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INSIGHT Journal focuses on social science and humanities research. The main aim of INSIGHT Journal is to provide an intellectual forum for the publication and dissemination of original work that contributes to the understanding of the main and related disciplines of the following areas: Accounting, Business Management, Law, Information Management, Administrative Science and Policy Studies, Language Studies, Islamic Studies and Education.

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## **FOREWORD BY DEPUTY RECTOR OF RESEARCH, INDUSTRIAL LINKAGES & ALUMNI**



Since 2018, the INSIGHT JOURNAL (IJ) from Universiti Teknologi MARA Cawangan Johor has come up with several biennial publications. Volume 1 and 2 debuted in 2018, followed by Volume 3 this year as well as Volume 4 with 19 published papers due to the great response from authors both in and out of UiTM. Through Insight Journal, lecturers have the ability to publish their research articles and opportunity to share their academic findings. Insight Journal is indexed in MyJurnal MCC and abstracted in Asian Digital Library (ADL). Moreover, it is also an international refereed journal with many international reviewers from prestigious universities appointed as

its editorial review board members.

This Volume 6 is the second special issue for the 6<sup>th</sup> International Accounting and Business Conference (IABC) 2019 held at Indonesia Banking School, Jakarta. The conference was jointly organized by the Universiti Teknologi MARA Cawangan Johor and the Indonesia Banking School Jakarta. Hence, this volume focuses mainly on the accounting and business research papers compiled from this conference, which was considered a huge success as over 66 full papers were presented.

Lastly, I would like to thank the Rector of UiTM Johor, Associate Professor Dr. Ahmad Naqiyuddin Bakar for his distinctive support, IJ Managing Editor for this issue Dr. Noriah Ismail, IJ Assistant Managing Editor, Fazdillah Md Kassim well as all the reviewers and editors who have contributed in the publication of this special issue.

Thank you.

**ASSOCIATE PROFESSOR DR. SAUNAH ZAINON**

Deputy Rector of Research, Industrial Linkages & Alumni

*Editor-in-Chief for INSIGHT Journal*

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## **The Impact of Business Ethics Behaviour on the Customers' Loyalty in Beauty Industry among University Students' in Malaysia**

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### **Abstract**

The beauty industry had humble beginnings, starting from centuries ago, the perceptions on beauty products fluctuated from being used only by the wealthiest of people to be a completely taboo subject. In recent years, the beauty industry has been incriminated because of the business practice which includes unethical behavior such as the use of harmful ingredients, animal testing, child labour and excessive advertising. This study will be done by using an existing research articles and the data will be collected using questionnaire. Thus, this study aims to determine the relationship between business ethics behaviour towards customers' loyalty. This study is useful to determine the impact of business ethics behaviour which influences customers' loyalty in the beauty industry. A proposed framework and implementation will be presented in this paper.

**Keywords:** Business Ethics Behavior, Beauty Industry, university students, loyalty

### **1. Introduction**

Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed (Crane, Matten 2010) Business ethics covers commercial businesses, government organisations, charities and other organisations. It is critical for businesses to resolve ethical concerns. Businesses have impact on individuals and society. Businesses should seek ways to make positive contributions on society. If employees and stakeholders face challenges with ethical standards, business ethics will help them to compromise these issues. Business ethics also determines basic rules for employees and customers. Businesses have ethical expectations that should be followed on working days. Business ethics will help accept different professional behaviours,



occupational identities and maturities. Companies should promote ambitious standards and the self-evaluation for employees. (Munjal 2016).

Businesses also suffer from ethical issues with marketing. Companies are criticised for encouraging consumption of unnecessary products. Customers are sent messages over the internet, including voicemail, email, and SPAM. Businesses meddle into customers' privacy by gathering information about them. Companies also set ambiguous pricing to products and enhance wasteful packaging. (Dennis, Harris 2005) Marketing faces problems with globalization, competition and designing system in ethical way. Businesses face problems on producing, monitoring and distributing goods. Marketers should focus on keeping ethical values and principles in businesses. (Brenkert 2008) Companies are being accused of treating their business customers badly, encouraging and manipulating consumers to buy products they do not necessarily need, and destroying local businesses. Many companies want to be the biggest and most profitable in the industry. If company is highly profitable, it can give message to people that company is ruthless and greedy (Arnold 2010).

Since businesses have significant impact on how consumers understand the brand, companies should avoid unethical practises. Businesses sometimes use unethical marketing tools like exploitation and bad mouth competition. Companies should avoid using scare tactics and focus more of the value of the products rather than criticising their competitors. Businesses should be more humane, and not just pretend to be caring towards the society. (Anastasia 2015) Businesses should behave ethically towards their customers and investors since positive feedback can create positive outcomes for the company. Customers' negative attitudes are hard to overcome. Companies will have financial issues, if investors won't invest in their savings. (Keith et al. 2008) Business ethics is the study of situations and issues which may occur in business life. Businesses should follow rules to maintain ethical working environment. Companies should avoid exploitation, bad mouth competition and scare tactics.

