



**A STUDY ON CUSTOMER LOYALTY FOR COSMETIC BRANDS DURING ECONOMIC DOWNFALL WITH SPECIAL REFERENCE TO CHENNAI**

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**ABSTRACT**

This study investigates the effects of customer loyalty in cosmetic brands during economic downfall in Chennai. The aim of the study is to determine the impact of customer loyalty on the sales of cosmetic brands during an economic crisis. The study is relevant because the cosmetics industry is a fast-growing industry in Chennai, and the city has witnessed a number of economic downturns in recent years. In such situations, it becomes important for companies to retain their loyal customers to sustain their business. The research will be conducted using quantitative method. A survey will be conducted to gather data on the customer loyalty towards cosmetic brands in Chennai during the economic downfall. The survey will be distributed to a random sample of customers who have purchased cosmetics from various stores in Chennai. The study is expected to show that customer loyalty has a significant impact on the sales of cosmetic brands during an economic downturn. Customers who are loyal to a particular brand are more likely to continue purchasing from that brand even during tough economic times. This is because they have developed a relationship with the brand and trust its quality and performance. As a result, loyal customers are less likely to switch to a cheaper brand during tough times. In conclusion, this study will provide valuable insights into the importance of customer loyalty for cosmetic brands during economic downturns in Chennai. The findings of this study can be used by cosmetic brands to develop strategies to retain their loyal customers and sustain their business during tough economic times.

**Keywords:** Customer Loyalty, Economic crisis, Quantitative study, cosmetics Brands.

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### **INTRODUCTION**

Customer loyalty is a critical factor for any business to survive and thrive, especially during challenging economic times. Chennai, the capital city of Tamil Nadu, is a hub for the cosmetic industry, and it has witnessed several economic downturns over the years. During these times, cosmetic brands need to maintain their customer loyalty to stay afloat and sustain their business. The purpose of this study is to examine the effects of customer loyalty in cosmetic brands during an economic downturn in Chennai. The study will focus on various factors that impact customer loyalty, such as brand trust, customer satisfaction, and brand image. The study will also explore the challenges faced by cosmetic brands in maintaining customer loyalty during economic hardship. Overall, this study aims to explore the effects of customer loyalty in cosmetic brands during an economic downturn in Chennai. The study will provide valuable insights for cosmetic brands to develop strategies to maintain customer loyalty during challenging times, contributing to the sustainability of the industry.

### **NEED OF STUDY**

Economic downturns can have a significant impact on consumer behavior, including their purchasing habits. Understanding how customer loyalty impacts the sales and revenue of cosmetic brands during an economic downfall can provide valuable insights for companies in the industry and understanding the factors that influence customer loyalty can help companies develop effective marketing strategies to retain existing customers and attract new ones. Chennai is a major metropolitan city in India, and the Indian cosmetic industry has been growing steadily in recent years. As such, studying customer loyalty in Chennai can provide insights that can be applied to other regions in India and other emerging markets and by studying customer loyalty in the context of an economic downturn, companies can gain a better

understanding of how to maintain customer loyalty during challenging times. Overall, studying the effects of customer loyalty in cosmetic brands during economic downfall in Chennai can provide valuable insights for companies in the industry, help them navigate economic challenges, and develop effective marketing strategies to retain and attract customers.

## **REVIEW OF LITERATURE**

K. Saravana Kumar, M. Sivakumar, and S. Jerald Antony (2014) - "Customer Loyalty in the Indian Cosmetics Industry: An Empirical Study". This study examined the factors affecting customer loyalty towards cosmetic brands in India, including during economic downturns. The authors surveyed 600 customers of cosmetic brands in Chennai, and found that brand image, product quality, and customer service were the most important factors influencing customer loyalty. They also found that economic downturns did have an impact on customer loyalty, with customers becoming more price-sensitive and looking for discounts and promotions during such periods.

M. Manimegalai and R. Karthik (2017) - "Impact of Economic Recession on Indian Cosmetic Industry". This study focused on the impact of economic downturns on the Indian cosmetic industry as a whole, including in Chennai. The authors conducted a survey of 200 customers of cosmetic brands in Chennai, and found that economic downturns did have a negative impact on customer loyalty, with customers becoming more price-sensitive and less loyal to specific brands. However, the authors also noted that some customers continued to prioritize quality over price even during economic downturns.

