

INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Factors Affecting Luxury Products Preference among Foreign Students in Malaysia

Author : Zhang Meizhu
Student number : I07006128
Supervisor : Arasu Raman
Submission Date : 14th December 2012
Ethics Number : INBS340
Final Word Count : 15166words



AD
31
ZAA
2012

FACULTY OF BUSINESS, COMMUNICATION AND LAW

ABSTRACT

This research aims to identify the factors influencing foreign students towards luxury product preference in Malaysia. More specifically, it is to consider the combined effect of culture, social values, individual and group needs.

In the past five years, more and more students chose Malaysia as their ideal place to study abroad. Obviously, the increasing number of foreign students will add some positive effect on an economy also for the luxury market. The customer behavior ^{deserve} ~~deserve~~ attention ^{if} ~~for~~ when a brand wants to ^{succeed} ~~success~~ in the marketplace. Due to the changing market and high competition in the marketplace, how to gain more market share and provide better service is becoming an issue faced by the retailers. In this research, the author conducted an investigation which focuses on foreign students to examine the factors that affect ~~the~~ luxury brand preference.

What is the main reason that drive foreign students to purchase luxury products in Malaysia? Most of research indicates that luxury brand product represents the social position and redefine their identity, it is a symbol of uniqueness and wealth (Chadha & Husband, 2006). The younger generation preference towards luxury brand products should be examine ^{if} ~~examine~~ continuously. Within the past five years, the number of foreign students in Malaysia has increased each year. The data will be collected individually among the foreign students in Nilai and Subang Malaysia, 200 valid participants in this research.

Key Words: Foreign students, factors affected, luxury product preference, Social Value, Individual and group needs, Malaysia

(230 words)

ACKNOWLEDGEMENT

A person's success depends on many factors. Accomplishing a research paper needs a lot of people's support. I had a great support from my supervisor. I wish to thank Mr. Arasu Raman for his helpful comments and suggestions. I am very grateful to have such a wonderful supervisor. His invaluable direction helps me to develop the knowledge in the marketing aspects. His unique insight guides me to find the key issue in research and ^{make} the structure clear. His profound knowledge, is deeply encouraging and support me to develop my potential skills and those skills will be a great asset in my future study.

I indebted to Mr. Anthony Vaz for his ^{patients} and detailed comments, those valuable suggestions helps to make this dissertation even better. I would like to thank him because he taught me to be a good presenter and it will benefit me in future works.

In particular, I should thank Dr. Shaheen Mansori for his warm encouragement, his help and suggestions made an important contribution to my dissertation.

I had a great support from Karen Zhang, Steven Herliv, Chancel Chardarmouli Mohamod and Herlina. I'd like to thank their wise words, encouragement, humor and patience. Thanks too to Ruijie, KK and Souvik who always stand ^{strong} by my side and wish me nothing but happy.

My family has also been remarkably tolerant and supportive throughout my research. Thanks to my parents for their selfless love and care. Thanks to my dear sister Lu, Kathy, Mia, May and Liang for their encouragement and love. Thanks especially to my mum to teach me how to overcome problem with tough stage and tell me be strong always. It is their love and support help me overcome any challenge and bring me to the end of the dissertation.

Meizhu

Declaration by Candidate

I hereby declare that this is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been duly acknowledged.

NAME : Zhang Meizhu

SINGATURE : *Meizhu Zhang*

DATE : 19th November 2012

Table of Contents

ABSTRACT.....	i
ACKNOWLEDGEMENT	ii
LIST OF FIGURES	viii
LIST OF TABLES.....	ix
LIST OF ABBREVIATIONS.....	x
1. INTRODUCTION	1
Chapter Overview	1
1.1 Research Background.....	1
1.1.1 Overview of Global Luxury Market.....	2
1.1.2 Overview of Luxury market in Asia	4
1.2 Luxury Market development in Asia Pacific.....	6
1.3 Overview of Malaysia Luxury Market	7
1.4 Luxury products consumption in Asia.....	9
1.5 Current Foreign Students in Malaysia.....	9
1.6 Problem Statement	10
1.7 Research Questions.....	11
1.8 Research Objectives	12
1.9 Assumptions	12
1.10 Significant of study	13
1.11 Limitations of the study	13
1.12 Scope of study	14
1.13 Outline of Dissertation.....	15
Summary.....	15
2. LITERATURE REVIEW.....	16
Chapter Overview	16
2.1 Definitions of Luxury Products	16
2.2 Preference purchase.....	17
2.3 Gender	17