### **1.1. Statement of Problem**

In more recent years, the beauty industry has been criticized for practices surrounding false claims and misleading advertisements, the unethical sourcing of ingredients, child labour, the use of harmful ingredients, animal testing, and excessive packaging. Some of these issues are more publicized than others, leading to unequal awareness of all problems. What they may not be aware of is that animal testing in the United States is not banned, and unless a product is labelled cruelty-free, it may have been tested on animals (Kangas, 2017). The situation gets even more complicated when you take into consideration the laws surrounding animal testing in other countries. While the European Union has banned the sale of any products tested on animals in finished form, the Chinese government actually requires the use of animal testing before sale in the country. Many well-known brands, including Estee Lauder and Clinique, admit they will let their products be tested on animals if required by law in the country of sale (Kangas, 2017). In order to be considered cruelty free, a company must abstain from animal testing at all points of production and sale.

Another well-known topic of unethical behavior is the false claims and misleading advertisements commonly associated with the beauty industry. A recent study examining



three categories of claims including scientific, performance, and subjective showed that more claims are classified as deceptive rather than truthful (Carlson, Fowler, & Reisenwitz, 2015). Although unsettling, this fact would not surprise many consumers.

Protecting the environment, recyclable packaging and animal welfare were all listed as top ethical issues by consumers, while 43 per cent of those surveyed said they would consider a brand's ethical stance before buying for the first time. Roshida Khanom, Mintel's associate director for beauty and personal care, says consumers are becoming more and more sceptical about large, global corporations making "ethical" promises. She explains: "If a brand claims to stand for something, then they need to stay true to this. And in the age of social media, consumers are quick to call them out."

## **2. Literature Review**

### **2.1 Business Ethics Behavior**

Existing research on relationship business ethics and CSR related to brands is based on several different perspectives. First, there is research about attitudes toward ethical products (Peloza et al., 2013) and ethical consumption (Davies & Gutsche, 2016). This stream of research can examine the preference for brands that are promoted through appeals to social responsibility and business ethics. To date, most research about ethical brands is associated with social responsibility (White et al., 2012). Ethical brands are usually identified as doing something good for society or the consumer such as, organic ingredients, fair trade, or in some way addressing the needs and desires of stakeholders. Fan (2005) defines an ethical brand as promoting the public good with attributes such as honesty, integrity, quality, respect, and accountability.

Ferrel (2018) suggested that the impact of a customer's expectations of business ethics has a stronger relationship with how a customer responds to the company. This may be because the unethical behaviours are more directly related to brand and product attitudes that could impact performance expectations of business ethics strongly influence customer perceptions.

### **2.2 Business Ethics Behaviour towards Brand Attitude**

The proposed measurement of relative brand attitude explored the nomological network of the construct. Two outcomes were highlighted: satisfaction and repeat purchase loyalty. Dick and Basu (1994) suggested that relative attitude measures are likely to provide a stronger indication of repeat purchase than attitude toward a brand measured in isolation. The empirical studies have shown that attitudinal differentiation is considered to result in a higher discriminatory power than non-relative attitudes (Olsen, 2002). In fact, empirical research has often used high relative attitude as a proxy for brand loyalty (Yi and Jeon, 2003).

### **2.3 Customer Loyalty**

The concept of customer loyalty is central to marketing scholarship (Toufaily et al., 2013); from a practitioner's perspective, it is among the most enduring assets possessed by a company. Creating and maintaining customer loyalty helps companies develop long-term, mutually beneficial relationships with customers (Pan et al., 2012); these loyal customers exhibit attachment and commitment toward the company, and are not attracted to

competitors offerings (So et al., 2013). Furthermore, loyal customers are willing to pay more, express higher buying intentions and resist switching (Evanschitzky et al., 2012). In this sense, it is imperative for companies to have loyal customers.

## **2.4 Individual Moral Capacity**

According to Ferrel (2018), future research should consider a framework developed by Schwartz (2016) to explore moderators that may influence brand attitude. Toward this end, the I-EDM model attempts to collate together all individual factors into one general overarching main construct: "one's moral capacity" (Hannah et al. 2011). There are two inter-related but distinct components that comprise an individual's moral capacity which are moral character disposition and integrity capacity. Moral capacity is defined as the ability of an individual to avoid moral temptations, engage in the proper resolution of ethical dilemmas, and ultimately engage in ethical behavior. In other words, one's moral capacity is based not only on one's level of moral maturity and the core ethical values they possess, but the extent to which they will cling to those values even when faced with pressure to act otherwise.

## **3. Methodology**

This study focused on beauty industry and the respondents involved were students aged 18 years old and above. This study will be done by using an existing research articles and the data will be collected by using questionnaire. Questionnaires will be distributed to students at the universities. A Likert-scale will be used ranging from 1 (strongly disagree) to 5 (strongly agree). The collected data will be analysed by using descriptive analysis and to identify the model fit we used Factor Analysis in SPSS and Smart-PLS

## **4. Conclusion and Recommendation**

The purpose of this study is to investigate the effects of unethical practices on consumers' perceptions and judgements in the cosmetic industry. More specifically, the study is designed to investigate the extent to which consumers' ethical perceptions and decision making can be influenced and if heuristic appeals or systematic appeals are more persuasive. The study is to see whether the customer consider ethical issues when purchasing a cosmetics product.

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