

# The 'Beauty' of Ingredients: Influence of Ingredient Branding on Service Purchase Decision

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*Rampant commoditization has rendered traditional sources of differentiation weaker in the face of rising competition for beauty services in the organised sector. This paper explores the adoption of Ingredient Branding by organised beauty service providers for differentiating themselves against the competition. The study was conducted in a mixed-method mode, using personal interviews, and online surveys conducted in two stages. EFA and CFA were conducted to extract factors and test the hypotheses. It was found that the presence of an ingredient brand in a beauty service creates an impression of a positive experience for customers. A study of individual ingredients showed that in-house beauticians and the cosmetics used during the beauty service are the two most critical ingredients of beauty service. These insights can help organised beauty service businesses to create differentiation against competitors with the help of ingredient branding. The paper concludes with a discussion on the possible approaches to pick up the right ingredient brand for an organised beauty service business.*

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**Key Words:** Beauty service, Ingredients, Ingredient branding, Salon branding, Service Branding, Service marketing

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## INTRODUCTION

Globally beauty service industry had been growing at a fast pace, courtesy of a faster penetration among the newer markets till the Covid-19 pandemic put a screeching halt to this growth. While almost all industries and sectors were hit hard by the spread of the Covid-19 virus, the beauty industry bore a severe brunt due to the high contact nature of beauty services (Pikoos, Buzwell, Sharp, and Rossell, 2020; and Lovelock, 1980). Not surprisingly, the beauty industry leaders stare at a mammoth challenge in front of them as markets start to open. These testing times require them to devise

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efficient marketing strategies to effectively differentiate themselves from their competitors and create a sustainable competitive advantage for themselves (Barney, 1991).

Branding has been a source of competitive advantage for firms for a long time, and differentiation based on a brand or its attributes like brand identity, brand image, and brand promise has helped organizations create a strong, favorable, and unique association (Keller, 2001) with its customers, achieve a competitive advantage against competitors (Aaker, 1989). While branding has been used by organized beauty salons for a long time now, the franchise model, which is in vogue for beauty salons, has often led to the dilution of the brand strength as competitors can ape this strategy easily for their own expansion. For beauty services, communication and branding have mostly been seen on the lines of confidence, esteem, and beauty offerings (Findlay, 2019; Shahbazi and Akareem, 2013; and Ouellette, 2017). But this is true for all beauty service brands, thus creating an information clutter. Thus a traditional branding approach at best provides competitive parity, and not advantage anymore (Barney and Hesterly, 2012; and Barney, 1991). It must however be noted that such an erosion of a brand can be tackled by ensuring brand evolution over a period, which may include various strategies for a brand makeover (Day and Wensley, 1988; and Khan and Panwar, 2019), including what is called, Ingredient Branding. A beauty service is a combination of multiple ingredients which come together and form an overall experience for the customers. These ingredients can be seen as individual components in a machine that come together to deliver a coherent output.

Ingredients can have a varied influence on customers which in turn depends upon the personal disposition, perceptions, experiences, and expectations of customers. This also suggests that ingredient brands may be capable of eliciting specific customer reactions. However, ingredient branding as a concept is largely associated with tangible products, due to easy identification and awareness of ingredient brands (Kotler and Pfoertsch, 2010).

In the case of services, like beauty services where the beauty service brand act as host brand hosting various ingredients, the application of ingredient branding as a concept is at best limited (Helm, 2015; and Panwar and Khan, 2020).

This study attempts to find the influence of ingredient brands present in a beauty service in organized sector, on the service purchase decision of a customer. The study also looks at the moderating effects of price and the customer brand consciousness on the purchase decision. This study would not only help academicians but also professionals in the organized beauty service industry. Academicians may find the attempt to bridge the gap between ingredient branding literature and service branding literature as a direction to seek stronger associations between ingredient branding and the service domain. Beauty service professionals and service providers or salons from the organized sector may find the study helpful to devise strategies to position

their service brand convincingly to their customers amid rising competition in the industry. This may also lead way for the beauty salons to seek out and nurture ingredient brands for the future.

The paper is broken into two parts. The first part explores the influence of ingredients on consumer perception about the service while grouping them in relevant factors using Exploratory Factor Analysis (EFA). Once a set of definitive underlying factors are identified, a CFA analysis with Covariance-based (CB) method is applied to test the construct validity and composite reliability of the underlying measurement models. After the model fit of the structural model is tested along with moderating effects of price and brand consciousness, the underlying hypotheses are tested. Finally, the importance attributed to various ingredients by consumers in the case of a beauty service is studied to propose possible ingredient branding strategies for beauty service providers or salons.

## BEAUTY SERVICE SECTOR IN INDIA

While the global beauty market has shown dramatic changes, BRIC markets that include India have had unprecedented action in this space. Interestingly the extraordinary changes in the beauty industry have been associated with the changes happening around the economic, social, and cultural domains. (Łopaciuk and Łoboda, 2013). The major challenges for the organizations in the beauty service industry have been around the diverse habits, cultures, and expectations of customers, even in the same market. This is also true due to the nature of services (Lovelock, 1980) and the peculiar characteristics that services have, which makes it difficult to standardize them unlike products (Zeithaml, Parsuraman and Berry, 1985).

The beauty service in India employs about 70 lac people, directly or indirectly (Dalal, 2020) in organized as well as unorganized sectors. Only about 25% is captured by the organized sector, which is expected to go up to 30% in near future (FICCI and E&Y, 2019). Thus while the organized market is a much smaller pie in the sector, it is expected to grow at a fast pace due to rapid urbanization and growing awareness about national and international beauty service brands, especially among the younger generation. The organized sector is also expected to get more competitive soon as more international beauty service brands look at establishing their footprints in the country through partnerships or going all alone (FICCI and E&Y, 2019). This research is an attempt to propose an Ingredient Branding strategy for the competitive organized beauty service sector, as a novel idea to build differentiation and competitive advantage.

