

**THE EFFECT OF MOTIVATION AND PERCEIVED RISK ON PURCHASING
COSMETICS PRODUCTS**

Mohammad Jalalkamali

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DEDICATION

MY BELOVED PARENTS:

MR. HOSEIN JALALKAMALI

MRS. FATEME ALI AHMADI

And

MY BELOVED WIFE:

MRS. AZITA TAJADDINI

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ABSTRAK

Kajian ini dilakukan untuk menyiasat pengaruh motivasi dan jangkaan ancaman terhadap keputusan pembelian barangan kosmetik di kalangan pelajar institusi pengajian tinggi. Dua dimensi motivasi yang telah dikaji adalah stimuli dalaman dan stimuli luaran. Enam komponen jangkaan ancaman yang dikaji adalah ancaman fizikal, ancaman pencapaian, ancaman kewangan, ancaman masa, ancaman sosial dan ancaman psikologi. Data telah dianalisis dengan menggunakan pakej SPSS. Hasil kajian menunjukkan hubungan positif di antara stimuli dalaman dan keputusan pembeli barangan kosmetik. Stimuli luaran gagal menunjukkan sebarang hubungankait dengan keputusan pembeli. Manakala antara enam komponen jangkaan ancaman, hanya ancaman sosial membuktikan bahawa ia boleh mempengaruhi hubungan antara motivasi dan keputusan pembeli terhadap barangan kosmetik. Hasil kajian ini mencadangkan pihak pemasar barangan kosmetik untuk menumpukan strategik pemasaran pada faktor stimuli dalaman dan ancaman sosial seperti pengaruh keluarga dan rakan demi merangsang pengguna membeli barangan kosmetik.

ABSTRACT

The purpose of this study is to find out the effect of motivation and perceived risk on purchase decision for cosmetics products among the university students. Two dimensions of motivation studied in this research are internal stimuli and external stimuli. Perceived risk has six components: physical risk, performance risk, time risk, psychological risk, financial risk and social risk. Data was analyzed using SPSS. The study found that among the two dimensions of motivation only internal stimuli has positive effect on purchase decision for cosmetics products. The external stimuli was not found to effect the purchase decision for cosmetics products. Out of the six components of perceived risk, only social risk moderate the relationship between motivation and purchase decision and it obviously indicates that the idea of family members and also the idea of their friends are important to ensure their beauty and appearance. The study thereby address recommendations for the cosmetic products marketers the importance of internal motivation to purchase the cosmetic products and the likely influence of reference groups such as family and friends in the cosmetic purchase decision making process.

Chapter 1

INTRODUCTION

1.1 Introduction

Cosmetics are the most basic personal care products of all women (and men). Cosmetics are used for hygienic and beauty purposes. Besides that, color cosmetics (makeup), skin care and fragrances are increasingly perceived as a necessity rather than a luxury (Euromonitor, 2003). These products displayed high sales with value growth of 6.8%, 5.7% and 6.5% respectively in Malaysia.

Starting January 2001, all cosmetic products are required to be registered with the Malaysian Health Ministry before they are available for the (www.miti.gov.my, 2001). Encouraged by the economic growth in 2002, the Malaysian cosmetics and toiletries market grew moderately to record value sales of RM2.79 billion (Euromonitor.com Report Summary, 2003). This sales growth was due to increased urbanization, more women in the workforce and aggressive marketing and promotional activities. Sales of premium brands (eg. L'Oréal, Maybelline) due to increased purchasing power increases as a result of the improved economy. Besides that, consumers are becoming more knowledgeable with the increase in new product innovation and development. Sales of premium brands are expected to bypass mass brands by the year 2006 (Euromonitor.com Report Summary, 2003).

The cosmetic industry is a very lucrative; a number of cosmetic companies around the world are competing against in order to capture a share of this lucrative market. Cosmetics have been around for thousands of years. When people hear the word “cosmetics”, they tend to think of makeup and perfume designed for women. Cosmetics actually come in many forms, ranging from powders, body makeup, soap, shampoo, and toothpaste. Cosmetics are used for beautifying purposes and cover a wide range of products including: cleaning body parts, enhancing features, and changing skin tones and colors such as, makeup, perfume, toothpaste, shampoo, and deodorant (Kumar, Massie and Dumonceaux, 2006).