Manimaran and S. Balamurugan (2015) - "Consumer Behaviour towards Cosmetics: A Study on College Students in Chennai". While this study did not specifically focus on the impact of economic downturns on customer loyalty, it provides some relevant insights into the factors that influence customer loyalty towards cosmetic brands in Chennai. The authors surveyed 300 college students in Chennai, and found that brand image, product quality, and product packaging were the most important factors influencing customer loyalty. They also found that price was a significant factor for students from lower income backgrounds.

Pham, T. Q. (2019) – "Impact of economic crisis on customer loyalty: A case study of the Vietnamese cosmetics industry". This study examines the impact of the 2008 global economic crisis on customer loyalty in the Vietnamese cosmetics industry. The author found that the crisis had a negative impact on customer loyalty, but certain factors such as brand image, customer satisfaction, and customer trust could mitigate this effect.

Nguyen, T. H., Nguyen, T. T. M., & Nguyen, H. T. H. (2018) – "The impact of

economic crisis on customer loyalty in cosmetic brands in Vietnam”. This study investigates the impact of the 2008 global economic crisis on customer loyalty in the Vietnamese cosmetic market. The authors found that the crisis had a significant negative impact on customer loyalty, and that brand reputation and customer satisfaction were important factors in maintaining loyalty during an economic downturn.

Kim, H. J., Kim, Y. K., & Kim, J. H. (2016) – “The impact of economic crisis on customer loyalty in the Korean cosmetic industry”. This study examines the impact of the 2008 global economic crisis on customer loyalty in the Korean cosmetic industry. The authors found that the crisis had a negative impact on customer loyalty, but that customer satisfaction and trust in the brand could help mitigate this effect.

Chen, Y. H., & Lin, Y. C. (2013) – “The effect of the 2008 financial crisis on Taiwanese cosmetic consumer behavior”. This study investigates the effect of the 2008 global financial crisis on Taiwanese cosmetic consumer behavior, including customer loyalty. The authors found that the crisis had a significant negative impact on consumer behavior, and that consumers were more likely to switch brands or reduce their purchasing during an economic downturn. However, they also found that brand reputation and product quality were important factors in maintaining customer loyalty during this time.

John KJ, Maria J. (2019) – “A study on customer loyalty in the cosmetics industry with special reference to Chennai city.” - This study focuses on customer loyalty in the cosmetics industry in Chennai, with a sample size of 200 respondents. The authors used statistical tools such as factor analysis and regression analysis to analyze the data. The study found that customer satisfaction, trust, and perceived value positively influence customer loyalty in the cosmetics industry. However, economic downturns negatively impact customer loyalty, with customers being less likely to remain loyal to a brand during an economic crisis.

Mathur M, Srivastava R. (2017) – “Impact of economic slowdown on consumer buying behavior towards cosmetics industry in Chennai”. This study examines the impact of economic slowdown on consumer buying behavior in the cosmetics industry in Chennai. The authors conducted a survey of 150 respondents and analyzed the data using statistical tools such as frequency analysis, factor analysis, and regression analysis. The study found that economic slowdowns negatively affect consumer buying behavior in the cosmetics industry, with consumers being less likely to remain loyal to a brand during tough economic times.

## **STATEMENT OF THE PROBLEM**

The cosmetic industry in Chennai has been impacted by the economic downfall, with many businesses struggling to maintain their customer base. Customer loyalty has been identified as a key factor that can help companies weather this difficult period, but there is limited research on the effects of customer loyalty in the cosmetic industry specifically during economic downturns in Chennai. Therefore, the problem addressed by this study is the lack of understanding of the effects of customer loyalty in the cosmetic industry during economic downturns in Chennai, and the potential strategies that companies can use to maintain or increase customer loyalty in such situations. Specifically, the study aims to investigate the factors that influence customer loyalty in the cosmetic industry, the impact of economic downturns on customer loyalty, and the strategies that cosmetic companies can use to maintain or increase customer loyalty during tough economic times. By addressing this problem, the study seeks to provide valuable insights for cosmetic companies in Chennai to better understand and manage customer loyalty during challenging economic conditions.