As for the segregation of various services under the beauty and wellness industry, the major segments are—beauty care, fitness and slimming, yoga and meditation, spa and rejuvenation, alternate therapy, etc. (Koncul, 2012; Manideep, Reddy and Reddy, 2018). Indian market size for the overall beauty and wellness sector was pegged at \$12 bn in 2019, while the annual growth of 18.6% was significantly higher than the

global industry growth (Research and Markets, 2019). However, the faster growth in the Indian market is also because the Indian market is not mature at the moment (du Prey, 2020; Pathak and Nichter, 2018) and has a smaller base compared to more mature markets. The beauty salon industry in India in particular is pegged at \$4 bn, of which about \$1 bn was cornered by the organised beauty service providers, despite their much smaller numbers. This makes up a third of the overall beauty and wellness sector in India. In absolute numbers, the number of salons in India falls between 6 million to 7 million (Ernst and Young, 2019; IBHA and Kearney, 2017), while the organised sector has a much smaller number which is mostly in form of beauty chains with franchise model.

## INGREDIENT BRANDING

Ingredient branding has been defined as a branding strategy when a host brand brings in an ingredient brand, which makes one of the ingredients, to communicate with customers. The host brand communicates to its customers about the presence of the ingredient brand in itself, with the expectation that the ingredient brand will attract customers towards itself (Keller and Desai, 2002). Simply put, it is a brand collaboration that highlights the brand of a distinct component (ingredient brand) in the host brand to enhance the likeability or acceptance of the host brand (Panwar and Khan, 2020).

The host brand expects heightened brand visibility, brand awareness, and most importantly a differentiation (Uggla and Filipsson, 2008) against its competitors by the virtue of having an added advantage due to the presence of a known ingredient brand in its overall offering. Several studies have been done on the impact of the presence of an ingredient brand on the host brand acceptability, and have found that the presence of an ingredient brand helps in improving quality perception and attitude of customers toward the host brand (Vaidyanathan and Aggarwal, 2000; Keller and Desai, 2002; Rid and Pfoertsch, 2013; and Butnariu, 2017).

As for what can be an ingredient brand for a host, there are several criteria laid down by researchers. Norris (1992) suggested that the ingredient must be the one that offers a substantial edge and has an advantage over other alternatives in the same category. Kotler and Pfoertsch (2010) emphasized the ability of the ingredient brand to differentiate due to the contribution made to the host brand. Finally, Panwar and Khan (2019) added sustainability and being core in the functioning of host brands as key criteria.

However, despite extensive research conducted by various researchers on ingredient branding, almost all of the research is restricted to tangible product brands (Helm, 2015; Panwar and Khan, 2020). This is especially important to highlight because services are marred by information asymmetry, more than products. Further, the intrinsic characteristics of services make them more difficult to just for customers (Zeithaml, Parsuraman, and Berry, 1985; and Zeithaml, 1981). In such conditions, any additional

cue that can aid the decision-making process of the customers would be useful for customers. An additional cue on quality due to the presence of ingredient brand can potentially improve the quality perceptions of the final service brand, or the host brand (Helm, 2015). Thus, it is pertinent to study the impact of the presence of an ingredient brand on the service purchase decision of customers. The further section looks at setting the research objectives and scale development that can be used to assess the influence of the presence of an ingredient brand on the service purchase decision of the customer.

## RESEARCH OBJECTIVES

Basis the review of literature, it was found that role of ingredient and ingredient brand was not well researched and established for service sector, and no previous work was found for beauty services. Thus, the following research objectives were laid for this paper:

1. To extract factors that define consumer assumption about a beauty service due to the presence of an ingredient brand.
2. To find the influence of the presence of an ingredient brand on consumer purchase decision.
3. To assess the moderating influence of brand consciousness on consumer purchase decision for a beauty service with an ingredient brand.
4. To assess the moderating influence of consumer's price consciousness on the purchase decision for a beauty service with an ingredient brand.

The further section would look at scale development and hypotheses setting based upon the factors that would emerge out of the two-step External Factor Analysis (EFA). Once the factors are established, their influence and interaction with the consumer purchase decision would be assessed through Structure Equation Modeling (SEM).

## SCALE DEVELOPMENT FOR THE MODEL

A new scale was developed to measure ingredient brand led user reactions, where individual items were grouped into meaningful constructs. These constructs in turn then explained the effect on the endogenous variable, i.e. the service purchase decision.

### DEVELOPMENT OF AN INITIAL SET OF ITEMS

Since the scale had to be developed from scratch, exploratory qualitative research was conducted to collect responses from beauty service consumers. 10 actual consumers were reached out to individuals for telephonic interviews. An interview time was scheduled and interviews were conducted for respondents, who were both male and female. The respondents came from Mumbai and Delhi in India. The age bracket for the respondents was 18 to 40 years.

The interview was a mixed-method one, with a combination of structured and unstructured approaches. This was critical to allow all possible perspectives from the customer's end without narrowing down the scope. In the first part of the interview, respondents were asked to dictate their customer journey in taking a beauty service from a salon.

In the second part, they were asked more structured questions from the respondents about the factors that affected their experience at a beauty salon and various elements they thought shaped this experience.

As a result of this exploratory phase, two sets of information was recorded. First, expectations from a beauty salon due to the presence of an ingredient brand in it. The second set of information generated from these interviews was a list of all possible ingredients that come together in a beauty service salon. 36 unique items about customer perception concerning the presence of a brand in beauty service were collected, while 15 ingredients were identified which are part of the overall service offering at a beauty salon.

As a next step, these items were discussed with two service experts, who agreed with the list generated through the qualitative interviews conducted. Further, a pilot survey with 25 respondents (Memon, Ting, Ramayah, and Chuah, 2017) was conducted on the 36 items identified in the previous step. This was to ascertain if the respondents were able to appreciate the role of ingredient brands in forming certain perceptions about the host service brand. The pilot also set out to record responses on the moderating variables in the study—price and brand consciousness, as well the endogenous variable in the study—service purchase decision.