In general, cosmetic companies have targeted the female audience based on the product itself. Prior to the 1990s many people used to think that cosmetic products were only for adult women; the reality of today is slightly different. New markets for cosmetic companies are young females and men (Kumar, Massie and Dumonceaux, 2006). Understanding behavior of consumers is a key to the success of business organizations. Marketing personnel are constantly analyzing the patterns of buying behavior and purchase decisions to predict the future trends (Nair and Pillai, 2007). The evolutions of consumers’ behavior toward a particular product will affect evaluations existing strategies and planning of new strategies for that product (Quah, 2000). Therefore, the marketing of certain products must meet the needs of the target market (Wagner, 2007). Therefore it is important to investigate the factors that influence the consumer behavior towards cosmetic product purchasing decision.

According to Monteiro (2003), there is a tremendous increase in the female cosmetic consumers. This is due to increasing number of women becoming the earning members of the family due to their increased level of literacy and growing influence of the media. Women are also very conscious of appearance and place importance on aesthetics (Moss and Colman, 2001 Maeyrowitz, Ogilvy, Settle and Alreck, 1987). This is important as it relates to how they would look after using a certain brand and how others would think of them. As such packaging and design of products are also very important in capturing a woman's attention to buy them.

Zanoli and Naspetti (2002) state that in marketing, the analysis of consumer behavior is dealing primarily with preferences and how preferences are formed in the mind of the consumer. They mention that from a cognitive perspective, we can define consumer behavior as the activities that people engage in when selecting, purchasing, and using products and services to satisfy needs and desires. Such activities involve mental and emotional processes, in addition to physical actions. Use of cosmetics is mainly for aesthetic and hygienic purposes. Cosmetics not only include make up, but also fragrances, skincare, and mouthwash, toothpaste and shampoos. Therefore cosmetics play a role in keeping one clean and smelling good. However, cosmetic ingredients are usually made up of chemicals and animal sources that maybe harmful to consumers (Quah, 2000).So it's inevitable that people became to be particular about the purity of the ingredients used to make products they consume.

Shopping motivation is one of the key constructs of research on shopping behavior and exhibits a high relevance for formulating retail marketing strategies. Evidence related to the social, experiential, and utilitarian aspects of shopping are shown by four dominant motivational patterns referring to the issues of shopping pleasure, frictionless shopping, value seeking, and quality seeking. Frictionless shopping is defined as consumers' perceived ease of the overall shopping process. Specifically, the availability, competence, and friendliness of store employees are associated with the functional consequence shopping convenience. The friendliness of store personnel is strongly associated with the perceived pleasure of shopping. Frictionless shopping characterizes the second motivational pattern shows what consumers associate with a broad choice of merchandise and with an appealing product style. The third motivational pattern relates to consumers' pursuit of product quality, consumers directly associate product quality most frequently with the longevity of a product (Wagner, 2007).

1.2 Problem statement

In today's world of rapidly changing technology, consumer tastes are also characterized by fast changes. To survive in the market, a firm has to be constantly innovating and understand the latest consumer trends and tastes. Consumer behavior provides invaluable clues and guidelines to marketers on new marketing strategies frontiers which they should explore.

To successfully market to different market segments and for a successful marketing campaign management the marketing manager needs appropriate marketing

strategies which he can design only when he understand the factors which account for those differences in consumer behaviors and tastes. There is no research which examines the relationship between motivation (internal stimuli, external stimuli) and purchase decision in local context of Malaysia. Therefore this research intends to assess the relationship between motivation (internal stimuli, external stimuli) and purchase decision with considering perceived risk a moderating variable.

Now a variety of cosmetic and toiletries ranging from natural to sophisticated items are available in the market. Studies found that the pattern and preference of use of these items vary according to different segments of gender, age and socio-economic class. However, the effect of perceived risk in motivating consumer to purchase the cosmetic product is not widely studied (Nair and Pillai, 2007).

Therefore the research question which is central to this research is formulated as follows:

What is the effect of motivation on purchase decision and how does perceived risk influence the relationship between motivation and purchase decision?

