CHAPTER I

INTRODUCTION

In 1980, there were only four major hair shampoo manufacturers in Malaysia, namely Kao, Colgate-Palmolive, Beecham, and Bristol-Myers. Each manufactured a range of hair care products of different variants and under brand names. Kao was the only company that produced the most number of brands and its lines of hair shampoo included the Kao Feather shampoo, Kao Merit shampoo and Kao Creme Rinse conditioner. Colgate-Palmolive delivered the Colgate 'Soft N Shiny' shampoo, whereas Beecham had major brands, Vosene and Countess. Bristol-Myers produced the Clairol Herbal Essence shampoo and Clairol medicated shampoo.

However, intensity of competition among competitors has caused industry shake out where marginal producers exited from the industry. According to Holt (1977), in a dynamic environment with technological advances occurring at an accelerating pace and with rapidly changing need patterns, the ability of a company to survive depends on its capability to anticipate latest user needs.

Today, Procter & Gamble (P&G) is the major player. P&G produces several types of shampoos such as Pantene, Rejoice, Vidal Sassoon and Head & Shoulders and managed to lead the hair shampoo market with clear positioning for each of the brands. Kao used to be the market leader in hair shampoo market but P&G has overtaken its position. Kao tried to regain its market share by introducing new brands such as the Sifone Plus range of hair shampoo in May 2000 whilst still maintaining its other brands such as Feather, Merit and Lavenus. The managing director of Kao Malaysia, Masanori Sunaga, said the company hopes to gain another 5% of the market share by the end of the year 2000. "With Sifone Plus, we hope to be able to overtake P&G in two to three years, gaining the number one spot for hair shampoo products in Malaysia" (The Sun, 4th May 2000). "Our aim is to become the No. 1 shampoo marketer in the local market in the near future" (The Star, 4th May 2000).

The Malaysian Hair Shampoo Market

The Malaysian hair shampoo industry is large and fragmented and it is highly competitive. Over past three years, the Malaysian hair shampoo market size in value has been growing steadily with double-digit growth. In 1999, the Malaysian hair shampoo market size is RM205,810,013 or 6,586,085,280 in liter (Table 1).

Table 1: Malaysian Hair Shampoo Market Size (1997 to 1999)

	Year			Growth Rate (%)	
	1997	1998	1999	'97-'98	'98-'99
Value: RM	159,524,643	176,371,075	205,810,013	11	17
Volume: Liter	6,218,561,344	6,162,320,192	6,586,085,280	-1	7

Source: ACNielsen Retail Audit, 1997 - 1999

The Malaysian hair shampoo market comprises of two categories, i.e., medicated category and non-medicated category. Of these two categories, the biggest category is the non-medicated category, representing 64% of the total

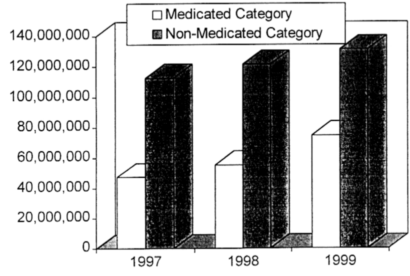
Malaysian hair shampoo market, followed by medicated category at 36% in 1999 (Table 2/Figure 1).

Table 2: Malaysian Hair Shampoo Market Size by Categories (1997 to 1999) (Value: RM)

	1997 RM *(%)*	1998 RM *(%)*	1999 RM *(%)*	Growth Rate (%) '97-'98	 '98-'99
Total Market	159,524,643 *(100)*	176,371,075 *(100)*	205,810,013 *(100)*	11	17
Medicated Category	47,209,467 *(30)*	55,092,926 *(31)*	74,694,942 *(36)*	17	36
Non-Medicated Category	112,315,176 *(70)*	121,278,149 *(69)*	131,115,071 *(64)*	8	8

Source: ACNielsen Retail Audit, 1997 - 1999

Figure 1: Malaysian Hair Shampoo Market Size by Categories (1997 to 1999) (Value: RM)



Source: ACNielsen Retail Audit, 1997 – 1999

The market growth rate of non-medicated category is 8% for the past three years from 1997 to 1999 as compared to the market growth rate of medicated category at 17% to 36% from 1997 to 1999. Even though medicated category showed healthy growth from 1997 to 1999, its market size composition was only about 36% of the total Malaysian hair shampoo market in 1999 (Table 3).