#### DATA COLLECTION – STAGE 1

##### *Sample*

University students were approached for this study and the target group comprised of both male and female students. Students participated in the study voluntarily. A total of 450 respondents were reached out to for filling the survey, out of which 401 responses were received (response ratio of 89.1%). After screening out incomplete responses, 396 usable responses were recorded. This was sufficient for a factor analysis as it satisfied both the criteria of a minimum of 200 responses to conduct EFA (MacCallum, Widaman, Zhang, and Hong, 1999; Arrindell and van der Ende, 1985), and that of maintaining a 10:1 ratio for responses to the number of items in the scale (for 36 items) (Costello and Osborne, 2005). A majority of students belonged to an age group of less than 25 years, while female students made up about a third of all respondents. KMO measure was used to assess sampling adequacy which stood at an acceptable 0.809 while Bartlett's test of sphericity ( $<0.001$ ) indicated that factor analysis could be useful for the analysis.

### ***Survey Instrument***

The survey instrument was comprised of scales that were developed based on qualitative responses. The survey was administered online. The respondents were asked basic demographic questions, a set of beauty service usage questions along with 36 items that were generated to measure the impact of ingredient branding on service purchase intention. Response on these items was measured on a seven-point Likert scale anchored by “1=strongly disagree” to “7=strongly agree”.

### ***Item Reduction and Exploratory Factor Analysis***

Iterative factor analysis was done on the data with factor reduction using principal component analysis with varimax rotation. Factors that had lower anti-image correlations ( $<0.7$ ) and lower communalities ( $<0.5$ ) suggesting a poor fit of these items for the overall construct definition (Hair, Black, Babin, and Anderson, 2010) were dropped. Further, items that did not load with a factor loading of more than 0.5 were also dropped to suggesting weaker belonging to an extracted factor. A total of 15 items were dropped in this process while 23 items were retained. The final output led to 7 factors with four factors representing the ingredient branding-related constructs, two factors representing moderating variables, and one representing the endogenous outcome variable. All the factors were checked for reliability using Cronbach's alpha and each one was found to be statistically reliable ( $>0.7$ ) (Peterson, 1994).

### ***Results***

The results of iterative factor showed that the importance of ingredient brand in a beauty service could be categorized in four probable groups based on impact of the presence of ingredient brand on – (i) quality assumptions about the beauty service; (ii) experience from the beauty service; (iii) assumption of social belongingness; and (iv) value assumption of the service interaction. Further, two factors were extracted which defined the moderating variables for this study – (i) brand consciousness of the customers; and (ii) price sensitivity of the customer. Finally, the last factor extracted was the endogenous variable of this study, service purchase decision.

The first round of data collection and analysis supported a 7-factor model with 23 underlying items. Though the factor loading was significant and distinct factors were extracted, the 13 items were re-examined with the help of a second data set.

### **DATA COLLECTION: STAGE 2**

### ***Survey Instrument***

The survey instrument consisted of scales that were extracted based on the first exploratory factor analysis. Apart from these, a list of all the ingredients that come together in a beauty service was also mentioned in the questionnaire for respondents to highlight the importance of each of the ingredients. These were taken from the exploratory research earlier. The survey was administered online. Response on these

items was a measure on a seven-point Likert scale anchored by "1=strongly disagree" to "7=strongly agree". The importance of each of the ingredients was measured from "Not important at all" to "Extremely important".

### ***Sample***

After the first stage of data collection and analysis, seven factors and 23 underlying items were extracted that represented four latent variables, two moderating variables, and one endogenous variable. The second set of data was collected post this exercise, to refine the scale have its validity proved. A total of 300 respondents were targeted and the response rate was about 95% with 285 responses. 273 responses were deemed fit for further analysis. Considering there 23 items in this survey, both the conditions for adequacy of sample size were met. Responses were more than the ratio of 10:1 to the number of items being measured, and the total number of responses were more than 200 which is the minimum responses for conducting any kind of factor analysis (MacCallum, Widaman, Zhang, and Hong, 1999; and Costello and Osborne, 2005). The KMO measure of sampling adequacy was at 0.78, which represented middling adequacy of the sample size and are accepted (Hair, Black, Babin, and Anderson, 2010), while the null hypothesis for Bartlett's test of sphericity was rejected to indicate that EFA would be useful for this analysis.

### ***Item Reduction and Second Exploratory Factor Analysis***

An iterative dimension reduction was conducted on the second data set, and three items were dropped further. The final data set was comprised of 20 items where 12 items represented the consumer's response to the presence of ingredient branding, 3 items each represented the brand and the price consciousness factors of the respondents, and one item represented the service purchase decision. A total of 6 factors were thus extracted, with three factors having underlying items related to ingredient branding, and one factor each for the two moderation variables, brand and price consciousness, and one factor for the service purchase decision. All factors were tested for reliability and were found to be statistically reliable with Cronbach's alpha ( $>0.7$ ) (Peterson, 1994).

It must be noted that the number of factors that were extracted from EFA2 was reduced to 6 from 7 factors that were concluded after EFA1. The factor that highlighted the relationship between the presence of ingredient brand and its social outcome was found to be a weak construct and was dropped. All other constructs were extracted in the second EFA 2 too. Thus the factors related to the presence of ingredient branding that were extracted were – (i) Service quality assumptions due to the presence of ingredient brand; (ii) Service experience assumptions due to the presence of ingredient brand; and (iii) Value assumption due to the presence of ingredient brand. Further, the factors related to the moderating variables that were present were – (i) Brand consciousness; and (ii) Price consciousness. The final factor which is the endogenous variable in the study was – (i) Service purchase decision.



### ***Confirmatory Factor Analysis***

Once the factors were established, a Confirmatory Factor Analysis (CFA) was conducted to confirm the presence of the factors extracted and also help in establishing construct reliability and validity measurements. The confirmatory factor analysis was conducted in AMOS 18. The factor loading results from the CFA and EFA 2 are mentioned in Table 1 below:

As observed, the mean value and standard deviations for each of the underlying item and associated factor was calculated. Predictor variables or items grouped under 'Quality', pointed towards an association between the presence of an ingredient brand in a beauty service and quality assumptions for the service. Similarly, items under 'Value' suggested that customers generally assumed beauty services to offer a better value when an ingredient brand was present in it. Finally, items that were grouped under the 'Experience' factor were assumed to offer a better service experience due to the presence of an ingredient brand as compared to without it.