1.3 Research objectives

This study aim to test the influence of motivation and perceived risk on consumers' decision towards purchasing cosmetic products.

1.4 Objective of the study

The objective of this study is as follows:

- i) To determine the relationship between motivation and purchase decision.
- ii) To investigate whether perceived risk moderates the relationship between motivation and purchase decision.

1.5 Significance of the study

In today's competitive environment, marketplace advantage are often short-lived, competition is getting more intense and customers are more demanding on the quality of the products and services they received, therefore they are the ultimate judge for the products and services. By knowing psychological influences, organizations can understand consumer behavior and therefore can sell more goods and products.

There is little study of purchase decision within the local context of Malaysia. Therefore this study would add to the limited literature in understanding the relationship between internal stimuli, external stimuli and purchase decision within cosmetic consumers in Penang.

In addition the results of the present study would be useable for organizations to draw up a new policy regarding future plans to be more successful; the input of the present study will make the organizations aware of effective consumer behavior.

It is hoped that the results of the study would contribute the better understanding of the influences and determines in consumers decision making.

1.6 Definition of key terms

The present study involves a number of terms that needed to be clarified:

1.6.1 Cosmetics

Definition of cosmetics

U.S.FDA (Food and Drug Act) defines cosmetics as an article intended to be applied to the human body for cleaning, beautifying, promoting attractiveness, or alerting the appearance without affecting the body's structure or functions. These include: 1) Skin care cream, lotions, powders, 2) Perfume, cologne, 3) Makeup (lipstick, blusher), 4) Hair coloring preparations, 5) Deodorants, 6) Shampoos, 7) Bath oils bubble bath, 8) Mouth wash, toothpaste

The definition of cosmetics according to the Malaysian Drug Control Authority (Control of Drug and Cosmetic Regulations, 1984) is similar but a bit more detailed:

A cosmetic product shall mean 'any substance or preparation intended to be placed in contact with various external parts of the human body (epidermis, hair system, nails, lips and external genital organs) or with teeth and the mucous membranes of the oral cavity, with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance and/or correcting them or keeping them in good condition.

1.6.2 Motivation

Motivation is energizing force that stimulates behavior to satisfy a need. Because consumer needs are the focus of the marketing concept, marketers try to arouse these needs (Kerin et al. 2007).

1.6.3 Perceived Risk

Perceived risk is “a function of uncertainty and consequence. (Moutinho, 2000)

1.6.4 Consumer Behavior

Consumer behavior from a cognitive perspective can be defined as the activities that people engage in when selecting, purchasing, and using products and services to satisfy needs and desires (Zanoli and Naspetti, 2002).

1.6.5 Purchase Decision

According to previous literatures the different approaches to the understanding of consumer purchase decisions can be grouped as follows:

The cognitive approach, which is deeply rooted in the economic science and assumes a rational behavior of the decision maker, based on the price of the goods and on its attitude to respond to functional, needs (Howard, 1963). The external conditioning approach, according to which the purchase decision is a response to external stimuli (Foxall, 1990). The experience and the social interaction - based approach, according to which the present consumer decision aims at the construction of personal identity (Belk, 1988).

1.7 Organizations of remaining chapters

The following chapters in the present study will cover various important aspects. Chapter 2 touches on the past research and literature related to motivation, perceived risk, purchase decision, theoretical framework and hypotheses. Chapter 3 focuses on methodology and research design including various variables, measurement and population sample in the research. Chapter 4 continues with the hypotheses, description statistics and results of the analysis for the present study. And lastly, chapter 5 comprises of discussion regarding implications, limitations, and overall conclusion for the present study.

Chapter 2

Literature Review

2.1 Introduction

This chapter reviews the findings from previous researchers and reports those which are more related and relevant to the present study. It begins with a review of purchase decision, then internal stimuli and purchase decision, external stimuli and purchase decision, and then it proceeds to perceived risk. Then to the generation of proposed theoretical framework and hypothesis, finally summary of the chapter will be presented.

