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## Model 1

Conceptual Model

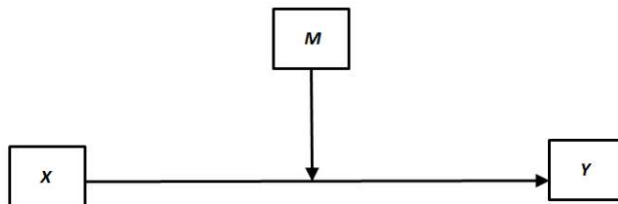


Figure 8

- H1a: PP positively influences RI.
- H1b: PP positively influences WOM.

- H2a: COO positively influences PP.
- H2b: COO positively influences WOM.
- H2c: COO positively influences RI.

## Model 4

Conceptual Model

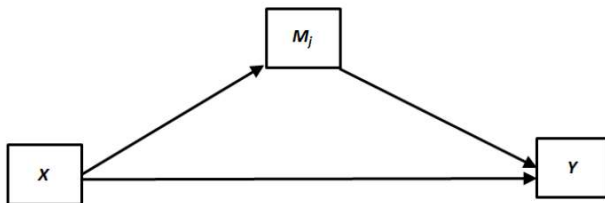


Figure 9

- H3a: WOM positively influences RI.
- H3b: WOM positively mediates the relationship between PP and RI.
- H3c: WOM positively mediates the relationship between COO and RI.
- H4: CE positively moderates the relationship between WOM and RI.

Based on Hayes Process Mac Model and Formula



# 06

## METHODOLOGY





### Empirical Study

Using **empirical evidence** to gain knowledge by means of personal observation and experience

Using an online survey to obtain quality assessment with **7 Likert scale**

### Quantitative Methodology

### Reliability and Validity Test

To analyze the validity, an exploratory factor analysis (EFA) with principal component analysis (PCA) extracts and retains items with eigenvalues  $>1$ . In order to optimize the factor loadings in the factor analysis, Varimax rotation was conducted. The KMO meets the minimum **required KMO score of 0.50, indicating the sampling is adequate. The Bartlett test is at a significant p-value  $< 0.01$ .** All standardized factor loading (**SFL**), Cronbach's alpha ( **$\alpha$** ), composite reliability (**CR**), and average variance extracted (**AVE**) **meets all requirements.**

## 06 | Statistical Tools



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### Correlation Analysis

- Used to the correlation between two numerically measured variables

### Regression Analysis

- Used to examine whether the hypotheses are accepted and well-supported or not based on  $\beta$ , t-value

### Mediation Analysis

- Used to quantify and examine the direct and indirect pathways through which an antecedent variable X transmits its effect on a consequent variable Y through an intermediary M

Mediation Analysis

\* Used to detect whether the moderating variable has an effect on the strength of the relationship between the independent, intermediate, and dependent variables

01

02

03

04



# 07

## RESULTS



# 07 | Demographic Profile of Respondents



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<p>1. Gender</p> <ul style="list-style-type: none"> <li>Male 115 men and 221 women</li> <li>Female</li> </ul>	<p>8. Frequency of repurchases of domestic cosmetics products</p> <ul style="list-style-type: none"> <li>Never</li> <li>Sometimes</li> <li>Usually</li> <li>Always</li> </ul> <p>Only 11.6% of them never make another domestic cosmetics purchase</p>
<p>2. Travelled outside China in last 5 years?</p> <ul style="list-style-type: none"> <li>Yes</li> <li>No</li> </ul> <p>have traveled outside of China in the last five years</p>	<p>9. What are the domestic cosmetics brand you purchased before? (Please Click all the applicable options)</p> <ul style="list-style-type: none"> <li>Florasis</li> <li>Perfect diary</li> <li>Colorkey</li> <li>Into You</li> <li>Pehchaolin</li> <li>Winona</li> <li>Chando</li> <li>Others__ (Please Be Specific)</li> </ul> <p>Nearly half of them had previously purchased cosmetics from Perfect Diary (49.7) and Colorkey (47.3)</p>
<p>3. Marital status</p> <ul style="list-style-type: none"> <li>Single</li> <li>Married</li> </ul>	<p>10. Where do you prefer to buy your cosmetics?</p> <ul style="list-style-type: none"> <li>Cosmetic Brand Store</li> <li>Department Store</li> <li>Cosmetic Brand Website</li> <li>E-commerce shop (e.g., Taobao, Red book et al.)</li> <li>Live Streaming</li> <li>Purchasing Agent</li> <li>Others__ (Please Be Specific)</li> </ul> <p>the greatest at 27.4%</p>
<p>4. Life Stages</p> <ul style="list-style-type: none"> <li>Children (below 13)</li> <li>Teenagers (13-18)</li> <li>Adults (above 18)</li> </ul> <p>The Majority is adults</p>	
<p>5. Education</p> <ul style="list-style-type: none"> <li>Secondary school or below</li> <li>High school</li> <li>University education</li> <li>Master education or above</li> </ul> <p>More than half of them have college degrees</p>	
<p>6. Employment</p> <ul style="list-style-type: none"> <li>Student</li> <li>Part time</li> <li>Full time</li> <li>Interns</li> <li>Unemployed</li> </ul> <p>40.5% of them are students.</p>	
<p>7. Monthly Cosmetics Spend</p> <ul style="list-style-type: none"> <li>&lt;100 RMB</li> <li>100-500RMB</li> <li>501-1000RMB</li> <li>1001-1500 RMB</li> <li>1501-2000 RMB</li> <li>&gt;2000 RMB</li> </ul> <p>spend less than 500 yuan each month on cosmetics</p>	