### ***Construct Validity and Composite Reliability for Measurement Models***

To measure the construct and discriminant validity as well the composite reliability, six measurement models were thus created. Three measurement models represented the factors grouping assumption due to the presence of ingredient brands in the service. Two measurement models represented groups with moderating variables i.e. price and brand consciousness of the respondent respectively. The last measurement model created was about the service purchase decision.

The construct validity was evaluated using convergent validity and discriminant validity. Composite reliability was checked for the measurement model to assess the shared variance between the observed variables. The results of these measures are shown in Table 2. The further sections lay down the conceptual model based on the outcome of the two-step data reduction process, and propose hypotheses for the predictive validity of the model.

## **CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT**

A two-step EFA and CFA helped extract six factors that represented three latent variables, two moderating variables, and one endogenous predicted variable. The below conceptual model demonstrates the linear association and predictor-predicted relationship between these factors (Figure 1).

Amos 18 was used to test the conceptual model depicted above in a two-stage model-building process (Lee and Lin, 2005). The model fit was examined and hypotheses were tested with the help of a path diagram in SEM. The covariance-based SEM modeling is used as we aimed at minimizing the differences between the observed sample covariance matrix and the covariance matrix estimated after the revised theoretical model is confirmed (Hair, Hollingsworth, Randolph, and Chong,

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Table 1: Exploratory and Confirmatory Factor Analysis					
Factors and Items	Mean	Std. Dev.	Factor Loading Exploratory	Factor Loading Confirmatory	Cronbach's Alpha
<b>Quality due to Ingredient Brand (Quality)</b>	5.6	1.0			0.82
Presence of an ingredient brand indicates better quality of service (Qual-Better)	5.5	1.3	0.82	0.74	
If an ingredient brand is present in a beauty service, I am assured of the quality of the service (Qual_Assure)	5.7	1.2	0.77	0.74	
Presence of an ingredient brand would make me believe that beauty salon is concerned about the service quality offered to its customers (Qual_Salon)	5.6	1.3	0.68	0.70	
The beauty parlor won't be able to provide me the service quality without IB (Qual_Depend)	5.6	1.2	0.67	0.74	
<b>Value due to Ingredient Brand (Value)</b>	4.9	1.2	4.9		0.85
Presence of ingredient brand can justify the price tag of a beauty service (Value_Justify)	4.7	1.8	0.87	0.82	
If an ingredient brand is involved in a beauty service, I would tend to believe that I shall get the right value for the money I pay (Value_Worth)	4.5	1.4	0.84	0.72	
I would be ready to pay a premium if the beauty service involves an ingredient brand of my choice (Value_Premium)	5.2	1.2	0.78	0.875	
Presence of an ingredient brand certainly adds value to the service offered to me by a beauty service (Value-Overall)	5.0	1.3	0.74	0.70	
<b>Experience due to Ingredient Brand (Experience)</b>	5.6	0.9			0.79
My experience is often a factor of ingredient brand (Exp_Factor)	5.4	1.1	0.82	0.67	
IB plays an important role in shaping my experience at a beauty salon (Exp_Shape)	5.7	1.2	0.81	0.65	

Table 1 (Cont.)

Factors and Items	Mean	Std. Dev.	Factor Loading Exploratory	Factor Loading Confirmatory	Cronbach's Alpha
Presence of an ingredient brand in a beauty service shall definitely create a differentiated experience for me as compared to other parlor which do not use the same ingredient brand (Exp_Differentiation)	5.6	1.3	0.73	0.81	
IB guarantees a good experience for just being present in the overall service (Exp_Presence)	5.8	1.2	0.62	0.69	
Brand Consciousness (Brand)	4.7	1.7			0.92
I am a brand conscious person (Brand_Conscious)	4.6	1.8	0.93	0.88	
Branded products and services always offer a better quality than unbranded ones (Brand_Quality)	4.8	1.7	0.91	0.89	
I believe branded products and services are mostly better than unbranded ones (Brand_Better)	4.7	1.8	0.91	0.90	
Price Consciousness (Price)	4.8	1.1			0.84
Price plays an important role in my decision about taking service at a beauty parlor (Price_Dec)	4.8	1.2	0.91	0.86	
I think I am price conscious customer (Price_Conscious)	4.8	1.3	0.90	0.85	
Service Purchase Intention (Purchase Decision)	4.6	1.5			0.88
IB plays a significant role in my purchase decision (PurDec_Role)	4.2	1.5	0.91	0.88	
I will be more confident about my purchase decision if IB is involved (PurDec_Confident)	4.9	1.8	0.89	0.83	
IB will reduce my time to make a purchase decision (PurDec_Time)	4.8	1.8	0.86	0.85	

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Table 2: Construct Validity and Composite Reliability for all Measurement Models									
Indicators	Factors	Convergent Validity (a)		Discriminant Validity (b)			Composite Reliability (c)		Result
		AVE	Result	AVE Root Square	Correlation with other latent variables	Result	Composite Reliability	Result	
Qual_Better	Quality	0.54	Accepted	0.73	Value (0.59) Experience (0.61) Brand Consciousness .(-0.02) Price Consciousness (-0.17) Purchase Decision (0.02)	Accepted	0.82	Accepted	
Qual_Assure									
Qual_Salon									
Qual_Depend									
Value_Justify	Value	0.62	Accepted	0.79	Quality (0.59) Experience (0.30) Brand Consciousness (0.09) Price Consciousness (-0.09) Purchase Decision (-0.01)	Accepted	0.87	Accepted	
Value_Worth									
Value_Premium									
Value-Overall									
Exp_Factor	Experience	0.51	Accepted	0.71	Quality (0.61) Value (0.30) Brand Consciousness (-0.02) Price Consciousness (-0.02) Purchase Decision (0.01)	Accepted	0.80	Accepted	
Exp_Shape									
Exp_Differentiation									
Exp_Presence									
Brand_Conscious	Brand Consciousness	0.80	Accepted	0.89	Quality (-0.02) Value (0.09)	Accepted	0.89	Accepted	