2.2 Consumer Purchase decision

Due to its importance in economics and business administration, during the last decade the problem of consumer behavior is treated more extensively compared to the other fields of economic research. The main problem is that there is no single and generally accepted model to explain the consumer behavior aspects, for example the drivers of the purchase decision. As widely expected, different approaches to this problem can be grouped as *cognitive approach* and the *external conditioning approach* (East, 1995; Dalli and Romano, 2005).

Predicting consumer behavior is an important factor in marketing. For this reason, the process of purchase decision has been studied extensively by many authors. Consumer behavior can be defined in the following way: "activities people undertake when obtaining, consuming, and disposing of products and services" (Blakwell, Minard and Engel, 2001).

Consumer behavior is the study of how people buy, what they buy, when they buy and why they buy. It blends elements from psychology, sociology, psychology, anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general. (http://en.wikipedia.org/wiki/Consumer_behavior).

Consumer behavior is a process, and purchase forms one part of this process. There are various endogenous psychological and exogenous environmental factors which influence this process. All these factors and the type of influence which they exert on an individual's consumption behavior can be understood and analyzed.

(<http://crm4insurance.blogspot.com/2007/11/importance-of-consumer-behavior.html>)

Consumer behavior plays an important role in selling. Despite detailed planning in launching products in market, despite best selling agents, best shops/store which sells products may fail to sell. What can be the hidden factor? The consumer, his/her emotions, his needs, his background etc. remember the consumer is a human with a bundle of emotions. Hence study of the buying patterns is crucial for companies.

(<http://in.answers.yahoo.com/question/index?qid=20080229121619AAAtPHNA>)

It is also necessary to classify the parameters that affect the process of purchase decision making. Engel et al. (1995) have tried to categorize them. According to them, these factors fall into three categories:

1. personal factors
2. psychological factors
3. social factors

Considering the personal factors, Engel et al (1995) introduce a model, based on the fact that most of the consumers' purchases are planned behaviors. They state that "A central factor in the theory of planned behavior is the individual's intention to perform a given behavior. Intentions are assumed to capture the motivational factors that influence a behavior; they are indications of how hard people are willing to try, of how much of an effort they are planning to exert, in order to perform the behavior."

Considering the psychological factors, it must be taken into account that, most of the purchase decisions are reasoned actions. Therefore, intention in the purchase decision-making process refers to conscious intention, and one can consider motivation as the direct determinant of the purchase decision. A method to discover motivation is to study what makes people reach logical decisions (McFarland, 1974).

Based on marketing theory, the key stimuli that lead consumers to make their purchase decisions in the complex business environment are prices, quality, brands of products, advertisements, friends'/families' recommendations and disqualifications and consumers' previous purchase experiences. On this basis the consumer purchase motivation model consists of two parts:

- internal stimuli

- external stimuli

In the context of this study, internal stimuli refer to internal factors such as self confidence, feeling safe, image, appearance that may influence motivation, meanwhile external stimuli refer to factors such as price, quality, advertisement that may influence motivation.

Mowen (1988) proposes that consumer purchase decisions may be viewed from three perspectives: the decision-making perspective; the experiential perspective; and the behavioral influence perspective. The majority of research into consumer behavior throughout the 1970s and 1980s focused on the decision-making perspective. The view is derived largely from economic theory of consumer demand and the normative concepts of economic man and rational behavior. The view of the rational decision maker is based on a cognitive model which assumes that purchasing is a problem-solving activity in which consumers move through a series of stages in order to solve a problem.

It can be explained as the analysis of how, when, what and why people buy. In other words, consumer behavior can be understood as: "The decision process and physical activity individuals engage in when evaluating, acquiring, using, or disposing of goods and services." (Loudon and Della Bitta, 1980). Nowadays, this phenomenon can also be illustrated in the following way: "activities people undertake when obtaining, consuming, and disposing of products and services" (Blakwell, Minard and Engel, 2001). Kotler (1996:162) cited that buyer decision process passing through five stages that is: (1) need recognition, (2) information search, (3) evaluation of alternatives, (4) purchase decision

and (5) post purchase behavior. This process starts with the buyer recognizing a need which can be inspired by internal or external stimuli.