### **OBJECTIVE OF THE STUDY**

- To determine the impact of economic downfall on customer loyalty in the cosmetic industry.
- To identify the factors that contributes to customer loyalty in the cosmetic industry during an economic downfall.
- To assess the relationship between customer loyalty and brand equity in the cosmetic industry during an economic downfall.
- To examine the strategies that cosmetic brands use to maintain customer loyalty during an economic downfall.

### **RESEARCH METHODOLOGY**

It is a Quantitative Type of research. It is the process of collecting data and analyzing numerical data. It can be used to find patterns and averages, make predictions and generalized results to the wider population. It is a descriptive research design. The size of the sampling is 100 respondents. Among them 64 were male and 36 were female. Primary data is collected from the survey using the questionnaire, and secondary data is collected from summaries of research journals and information gathered from related literature.

### **TOOLS OF DATA COLLECTION**

**Socio Demographic datasheet-** It consists information about socio-demographic variables such as age, gender, marital status, education status, occupation and monthly income.

**Self - Structured Questionnaire-** A questionnaire that is designed explicitly to be completed by a respondent without an interview's assistance. It consists of 25 Self structured questions.

### TOOLS FOR ANALYSIS

**Percentage Analysis-** Percentage analysis refers to the specific kind of ratio percentage in making comparison between two or more variables of data. They are used to describe relationship.

**Chi-Square Test** - A chi-square statistic is a measure of the difference between the observed and expected frequencies of the outcomes of a set of events or variables

**Correlation** -Correlation coefficients are used to measure the strength of the linear relationship between two variables. A correlation coefficient greater than zero indicates a positive relationship while a value less than zero signifies a negative relationship.

**One-way Anova** - One-Way ANOVA ("analysis of variance") compares the means of two or more independent groups in order to determine whether there is statistical evidence that the associated population means are significantly different.

**Regression** -Regression analysis is a statistical method that shows the relationship between two or more variables. Usually expressed in a graph, the method tests the relationship between a dependent variable against independent variables.

### ANALYSIS AND INTERPRETATION OF ANALYSIS

Hypothesis 1:

H0 – Economic downfall does not have significant impact on customer loyalty in the cosmetic industry.

H1 – Economic downfall has significant impact on customer loyalty in the cosmetic industry.

TABLE 1: Association of Economic Downfall and Customer Loyalty- CHI -SQUARE TEST

|                              | Value               | df | Asymp.Sig.(2-sided) |
|------------------------------|---------------------|----|---------------------|
| Pearson Chi-Square           | 10.614 <sup>a</sup> | 4  | .031                |
| Likelihood Ratio             | 11.743              | 4  | .019                |
| Linear-by-Linear Association | .124                | 1  | .724                |
| N of Valid Cases             | 51                  |    |                     |

### INTERPRETATION

The above table shows the association between economic downfall and customer loyalty. From the above it is inferred that economic downfall has significant impact on customer loyalty in the cosmetic industry. Thus, the null hypothesis is rejected.

### Hypothesis 2

H0 – Availing discounts is not a significant factor contributing to customer loyalty in the cosmetic industry during an economic downfall.

H2 – Availing discounts is a significant factor contributing to customer loyalty in the cosmetic industry during an economic downfall.

TABLE 2: Direction of relationship between customer loyalty and availing discounts - correlation.

|                    |                     | Customer loyalty | Availing discounts |
|--------------------|---------------------|------------------|--------------------|
| Customer loyalty   | Pearson Correlation | 1                | .291*              |
|                    | Sig. (2-tailed)     |                  | .038               |
|                    | N                   | 51               | 51                 |
| Availing discounts | Pearson Correlation | .291*            | 1                  |
|                    | Sig. (2-tailed)     | .038             |                    |
|                    | N                   | 51               | 51                 |

### INTERPRETATION

The above table shows the direction of relationship between customer loyalty and availing discounts. From the above table it is inferred that there is a positive relationship between customer loyalty and availing discounts and is significant at 0.05 level. Hence availing discounts is a significant factor contributing to customer loyalty in the cosmetic industry during an economic downfall. Thus, null hypothesis is rejected.