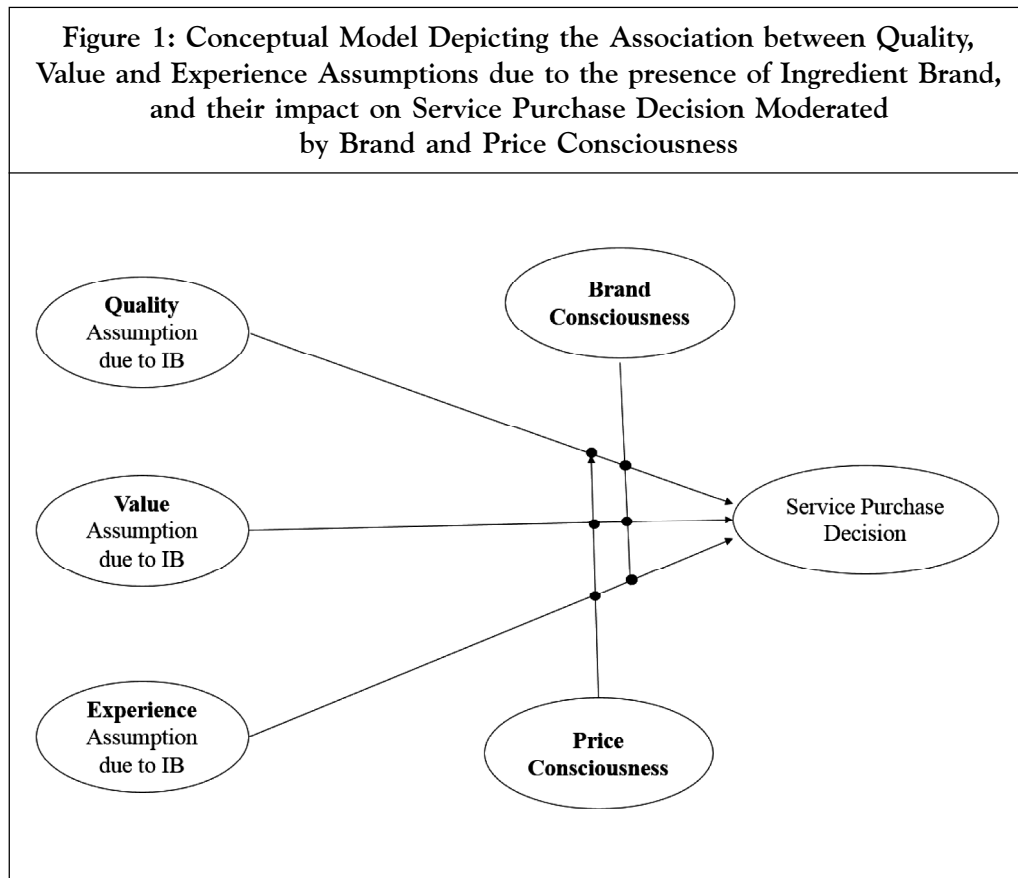
Table 2 (Cont.)

Indicators	Factors	Convergent Validity (a)		Discriminant Validity (b)			Composite Reliability (c)	
		AVE	Result	AVE Root Square	Correlation with other latent variables	Result	Composite Reliability	Result
Brand_Quality					Experience (0.30)			
Brand_Better					Price Consciousness (0.26) Purchase Decision (-0.27)			
Price_Dec	Price Consciousness	0.74	Accepted	0.86	Quality (-0.17) Value (-0.09)	Accepted	0.85	
Price_Conscious					Experience (-0.02) Brand Consciousness (0.26) Purchase Decision (-0.18)			
PurDec_Role	Purchase Decision	0.73	Accepted	0.86	Quality (0.02) Value (-0.01)	Accepted	0.92	
PurDec_Confident					Experience (0.01) Brand Consciousness (-0.27)			
PurDec_Time					Price Consciousness (-0.18)			

2017). Since CB-SEM is a parametric statistical method with standard output for statistical significance, it has been preferred over the PLS where the immediate determination of inference statistics is sometimes hindered (Hair, Matthews, Matthews, and Sarstedt, 2017 ).

INFLUENCE OF QUALITY ASSUMPTIONS DUE TO THE PRESENCE OF INGREDIENT BRAND IN A BEAUTY SERVICE ON THE SERVICE PURCHASE DECISION

Service quality has been described as an assessment of the level of service which is perceived by the customer and is considered to be



an important factor in the decision-making process. It is also assumed to have a positive relationship with the purchase decision of customers (Ryan and Dan, 2013; and Lies and Ali, 2017).

An assumption of high service quality would drive customers towards a positive purchase decision (Baker, Grewal, and Parasuraman, 1994; Shao, Baker, and Wagner, 2004). In more recent researches on the association between the two attributes, Anggita and Ali (2017) argued that service quality and purchase decision do have a significant association between them, while there are other factors too that shape the purchase decision. In another interesting approach taken by Dapas, Sitorus, Edi and Ihalauw (2019), the researchers showed that the service quality has a positive and noteworthy influence on the purchase decision, which is in turn moderated by the purchase intention. In another research, Tran, Pham, Pham and Nguyen (2020) went on to suggest that consumers often have paid no attention to the marketing mix, and it was instead the service quality that influenced the purchase decision. As we seek to test the role of ingredient branding in forming quality assumption and its effect on the service purchase decision, the first hypothesis was formed as:

*H<sub>1</sub>: The quality assumptions due to the presence of an ingredient brand would positively affect the purchase decision for a service.*

#### INFLUENCE OF VALUE ASSUMPTIONS DUE TO THE PRESENCE OF INGREDIENT BRAND IN A BEAUTY SERVICE ON THE SERVICE PURCHASE DECISION

Value is often described as the customer's assessment of the utility of a service based on the perception of what has been received for what was paid for (Zeithaml, 1988). She also established a relationship between the overall value assessment of service and the subsequent purchase decision. On similar lines, Dodd, Monroe and Grewal (1991) modeled the association by showing that the perceived value of service by the customer, is a direct antecedent of the purchase decision. Simbolan, Handayani and Nugraedy (2020) in their research found out that that the role played by value assumed by the customer is a significant player in influencing the customer's purchase decision, along with the other factors like quality and brand image.