The buying process begins with need recognition. When the buyer senses a difference between his or her actual state and a desired state, the buyer has perceived a need. Need recognition can be triggered by internal or external stimuli (Kotler and Armstrong 2001)

The buying behavior is influenced by both internal and external factors. So, the need recognition is based on two key input variables, namely internal and external input variables (Assael 1998). Internal input variables are those stemming from within an individual, such as the individual's past experience, characteristics and motive. The internal factors comprised of motivation, perception, consumer resources, knowledge, attitudes, personality, values and lifestyle (Engel, Blackwell, and Miniard, 1995). On the other hand, the external input variables consist of the environmental and marketing stimuli. Reference group, social class and family are examples of environmental stimuli.

2.3 Internal Stimuli and purchase decision

Human beings want to satisfy the need to look and feel good. This created a boom in the cosmetic and toiletries sector across the world. Vigneron and Johnson (1999) reported that people's needs for appearances and materialism were increasing.

The most important MLM products bought by the respondents were skin care (75.5%), nutrition (69.5%) and personal/household cleaning (69%). Besides, the skin care has the maximum repurchasing rate (75.5%), but the health equipment has the lowest one (33.3). It shows that people like to be younger, more healthy or beautiful/handsome no matter what age they are.

Dann (1977) suggests two steps in a purchase decision, known as push factors and pull factors. Accordingly, push factors are considered as internal factors to instill a desire and therefore aim to satisfy various psychological needs; whilst pull factors, which are considered external factors, concentrate on the benefits of a special purchase and these factors influence where, when and how.

Uysal and Hagan (1993) state that preferences can be matched to specific psychological profiles of consumers. In the same way, motivation is a dynamic concept that varies from one consumer to another, from one market segment to another, from one objective to another as well as from one decision making process to the next.

In the food market, the ethical concerns play the role of an internal stimulation. Harper and Makatouni (1999) study consumer attitudes towards organic food in the UK. They report that although health and food safety concerns are the main motives for organic food purchases, ethical concerns, specifically in relation to standards of animal welfare, play a significant influencing role in the decision to purchase organic food.

2.4 External Stimuli and purchase decision

According to the external conditioning approaches, the purchase decision is a response to external stimuli. Based on marketing theory, the key stimuli that lead consumers to make their purchase decisions in the complex business environment are prices, quality, brands of products, advertisements, friends'/families' recommendations and disqualifications and consumers' previous purchase experiences. The consumer's personality traits determine how these external stimuli affect him/her. (Ajzen, 2005).

The cognitive approach to the understanding of consumer purchase decisions assumes a rational behavior of the decision maker is based on the price of the goods and on its attitude to respond to functional needs. The critical variable under this approach is the availability of adequate information about purchase alternatives (price, product functionalities) to support the decisional process (Howard, 1963). Another approach in the understanding of consumer purchase decisions is the external conditioning approach, according to which the purchase decision is a response to external stimuli (Foxall, 1990).

In this approach, the main problem is finding the relevant kind of external stimuli that can influence on the purchase decision. External marketing stimuli include the product, promotion, placing, pricing, people, process and physical evidence employed by firms (Schiffman and Kanuk, 2000).

According to Kotler et al., (2001) advertisement is another external stimulus that affects purchase decision, therefore a need also can be produced by external stimuli such as watching a television commercial or advertisement. Understanding how customers

recognize consumption needs and wants allow the marketers to build knowledge about how to segment and choose their target markets.

The customer's decision is based partly on the quality and price of the product and partly on the policies and procedures of the company (Turban et al., 2002). Price is only one of the several costs faced by shoppers. Other purchase related costs include the time spent shopping, displacement costs, emotional costs. However, price is the cost that shoppers can best determine, and thus plays an important role in their decision. For example, a recent study indicates that price is an important selection criterion for shoppers (Agárdi and Bauer, 2000).

Price is another form of attribute used by consumers to evaluate a product. Price can sometimes be an indicator of quality; with a higher price indicating higher quality (Mowen and Minor, 1998; Sir and Wong, 2002). Consumers perceive that a higher price can be attributed to the higher cost of quality control (Siu and Wong, 2002). Some consumers are highly price sensitive (elastic demand), whereby a high prices may shift consumers to competitive brands (Mowen and Minor, 1998). Therefore price can have a positive or negative influence on consumers.