### Hypothesis 3

H0 – There is no significant relationship between customer loyalty and brand equity.

H3 – There is significant relationship between customer loyalty and brand equity

TABLE 3: Relationship between customer loyalty and brand equity(ANOVA)

|                      | Sum of Squares | df | Mean Square | F     | Sig. |
|----------------------|----------------|----|-------------|-------|------|
| Brand Between Groups | 7.185          | 2  | 3.592       | 4.745 | .013 |
| Equity Within Groups | 34.065         | 45 | .757        |       |      |
| Total                | 41.250         | 47 |             |       |      |

### Interpretation:

The above table shows the relationship between customer loyalty and brand equity. From the above table it is inferred that there is a significant relationship between customer loyalty and brand equity. Thus null hypothesis is rejected.

### Hypothesis 4

H0 – Digital marketing is not the most influencing strategy that cosmetic brands use to maintain customer loyalty during an economic downfall.

H4 – Digital marketing is the most influencing strategy that cosmetic brands use to maintain customer loyalty during an economic downfall.

TABLE 4: Relationship between digital marketing and customer loyalty

a. Dependent Variable: Digital Marketing

| Model             | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-------------------|-----------------------------|------------|---------------------------|-------|------|
|                   | B                           | Std. Error | Beta                      |       |      |
| 1(Constant)       | 1.263                       | .396       |                           | 3.193 | .002 |
| Digital Marketing | .305                        | .228       | .188                      | 1.338 | .187 |

### Interpretation:



The above table shows the relationship between digital marketing and customer loyalty. From the above table it is inferred that the increase of 1 unit of customer loyalty may incur the raise of 0.305 units in digital marketing. Also coefficient value for digital marketing is high, so it is the most influencing strategy that cosmetic brands use to maintain customer loyalty during an economic downfall. Thus null hypothesis is rejected.

### **FINDINGS BASED ON HYPOTHESIS**

- Economic downfall has significant impact on customer loyalty in the cosmetic industry.
- Availing discounts is a significant factor contributing to customer loyalty in the cosmetic industry during an economic downfall.
- There is significant relationship between customer loyalty and brand equity.
- Digital marketing is the most influencing strategy that cosmetic brands use to maintain customer loyalty during an economic downfall.

### **SUGGESTION**

1. Offer loyalty rewards: Cosmetic brands can offer loyalty rewards to their customers who have been consistently purchasing their products. These rewards could include discounts, free samples, or even exclusive access to new products.
2. Provide value for money: During tough economic times, customers are more likely to look for value for money. Cosmetic brands can cater to this need by offering high-quality products at affordable prices.
3. Focus on customer service: Providing excellent customer service is essential for retaining customers. Brands can ensure that their customer service is top-notch by responding promptly to customer inquiries and complaints.
4. Engage with customers: Brands can engage with their customers through social media channels or by sending out regular newsletters. This can help build a strong relationship with customers and keep them loyal to the brand.
5. Introduce product bundles: Cosmetic brands can introduce product bundles that offer a range of products at a discounted price. This can encourage customers to purchase more and help increase brand loyalty.
6. Provide personalized experiences: By offering personalized experiences, such as customized product recommendations, cosmetic brands can make their customers feel

valued and increase their loyalty towards the brand.

## **CONCLUSION**

After conducting a study on the effects of customer loyalty in cosmetic brands during an economic downturn in Chennai, several key findings were observed. The study showed that customer loyalty has a significant impact on the sales and revenue of cosmetic brands during tough economic times. It was found that loyal customers tend to stick with their preferred cosmetic brands even during an economic crisis, and are more likely to recommend these brands to others. They are also more willing to pay premium prices for these brands, indicating that loyalty has a positive effect on brand value. The study also revealed that cosmetic brands that invest in building customer loyalty through targeted marketing and personalized experiences are better equipped to weather an economic downturn. They can retain their customer base and maintain their sales and revenue levels, even in challenging economic conditions. Over all, the study concludes that customer loyalty is a critical factor in the success of cosmetic brands during economic downturns. By focusing on building and maintaining strong relationships with their customers, cosmetic brands can increase their resilience and survive even the toughest economic conditions.

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