Similar results were found by Hermiyenti and Wardi (2018) who based on their extensive research in findings factors that affect customer purchase decision found out that the customer's perceived value of service and the purchase decision are closely associated, and the value influences purchase decision significantly. This was also supported by another research from Wang and Tsai (2014) who argued that purchasing decisions are shaped by the process of replacing benefits and values received by consumers. Kautish, Khare, and Sharma (2020) looked at the value perception's impact on the purchase decision from the behavioural point of view and found that there was an association between the two. To investigate the role of ingredient branding in forming value assumption and affecting service purchase decision for customers, the below hypothesis was formed:

*H<sub>2</sub>: The value assumptions due to the presence of an ingredient brand would positively affect the purchase decision for a service.*

#### INFLUENCE OF EXPERIENCE ASSUMPTIONS DUE TO THE PRESENCE OF INGREDIENT BRAND IN A BEAUTY SERVICE ON THE SERVICE PURCHASE DECISION

Service experience is often defined as the total of all encounters that a customer has with every service touchpoint (Zeithaml and Bitner, 2003). Four elements are known to come together to form the larger service experience construct. These are—Service Workers, Service Customers, Service Process, and Service Setting (Kapferer, 2008). In other classifications of service experience, phenomenological service experience (related to the value of service in servicedominant logic), process-based service experience (service as a sequential process); and outcome-based service experience (linking experience to outcomes) have been studied in past (Helkkula, 2011). While service outcome has been described through various aspects, the assumption of a service

experience, which is the belief about how the service experience is going to be is critical in shaping purchase decisions. Anggita and Ali (2017) also established a relationship between the customer's experience with the service and the purchase decision that follows. As we seek to test the role of ingredient branding in forming positive experience assumption and affecting service purchase decision, the below hypothesis is formed:

*H<sub>3</sub>: The experience assumptions due to the presence of an ingredient brand would positively affect the purchase decision for a service.*

#### MODERATING IMPACT OF BRAND AND PRICE CONSCIOUSNESS ON SERVICE PURCHASE DECISION

The monetary value exchanged by the customer in the return of a service is the simplest way to define price (Kotler and Armstrong, 1989). Price consciousness plays an important role in purchase decisions made by customers (Wu and Wang, 2011). Customers often make decisions about acquiring a product or service by keeping the price very close to the decision (Sinha and Batra, 1999). However, the price consciousness may play differently in the case of the presence of an ingredient brand in a service. Specifically from the Indian context, Singh, Gupta and Kumar (2018) found that price-conscious is an important aspect that influenced the purchase decision, together with other attributes like brand image and quality. This was also postulated by Anggita and Ali (2017). Further evidence of the influence of price consciousness of customers, on their purchase decision, has been presented most recently by Cham, Ng, Lim, and Cheng (2018); Koschate-Fischer, Hoyer, Stokburger-Sauer, and Engling (2018); and Khurram, Qadeer and Sheeraz (2018), in different markets and varied setups. These researches showed that price awareness and price consciousness had a significant effect on the consumer purchase decision. However, such conclusive results have not been found with the ingredient branding aspect for the beauty services, hence the hypothesis for assessing the influence of price consciousness on the purchase decision, when an ingredient brand is present in service has been formed as:

*H<sub>4</sub>: Price consciousness does not influence the purchase decision that involves an ingredient brand in the overall service.*

The level of brand consciousness among consumers is rising, even as the heterogeneity within customer groups remains (Mukherjee *et al.*, 2012). On the other hand, there is rising literature on how brands have just become a source reducing the decision-making time for the customer (Anggita and Ali, 2017). Similar associations have also been found by (Ahmed, Raziq, and Ahmed, 2018) in a different setup and market. Association between brand consciousness and purchase decision was also discussed by Kautish, Khare and Sharma (2020) where the researchers found a significant association, as well as a mediation effect of brand consciousness on the behavioral intentions of purchase decision. In their research on consumer marketing,



Yang, Kim and Kim (2017) posited that brand consciousness was positively related to both normative and informational influences that it forms on the purchase decision for consumers. Again, such conclusive results have not been found with the ingredient branding aspect for the beauty services, hence the hypothesis for assessing the influence of brand consciousness on the purchase decision, when an ingredient brand is present in service has been formed as:

*H<sub>5</sub>: Brand consciousness does not influence the purchase decision that involves an ingredient brand in the overall service.*

It is interesting to note though that researchers have tried to establish interlinkages between the brand and price consciousness, which are the two moderating factors in this study. Especially in the Indian context, Gupta and Singh (2007) argued that brand loyalty and price contexts for brands are strongly linked, as Indian consumers are price sensitive (Mukherjee *et al.*, 2012). For example, Kumar and Bishnoi (2007) stressed that branded products and services will find more takers if the price rationale is positive.

## SEM MODEL FIT AND HYPOTHESES TESTING

### MODEL FIT AND ASSOCIATED INDICES

To examine the predictive validity of the model and evaluate the quantum of the impact that latent variables (quality, value, and experience assumptions due to the presence of an ingredient brand) have on the purchase decision for a beauty service, model fit indices were checked in Amos 18. The model was tested with the maximum likelihood technique and the values suggested a reasonable model fit (Hair, Black, Babin, and Anderson, 2010). CMIN/DF was at an acceptable 1.72 (Hair, Black, Babin, and Anderson, 2010), while GFI was accepted at 0.897 (Scott, 1994) as the other indices had values of IFI=0.941, TLI=0.925, CFI=0.940, RMSEA=0.07, and PCLOSE=0.01 (Bagozzi and Yi, 1988; Bentler, 1980; Jarvenpaa, Tractinsky, and Vitale, 2000). Further, hypotheses testing was conducted using path analysis under SEM.