Advertisements usually play a role in either introducing a product reinforcing the familiarity to the product and also convincing to purchase the product. Advertisements are among the most visible of the marketing strategy and have been the subject of a great deal of attention in the last ten to fifteen years. Advertising today seems to be everywhere and ever present exerting a far reaching influence on the daily lives of people. Advertisements develop self-concepts in order to induce purchase decisions (Kotwal,

Gupta and Devi, 2008).Cosmetic companies have to rely on advertising to carry them through a time when people are being more careful with their money (Drucker, 1995).

The cosmetic market serves as a good example to see the effect of external (and internal) stimuli on consumer behavior. Buying cosmetic material and services may be initiated by different motivations. There is high maturity and price competition in established mass market toiletries such as bar soap and toothpaste. Since the average Indian household continues to be highly price sensitive, these popular mass-market products will have the lion's share of cosmetics and toiletries sales. (Nair and Pillai, 2007)

Shopping motivation is one of the key constructs of research on shopping behavior and exhibits a high relevance for formulating retail marketing strategies. Evidence related to the social, experiential, and utilitarian aspects of shopping are shown by four dominant motivational patterns referring to the issues of shopping pleasure, frictionless shopping, value seeking, and quality seeking. The third motivational pattern relates to consumers' pursuit of product quality, consumers directly associate product quality most frequently with the longevity of a product (Wagner, 2007).

This study believe that the above two types of stimuli will have a great influence on the consumers motivation to buy the product. However some studies have discussed the influence of perceived risk on the purchase decision. The section discusses the potential effect of perceived risk on consumer motivation to purchase the product.

2.5 Perceived Risk

Perceived risk can be defined as an expectation of loss (Stone and Winter, 1987) or “someone’s subjective belief of suffering a loss in pursuit of a desired outcome” (Pavlou, 2003).

Perceived risk is considered an uncertainty regarding the possible negative consequences of using a product or service. It is a combination of uncertainty with the possibility of serious of outcome (Bauer, 1967).

Consumer perceptions of risk have been widely dealt with in the past literature and have been shown to shape all purchase decisions to varying degrees, and thereby influence consumer behavior. (Mitchell, 1999).

Kogan and Wallach (1964) describe the concept of risk as having two dimensions: first, the chance aspect where the focus is on probability and second, the danger aspect where the emphasis is on severity of negative consequence.

It is theorized that when perceived risk falls below an individual's acceptance value, it has little effect on intended behavior and is essentially ignored (Greatorex and Mitchell, 1993). On the other hand, an extremely high level of perceived risk can cause a consumer to postpone or avoid a purchase entirely.

One of the major attributes especially relevant in the purchase of cosmetics is safety. This is because many cosmetic products contain preservatives and color additives

that are harmful to the human body and may lead to allergy (Siu and Wong, 2002). In a study on the marketing of green cosmetics in Thailand, Johri and Sahasakmontri (1998) found that product safety (safe for skin) was important besides product performance and ingredients. Furthermore, according to the CAP (consumers' Association of penang) Guidebook to Cosmetics and Personal Care Product, the fancy packing and big budget advertising campaigns that accompany cosmetic brands are nothing more than marketing tactics to convince consumers that a product will make them feel better. The truth is many of the ingredients in the product merely play to the image but does nothing for the skin. However, Darden and Worden (1994) said that ingredients in cosmetics are effective because they are natural, but they are attainable only through scientific process.

However most benefits cosmetic manufacturers claim to be gained by using their products were found to be misleading by CAP. Some of these supposed benefits as printed on labels (CAP Guidebook to Cosmetics and Personal Care Products):

- “Natural/organic”-term used to describe ingredients, which are extracted directly from plants or animal products however, it is not known the true concentration of these ‘natural’ ingredients.
- “Nor tested on animal”- claim may be true only for the finished product, but companies rely on their suppliers of raw materials or contract labs do tests on animals.
- “Unscented” or “fragrance-free”-means nothing is added to the product to enhance its smell(e.g. perfume, oils) however, something could have been added to mask other smells like chemical smells.