Table 3: Malaysian Hair Shampoo Market Size by Segments (1997 to 1999) (Value: RM)

	Year			Growth Rate (%)	
	1997 RM *(%)*	1998 RM *(%)*	1999 RM *(%)*	'97-'98	'98-'99
Medicated Category	47,209,467 *(30)*	55,092,926 *(31)*	74,694,942 *(36)*	17	36
All in One	17,719,680 *(38)*	19,746,734 *(36)*	23,786,849 *(32)*	11	20
Regular	29,489,787 *(62)*	35,346,192 *(64)*	50,908,093 *(68)*	20	44
Non-Medicated Category	112,315,176 *(70)*	121,278,149 *(69)*	131,115,071 *(64)*	8	8
All in One	37,004,993 *(33)*	33,687,535 *(28)*	33,308,075 *(25)*	-9	-1
Cosmetic	58,035,839 *(52)*	71,904,562 *(59)*	79,913,584 *(61)*	24	11
Baby	17,274,344 *(15)*	15,686,052 *(13)*	17,893,412 *(14)*	-9	14

Source: ACNielsen Retail Audit, 1997 - 1999

The medicated category consists of two segments. They are 'All in One' segment and 'Regular' segment. Both segments experienced double-digit growth from 1997 to 1999 with the Regular segment as the biggest segment in medicated category (Table 3).

The non-medicated shampoo category consists of three segments. They are "All in One" segment, "Cosmetic" segment and "Baby" segment. The Cosmetic segment is the biggest segment in the non-medicated category with double-digit growth from 1997 to 1999 (Table 3).

In terms of market share by manufacturers, P&G has more than 30% of market share. Table 4 shows that P&G continues to lead the Malaysian hair shampoo market since 1997 with 33.4% market share in 1999. Kao's market share declined from 16% in 1997 to 13% in 1999. Kao's next closest competitor, Unilever, managed to improve their share from 5.2% in 1997 to 9.7% in 1999 with the re-launched of Sunsilk shampoo (Table 4).

Table 4: Malaysian Hair Shampoo Market Share by Manufacturers (1997 to 1999)

	Market Share (%)		
	1997	1998	1999
P & G	30.8	31.0	33.4
Kao	16.0	14.2	13.0
Unilever	5.2	6.8	9.7
J & J	7.9	7.1	6.8
Bristol-Myers	1.2	3.7	4.8

Source: ACNielsen Retail Audit, 1997 – 1999

In terms of market share by brands, Pantene by P&G has been the market leader since 1997, followed by Rejoice and Merit. However, Merit showed a decline in market share from 8.0% in 1997 to 5.8% in 1999. Merit's position in the medicated category is threatened by Head & Shoulders that enjoyed an improvement of market share from 1.7% in 1997 to 3.9% in 1999 (Table 5).

Table 5: Malaysian Hair Shampoo Market Share by Brands (1997 to 1999)

	Market Share (%)		
	1997	1998	1999
Pantene (P&G)	15.6	14.9	15.1
Rejoice (P&G)	10.3	10.1	12.1
Merit (Kao)	8.0	6.9	5.8
Organics (Unilever)	5.1	5.7	5.2
Clairol (Bristol-Myers)	1.2	3.7	4.8
Sunsilk (Unilever)	-	1.1	4.4
Head & Shoulders (P&G)	1.7	3.2	3.9
Feather (Kao)	3.5	2.9	2.8
Sifone (Kao)	4.0	4.2	2.6
Vidal Sassoon (P&G)	3.1	2.8	2.3
Lavenus (Kao)	-	-	1.7

Source: ACNielsen Retail Audit, 1997 - 1999

Among the non-medicated category, Rejoice and Clairol have improved their market share from 10.3%, and 1.2% in 1997 to 12.1% and 4.8%, respectively in 1999. Sunsilk which was re-launched in 1998 with 1.1% market share has increased its share to 4.4% in 1999. However, the market share for Feather, Sifone and Vidal Sassoon is reduced to 2.8%, 2.6% and 2.3%, respectively in 1999 (Table 5).

Hair shampoo for the mass market has come a long way in Malaysia. The retail of hair shampoo products has also changed significantly in the last few years. In 1980 - 1989, cleansing ability was the most important factor in influencing consumers to purchase hair shampoo. In 1990 - 1999, the promises of beautiful and healthy hair were important to consumers. Today, consumers are demanding much more from hair shampoo products. For example, consumers are seeking products that offer shinier hair. Therefore, manufacturers will have to create a competitive edge by adding more features into the formulation of products. This can be seen in many of the latest shampoos such as Pantene, Rejoice, Lavenus, Sifone Plus, and Clairol Herbal Essence shampoo aimed at fulfilling the utility function as well as adding esthetic value to their products.

<u>The Latest Hair Shampoo Introduced in the Malaysian Market</u>

An increasing number of brands and products are being introduced in the market locally. Brands like Sifone Plus, Sunsilk and Organics are just some examples of products from companies specializing in the delivery of natural hair shampoos. This special feature takes a look at some of the successful brand names which have flooded the consumer retail market by offering them not only value for money, but also the strength of quality in their products (Retail World Asia, May/June 2000).