### HYPOTHESIS TESTING USING PATH ANALYSIS FOR STRUCTURAL MODEL

The results from the path diagram indicated a good model fit indicated that the Experience assumption due to the presence of an ingredient brand in a beauty service, has a significant impact on the purchase decision of a beauty service ( $\beta = 0.14$ ,  $p < 0.05$ ). The other factors too had an impact but it was found to be non-significant with  $p > 0.05$ . Thus,  $H_1$  and  $H_2$  were rejected but  $H_3$  could not be rejected (Table 3).

As for the moderation effect, Brand consciousness was found to have a significant moderating effect on the impact of experience assumption on service purchase decision ( $\beta = 0.28$ ,  $p < 0.01$ ). Thus,  $H_4$  was rejected but  $H_5$  could not be rejected. While it was not set as a hypothesis, the impact of price on the service purchase decision was also found to be significant ( $\beta = 0.16$ ,  $p < 0.05$ ). To test the indirect effects, bootstrapping

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Table 3: Ultimate Path Analysis						
Path			Estimate	SE	CR	p
Purchase_Decision	<—	Mod_Brand_Experience	0.284	0.058	4.928	***
Purchase_Decision	<—	Experience	0.142	0.058	2.468	0.014
Purchase_Decision	<—	Price	0.162	0.058	2.809	0.005

Table 4: Bootstrap Output by Bias Corrected Method (Samples=500)						
Parameter			Estimate	Lower	Upper	p
Purchase_Decision	<—	Mod_Brand_Experience	0.28	0.38	0.189	0.003
Purchase_Decision	<—	Experience	0.14	0.041	0.243	0.028
Purchase_Decision	<—	Price	0.159	0.057	0.268	0.006

was conducted for estimating the sampling distribution and to find standard errors. The results were in line with the path analysis (Table 4).

As evident from the test results, Ingredient branding does have a significant influence on the purchase decision when it comes to beauty services. Further, Ingredient branding is responsible for building an assumption about a potentially positive experience with the service. Service experience is the total of all experiences that a customer has with all the touchpoints of the service (Zeithaml and Bitner, 2003) and has been referred to as the core of the service offering (Zomerdijs and Voss, 2010). Zeithaml and Bitner (2003) posited that the overall service experience is a factor of four inherent elements of the service—Service Workers, Service Customers, Service Process, and Service Setting. These elements, by the virtue of their role, can be called ingredients, as the word 'ingredient' is defined as something that enters into a compound or is a part of any combination or mixture (Merriam-Webster, 2020).

The impact that the presence of ingredient branding has on the service purchase decision is however moderated by the customer's brand consciousness. This is in line with previous research where the importance of brand is driven by the personal attitude that a customer has towards brands and branding. Customers who do not think highly of brands, or do not get persuaded by brands, may not have a higher influence left by the presence of an ingredient brand. In contrast, those customers who are brand conscious, and believe in the power and promise of a brand, would be highly influenced by the presence of an ingredient brand in the overall beauty service.

However, are all ingredients are same for customers? Do all ingredients brands offer similar experiences or influence the experience of customers? This is important to evaluate to lead to any meaningful conclusion that may help practitioners in shaping their marketing strategies aided with strong ingredient branding. The next section tries to unearth these questions.

### INGREDIENTS FOR INGREDIENT BRANDING IN BEAUTY SERVICES

Basis the list of ingredients, that was created during the exploratory phase of the research during personal interviews, customers were asked to rate these ingredients on a scale of 1 to 10, where 1 represented the least importance and 10 represented the highest importance attributed to a particular ingredient (Table 5). These ingredients cover the four elements of service experience as given by Zeithaml and Bitner (2003).

<b>Table 5: Bootstrap Output by Bias Corrected Method (Samples=500)</b>		
<b>Ingredient</b>	<b>Mean (<math>\mu = 7</math>)</b>	<b>Std. Deviation</b>
Beautician or Service Professional	8.09	1.46
Cosmetic and other products used on customers during the service	7.08	1.34
Towels, Gowns, head-gears and face coverings for customers	6.66	1.10
Managers and Supervisors at the salon	6.42	1.14
Alliances and partnerships formed by the beauty salon	6.38	1.23
Complaint and Feedback system	6.36	1.22
Endorsement by celebrities	5.42	1.19
Appoint and scheduling system	5.40	1.16
Equipment used during a service (hair dryer, trimmers etc.)	5.37	1.19
Payment process and options	5.27	1.11
Software with AIAR and VR capabilities for customers suggestions	4.64	1.16
Security and Valet ay the salon	4.51	1.17
Salon design and ambience	4.45	1.12
Durables used in the salon (ACs, TVs, Audio systems etc.)	4.45	1.13
Furniture used in the beauty salon	3.47	1.16

The highest score was awarded to the beauticians or the service professional who perform the service on the customers. This is in line with the previous researches where the importance of 'people' has been highlighted for services. This also became the basis of extended marketing mix which included 'people' as one of the marketing mix elements. Further, the cosmetic products used during the service, and the supplements used during the service, like towels, gowns, and coverings have been indicated as having the highest importance for the customers among the beauty service. However, with an expected mean score of ( $n=274$ ,  $\mu = 8.01$ ) service professionals, and cosmetics ( $n=274$ ,  $\mu = 7.1$ ) used in the service were the most important attributes in the beauty service experience.

Further, a one-way ANOVA conducted on the above ingredients with gender and income as independent variables found that there was no significant difference between the genders when it came to the importance of the beauticians or the service providers

as the most important ingredient in the beauty service. Not just that, the particular ingredient was the topmost choice for both genders when it came to its importance in the beauty service. However, in the case of the product uses, there was a significant difference between the two genders, where men rated the products used in the procedure as more important than the women did. However, this does not change the overall recommendations, because products and cosmetics used during the procedure were still the second most important ingredient of beauty service for both the gender, albeit with different scores. This was inferred with the help of descriptives since the gender-based analysis was not put through the Games-Howell post-hoc as it had only two categories.