Table 7.1 Demographic of respondents

## 07 | Mediation Analysis



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Path	Effect	Coefficient	SE	t value	p-value	LLCI	ULCI
PP-> WOM-> RI	Total	0.9122	0.0318	28.6694	0.0000**	0.8495	0.9748
COO-> WOM-> RI	Total	0.7855	0.0325	24.1374	0.0000**	0.7215	0.8495
PP-> WOM-> RI	Direct	0.2995	0.0402	7.4429	0.0000**	0.2203	0.3787
COO-> WOM-> RI	Direct	0.1718	0.0362	4.7408	0.0000**	0.1005	0.2431
Indirect effect	Effect	Coefficient	Boot SE	Boot LLCI		Boot ULCL	
PP-> WOM-> RI	Indirect	0.6127	0.0445	0.5174		0.6934	
COO-> WOM-> RI	Indirect	0.6137	0.0393	0.5356		0.6873	

*Significant*

Table 7.2: Mediation analysis

H3b and H3c were supported



## 07 | Moderation Analysis



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Path	Coefficient	SE	<i>t</i> value	<i>p</i> -value	LLCI	ULCI
WOM-> RI	-.0590	.0143	-4.1151	.0000	-.0872	-.0308

Table 7.3: Moderation analysis

*Significant*

H4 was rejected

## 07 | Results



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Hypothesis	Results
H1a: PP positively influences RI.	Supported
H1b: PP positively influences WOM.	Supported
H2a: COO positively influences PP.	Supported
H2b: COO positively influences WOM.	Supported
H2c: COO positively influences RI.	Supported
H3a: WOM positively influences RI.	Supported
H3b: WOM positively mediates the relationship between PP and RI.	Supported
H3c: WOM positively mediates the relationship between COO and RI.	Supported
H4: CE positively moderates the relationship between WOM and RI.	Rejected

Table 7.4: Hypothesis analysis



# 08

## CONCLUSION & IMPLICATION



## 08 | Conclusion

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This study looks at the variables that affect Chinese GenZ's decision to repurchase cosmetics made in their own country in light of the rising competition for domestic goods. All hypotheses are supported by the data from the study above, except for H4.

- ❑ Our hypotheses suggest that all four variables (PP, COO, WOM, and CE) are related to GenZ's intention to repurchase domestic cosmetics.
- ❑ Both the association between PP and RI and the relationship between COO and RI were significantly mediated by WOM.
- ❑ We unexpectedly discovered that CE can negatively moderate the link between WOM and RI, with recommendations for further research to determine whether Chinese GenZ's CE will have a relevant impact on cosmetic products or other segments of the beauty industry.

## 08 | Theoretical Implication



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Makes a theoretical contribution to the study of RI. Based on previous literature, scholars have mostly concentrated on the influence of consumer satisfaction, brand reputation or equity, and other factors on the repurchase (He et al, 2008; Mittal & Kamakura, 2001; Ilyas et al, 2020), and has rarely been explored in local consumption. In contrast to the theoretical models used in these studies, this paper has the purpose of testing applied research.

01



The new model is developed by referring to the parameters used by Moslehpour et al in 2017 for Taiwanese consumers' repurchase behavior of Korean cosmetics and is used to study the repurchase behavior of a particular set of Chinese consumers (GenZ) in the local cosmetics industry. Furthermore, based on the traits of the study's subject, this paper modifies the base model to include consumer ethnocentrism (CE) to examine the relationship between the variables.

02



## 08 | Managerial Implication



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1

### **Increase the influence of Word of Mouth in product promotion**

- The biggest factor influencing RI
- Example: paying attention to consumers' post-cosmetic use remarks and recommendation behaviors to ascertain whether they are satisfied with the product and their propensity to repurchase.

2

### **Achieving a balance between quality and price, as well as raising the perceived value of the product**

- increases consumer happiness and help marketers sustain the product's PP and COO

3

### **The positive effect of COO on WOM, PP, and RI**

- reveals China GenZ's recognition and confidence in the Chinese beauty market
- and the abandonment of negative perceptions such as the low quality of state-owned beauty products

4

### **The CE (with a high degree of respondents) in the study of repurchase Intention**

- does not increase the WOM effect on repurchase intention for domestic cosmetics

Local cosmetics companies :

better marketing strategies for consumers, which will increase sales and customer retention.

Foreign stakeholders in the beauty industry:

new perspectives on how to understand these young Chinese consumers.



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# 09

## FUTURE

## RESEARCH



## 09 | Future Research

The respondents were geographically concentrated in just three provinces: Zhejiang (28.78%), Liaoning (13.65%), and Jiangsu (12.46%) . As a result, our study of GenZ consumption behavior in China may have been **constrained by sample size as well as geographic and urban development biases**

This study did not look into the **demographic characteristics** of respondents' **acceptance and affinity for foreign products**

This study examined Chinese GenZ's repurchase behaviors for domestic cosmetic items

We hope to deepen our understanding of such consumer segments with market potential and analyze consumer behavior in industries with growth potential such as cosmetics. Therefore, offering fresh perspectives for foreign competitors to develop initiatives while increasing the market competitiveness of local companies so that the rising consumer demands for the pursuit of beauty experiences can be satisfied.



**Pinpoint the respondents' locations** and take into account how those factors **affect consumer perceptions**

May have been applied to **modify the existing dependent variable** and identify **correlations with other variables** (particularly CE)

May **alter the study group and orientation** of this one to **broaden the field of study on local consumer behavior concerning local goods**.

- **The study population** might be changed to young people from other nations or other geographic Chinese people, etc.
- **The study's focus** could also be changed to include cosmetics from other nations or to include other marketplaces and categories.



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# THANK YOU

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