Sifone Plus provides consumers with naturally shinier and livelier hair. This innovative shampoo range introduced by Kao Trading (M) Sdn Bhd is expected to have a significant impact on the local hair shampoo industry and on consumers. Scientists at Kao Japan discovered the link between hair shine and the innermost layer of the hair. Through their past 10 years of research, the natural hair shine comes from light being reflected off the solid surface of a healthy innermost layer. It was also revealed that the innermost layer could very easily be damaged. Even simple daily hair care routines, like brushing and combing, can hurt it. By utilizing the latest in hair shampoo technology, Kao Japan developed Sifone Plus to care specifically for this innermost layer. The managing director of Kao Malaysia, Masanori Sunaga said that Sifone Plus has added to Kao Malaysia's wide range of hair shampoo catering for the various needs of consumers (The Star, 4th May 2000).

The launch of new Sunsilk Anti-Dandruff by Unilever is complemented by the successful introduction of Sunsilk shampoo to Malaysian consumers. Sunsilk Anti-Dandruff is a natural yet effective anti-dandruff shampoo that is formulated with an effective essence called Boket, a natural ingredient that removes dandruff and helps maintain moisture-balanced scalp and hair.

Sunsilk once again unlocked the secret of nature by extracting the active essence of Boket from the Boket plant cultivated in Southern China, Japan and Northern Vietnam. As a brand dedicated to continuous innovation, the current Sunsilk range has been improved to better satisfy Malaysian hair shampoo needs. It also comes with modern packaging that sets the product apart from others on the shelf.

The new Organics shampoo introduced by Unilever is the first hair shampoo product to incorporate the goodness of Bio-Nutrients into its formulation for more beautiful hair. Through its modern biotechnology and vast international knowledge in hair care, Organics discovered the powerful nutrients which hair needs such as Bio-Nutrients which are known to nourish the hair's roots and fibres and leave hair strong, shiny and full of life. Dedicated to hair root nourishment, Organics brings out the essential of particular bio-nutrients and further developed it into specific bio-formula suitable for each hair type (Retail World Asia, May/June 2000).

Objectives of the Study

The hair shampoo industry in Malaysia is becoming highly competitive with more products of local and imported brands. In addition, there is a lack of published local research about consumers and the hair shampoo industry. This study attempts to provide a better understanding of the behavior of consumers with regards to hair shampoo. The specific objectives of this study are:

(1) to examine the unaided brand awareness of hair shampoo;

(2) to examine the usage and purchase patterns of hair shampoo;

(3) to examine evaluative criteria used in product performance evaluation and to see if differences exist among the different ethnic groups;

(4) to investigate factors and their relative importance that influence consumers' choice of hair shampoo as well as to examine if ethnic differences exist with regards to factors influencing choice of hair shampoo; and

(5) to draw marketing implications from the findings and make suggestions to marketers in order to aid them in their marketing strategies and activities.

Significance of the Study

This study is an important step towards explaining consumer behavior. By understanding consumers' unaided brand awareness, usage and purchase patterns, product performance evaluation, factors that affect consumer choice of shampoo, and the relative importance of various attributes in influencing purchasers, a company can monitor its brands' strengths, opportunities, weaknesses and threats. Results of this study will also provide an early signal to brand health problems.

A company can also devise the most appropriate advertising medium, promotion, display pattern and distribution strategies to reach and influence potential consumers in order to maximize the performance of their brands and make decisions which are of benefit to the company by developing competitive strategies.

In addition, this study provides a clearer understanding of what drives movement in brand measures in a market where there are numerous marketing inputs (advertising, price changes, promotions, competitive activity, etc.) occurring at any one time.

Although a number of studies have been done on brand selection decisions (Newman 1977, Sujan 1985, Tan 1994), very few have focused on the usage and purchase of hair shampoo. ACNielsen (previously known as Survey Research Malaysia or "ACNIELSEN.SRM"), is the only research company that conducts surveys on usage and purchasing patterns of shampoo. However, the results of the finding have never been published. Therefore, there is a need to ascertain reliable and useful information for manufacturers and retailers. The study is focused on shampoo as the object and its usage and purchasing patterns in Malaysia. Findings from this study can be seen as inputs for manufactures to cultivate new product offerings, enhance its present product positioning and gives better values towards its consumers.

Scope of the Study

The respondents of this study are female users and buyers of hair shampoo, aged 15-39 years, students, working ladies, and housewives. This study is confined to the residents of Kuala Lumpur and Petaling Jaya.

Organization of the Study

This study is organized into five chapters. The first chapter introduces the competitiveness of Malaysian hair shampoo market and the latest hair shampoo introduced in the Malaysian market. This chapter also highlights the objectives, significance and scope of the study.

The first part of the second chapter reviews the theoretical background of consumer behavior while the second part discusses the previous empirical studies.

In Chapter Three, the sampling design, research instruments, data collection procedure and statistical analysis methods are presented. It includes information on the demographic characteristics and selection criteria of the respondents.

The fourth chapter provides a profile of the respondents from the data collected. It also analyses and explains the survey findings.

The last chapter gives an overview of the study. It interprets the major findings of the study, discuss the marketing implications, limitations of the study and gives recommendations for future research.