However, Games-Howell post-hoc test was conducted after ANOVA for income groups due to multiple categories and it showed significant differences for the lowest income group attributing the highest importance to the products. This was true for other independent variables—frequency of visiting beauty salon and amount spent on a beauty salon each month, where there was a significant difference between the group that visited the salon the least number of times, and also spent the least amount of money compared to all other groups. However, there was no significant difference in the rating of service person or beautician from one respondent group to another suggesting a democratic response about the ingredient.

Conclusively, beauticians or the service person, and cosmetic products that are used during a beauty service seem to be most critical of the ingredients in the overall beauty service. These ingredients thus can be used to positively influence the service purchase decision of the customer, since ingredient brand has been shown to create a positive assumption about service experience for the customer, which in turn leads to a positive service purchase decision.

## CONCLUSION AND DISCUSSION

### RESEARCH RESULTS

This paper looked at ingredient branding as a potent tool for beauty salons in the organised sector to differentiate against their competitors. There are two major findings from this study. The first one being that the presence of an ingredient brand in a beauty salon service creates a positive assumption about the service experience that the customer expects to receive at a beauty salon. Second, this positive assumption in turn significantly influences the service purchase decision or the decision that the customer takes about a given beauty service. Further, the customer's brand consciousness influences the impact of the presence of an ingredient brand on the service purchase decision. Service personnel or beauticians who are the frontline service providers have been indicated as the most important ingredient of beauty service. This is followed by the cosmetics and other products used during a procedure, which were also rated important for a beauty service experience.

## MARKETING IMPLICATIONS

This paper has multiple implications for beauty salon owners and managers. Most beauty salons have similar visual identities and there is no significant difference between them.

Differentiation is hard to come by and sources of differentiation are shrinking as commoditization is increasing, not just in the service performance, but also in service communication (Panwar and Khan, 2020). Vanilla branding is only providing competitive parity to certain beauty salon providers but still does not help in creating a competitive advantage (Barney and Hesterly, 2012).

This paper provides direction toward adopting ingredient branding as a credible strategy for beauty salons. Ingredient branding allows advantages that are multifold, including risk-sharing, support for premium, added brand equity, and newer customers due to the presence of another ingredient brand (Ponnam and Balaji, 2015). This paper has also mentioned several ingredients of beauty service offering, and their importance for customers, which can be looked at by beauty salons in the organised sector for adopting ingredient branding. Service persons or beauticians who perform beauty services have been identified as key ingredients for beauty services followed by the cosmetics and products used by the beauty salons. It can be an opportunity for beauty salons to incorporate existing ingredient brands or work on creating their ingredient brands which can help them create differentiation against competitors.

Beauty salons must make effort in identifying the right ingredient brands for differentiating themselves against the competition. As for beauty service persons or beauticians, it could be worthwhile to scout for brands that train or certify these professionals. It must be noted that for using an ingredient brand the ingredient brand should already be existing and must be known by customers. For example, a training course done from Lakme Academy in India, or CIDESCO in Switzerland qualifies to be a brand as it is already known by patrons. When a beauty salon can brand its service while highlighting the presence of beauticians who are qualified from one of these institutes, it differentiates itself from other salons which may not have beauticians from such illustrious place(s). As discussed earlier in this paper, the presence of such an ingredient brand would create a positive belief about the experience that a customer is going to have at a beauty salon.

A similar approach can be adopted by the beauty salons for cosmetic products that they are using. Beauty salons can also differentiate themselves by riding on the brand equity of cosmetic products that they use in beauty salons. However, it is important that the brands which are used by the salon are if not exclusive, at least be concentrated in nature. This is because the omnipresence of these brands would add to the value of the service, but would not give it a differentiating advantage since it is available everywhere. Thus, it is critical to choose those cosmetic brands which are open for

exclusive or concentrated partnerships, to avoid losing the differentiation edge to others.

Services are intangible in nature and considered high in credence, thus anything which brings in more certainty and assurance is welcomed by the customers. Thus branding with the help of an ingredient that is considered important by the customers, and is also tangible in nature, can be a boon for beauty salons. It would not only add some bit of certainty to the service due to the presence of a known tangible ingredient, but it also provides an opportunity to the beauty salon to differentiate itself against others, if the ingredient brand is at least concentrated, if not exclusive. For example, using a well-known shampoo like Molton Brown shampoo or a Forest Essential head massage oil, and branding the beauty service around that ingredient brand, can be a potent way to market services through ingredient branding.

While there is also evidence of the host brand creating a new ingredient brand for itself on its own, this is a long drawn and often an expensive proposition for businesses marred with uncertainty and risks. Thus piggybacking on an already established brand through ingredient branding which may bring in awareness, preference, purchase, and eventually, loyalty can be a faster and much more efficient way to differentiate. Beauty service salons can thus build a differentiation against competitors, by adopting ingredient branding strategy riding on the already-created brand equity of major ingredient brands.

#### LIMITATIONS AND FUTURE RESEARCH DIRECTION

A few limitations in this research paper call for possible research directions in the future as the future research can try and overcome the limitations highlighted. The first limitation of the study is that this study is conducted only for the organised sector, and as such the recommendations may not apply to the larger unorganized part of the sector due to myriad of difference between the two sectors in terms of operations, offerings, customer expectation, salon reach, and penetration, etc. Further, due to the geographic limitation of the sample. The sample was drawn from Mumbai and Delhi only, which might restrict the outcome of the study. Further, the set of ingredients analyzed was based on the personal interviews conducted at the start of the study and may have led to overlooking some more important ingredients. However, it is important to note that no such issues were pointed out by any of the respondents during the pilot or the main survey. Finally, the audience for this research was skewed towards men, while in real life the market is skewed towards women. This may have influenced the results in some way, but the ANOVAs conducted with gender as an independent variable suggested that in most cases there were not many significant differences. Wherever there were differences found these were mostly about which item in a factor was more or less important for the specific gender, and this was highlighted in the research section of the paper. Nevertheless, we list it as a limitation since the audience skew is expected to lead to biased results, especially where compared to the

real-world scenario. The research can be extended to include the nature of ingredient brands that would influence the customers to make a positive purchase decision, which would make the outcome of such a research a ready reckoner for beauty salon brands who want to adopt ingredient branding as a differentiating strategy.

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