- “Non-comedogenic”-means products will not pores; a clogged pore causes comedones (black head, white heads).manufacturers test on animals to try to eliminate chemicals that have comedones ; however animals may not react the same as humans so results may not be accurate.

According to Yeung and Morris (2001) understanding consumer perception of risk and impact on purchase behavior is a key issue for the mutual benefit of both consumers and food industry. He explains that the analysis of consumer perceived risk can help to formulate effective risk communication and marketing programmers, and help to guide resource allocation accordingly, both in the public and private sectors. The behavior towards significantly innovative services, and the influence of perceived risk in this context, has been relatively unexplored (Littler and Melanthiou, 2007).

There have been numerous studies designed to understand the concept of perceived risk and its impact on consumer behavior. Various types of risks in making purchase decisions have been identified from ever expanding retail alternatives. Cox (1967) identified two major categories of perceived risk, performance and psychosocial risks. He then classified performance risk into three types: economic, temporal, and effort, while psychosocial risk was classified into two types: psychological and social. Featherman and Pavlou (2002) further typified perceived risk as having six dimensions: performance, financial, opportunity/time, safety, social, and psychological risks.

Regardless of different situations for identifying perceived risk, numerous studies have argued that the following types of risk are usually involved in purchase decisions: social, financial, physical, performance, time, and psychological risks (Kim and Lennon, 2000). First, social risk refers to the perception that a product purchased may result in disapproval by family or friends (Dowling and Staelin, 1994). Second, financial risk is the perception that a certain amount of money may be lost or required to make a product work properly (Garner, 1986). Third, physical risk refers to the perception that a product may be dangerous to health or safety when it does not work properly (Roselius, 1971). Fourth, performance risk is the perception that a product purchased may fail to function as originally expected (Kim and Lennon, 2000). Fifth, time risk is the perception that time, convenience, or effort may be wasted when a product purchased is repaired or replaced (Bauer, 1967). Finally, psychological risk is the perception that a negative effect on a consumer's peace of mind may be caused by a defective product (Jacoby and Kaplan, 1972).

There are a number of factors that have an impact on the overall perceived satisfaction with the purchase. Equally, the pre-purchase and purchase phase of the decision making process are characterized by risk factors that are not associated with the post-purchase evaluation of the acquisition. This suggests that emphasis on different themes is appropriate at different stages of the decision making process. At the pre-purchase and purchase stages, all eight factors are associated with risk. At post-purchase stage, however, the satisfaction with the process is associated mainly with financial,

psycho-social, provenance and time dimensions of risk (Simcock, Sudbury and Wright, 2006).

Physical risk pertains to perceived threats the product refer to the health of the consumer, while psychological risk refer to perceived worries or concerns of the consumer regarding the safety of a product (Mahon and Cowan, 2004).

In marketing research, Bauer (1960) first proposed looking at consumer behavior as an instance of risk taking because “consumer behavior involves risk in the sense that any action of a consumer will produce consequences which he cannot anticipate with anything approximating certainty, and some of which at least are likely to be unpleasant” (p. 390). He also noted that “individuals can respond to and deal with risk only as he perceives it subjectively,” and only “perceived risk” influences consumers’ decisions (p. 395).

Amongst the social factors, the role of family members is significant. They play different roles in making decisions within the family. Through initiating demand or contributing information, they make decision on where to buy, which brand and style to buy, how to pay for the product, how to consume the product, what benefit to expect from the product, and how to share in maintaining the product.

The Sheth family decision-making model (1974) considers the family as the appropriate consumer decision making unit. For them, friends and family form a very

important source of information before making purchasing decisions. They are also three times more likely to learn about a product from other women (Advertising Research; Popcorn, 2001). This means that when a woman buys a certain product, she will likely influence three of her friends to buy it too. Based on the existing literature, there are six perceived risk elements: physical risk, financial risk, time risk, social risk, psychological risk and performance risk. These elements are found to influence the consumer's purchase decision. However the effect of perceived risk as moderator is yet to be studied. Thus this study proposed to investigate significant of perceived risk as moderator for motivation and purchase decision.