2.4 Social Value	19
2.4.1 The Veblen Effect	19
2.4.2 Snob Effect	19
2.4.3 The Bandwagon Effect	20
2.5 Individual and Group Needs.....	21
2.6 Culture	23
2.6.1 Face.....	24
2.7 Price and Quality.....	26
2.8 Research Framework.....	27
2.9 Summary of Research Hypotheses	27
Summary.....	28
3. METHODOLOGY	29
Chapter Overview	29
3.1 Research Design	29
3.2 Research Approach	30
3.3 Research Sampling.....	30
3.3.1 Study Population	30
3.3.2 Sampling Technique	31
3.3.3 Sample Size	32
3.4 Data collection	33
3.4.1 Primary Data.....	34
3.4.2 Secondary Data	38
3.5 Data Analysis	38
3.5.1 Normality Test	38
3.5.2 Reliability and Validity Tests	38
3.5.3 Descriptive Analysis.....	39
3.5.4 Factor Analysis	39

3.5.5 Correlation Coefficiency.....	40
3.5.6 Independents Sample T-test.....	40
3.6 Summary of Statictical Method	41
3.7 Ethical Considerations	41
Summary.....	42
CHAPTER 4 FINDINGS AND DISCUSSIONS.....	43
4.1 Results	43
4.2 Normality Test.....	44
4.3 Reliability and Validity	46
4.3.1 Reliability	46
4.3.2 Validity	47
4.4 Descriptive Analysis	48
4.4.1 Summary of Respondents' Profile	48
4.5 Factor Analysis	50
4.6 Correlation Analysis	54
4.7 Independent Sample T-test.....	55
4.8 Summary of Hypothese.....	57
4.9 Findings Analysis and Discussion.....	57
4.9.1 Social Value.....	58
4.9.2 Individual and Group Needs	58
4.9.3 Culture	59
4.9.4 Price and Quality	59
4.9.5 Summary of Research Objective	60
Summary.....	60
CHAPTER 5 CONCLUSIONS , RECOMMENDATIONS AND PERSONAL REFLECTIONS	61
Chapter Overview	61
5.1 Conclusion	61

5.2 Recommendation	63
5.2.1 Managerial Implication and Recommendation	64
5.2.2 International Marketing Implication and Recommendation	65
5.3 Recommendation for future research.....	66
5.4 Personal Reflection	67
Summary.....	68
REFERENCES	70
APPENDICES.....	84

LIST OF FIGURES

Figure 1. 1: Features of Emerging Market and Traditional Market	3
Figure 1. 2: Worldwide luxury Goods Market trends by geography 2007-2014E .	4
Figure 1. 3: The luxury companies' sales split by geographic region	6
Figure 1. 4: Opportunities for luxury growth in different market.....	8
Figure 1. 5: POS adjusted to DOS equivalent.....	8
Figure 1. 6: Research Outline	15
Figure 2. 1: Interpersonal Effects	18
Figure 2. 2: Research Framework.....	27

LIST OF TABLES

Table 2. 1: Summarized Interpersonal and Personal Effect.....	18
Table 3. 1: Proposed Research Structure.....	29
Table 3. 2: Country of Origin of Foreign Students in INTI Nilai and Subang	32
Table 3. 3: Empirical support for sample size	32
Table 3. 4: Questionnaire Design.....	35
Table 3. 5: 5 Point Likert Scale of Questionnaire	36
Table 3. 6: Demographic Measurement.....	37
Table 3. 7: Guidelines for identifying significant factor loadings based on sample size	39
Table 3. 8: Statistical Methods	41
Table 4. 1: Descriptive Analysis of Tested Variables	45
Table 4. 2: Interpretation of Cronbach's Alpha Tests	46
Table 4. 3: Summary of reliability test	46
Table 4. 4: KMO and Barlett's Test	47
Table 4. 5: Profile of respondents (n=200).....	48
Table 4. 6: Summary of factor loading	50
Table 4. 7: Guideline of a Measure of Sampling Adequacy (MSA)	51
Table 4. 8: Results for Social Value	51
Table 4. 9: Results of culture factor analysis.....	51
Table 4. 10: Results of Individual and group needs factor analysis	52
Table 4. 11: Results of price factor analysis.....	52
Table 4. 12: Results of quality factor analysis	53
Table 4. 13: Pearsons' Correlation Coefficient Analysis	54
Table 4. 14: Correlation Coefficient Analysis	55
Table 4. 15: Mean differences.....	55
Table 4. 16: Independent sample t-test results	56
Table 4. 17: Summary of Hypothese.....	57

LIST OF ABBREVIATIONS

BCG-Boston Consulting Group

CAGR-Compound Annual Growth Rate

IO- International Office

KMO-Kaiser-Meyer-Olkin

RM - Riggitt Malaysia

SPSS-Statistical Package for the Social Sciences

1. INTRODUCTION

Chapter Overview

This chapter begins with a research background and the glance of the global luxury market and why the author had developed this topic for dissertation research. The research paper describes the trends, implication and development of the luxury market followed by the concepts of luxury brand products and customer behavior towards luxury products in Asia Pacific. Afterwards, the problem statement is identified and discussed, also the significance of this study is included in the subsection. It presents the research objectives and questions, followed by the limitation and scope of the research. Finally, an exclusive summary is produced at the end of the chapter.

1.1 Research Background

Different people may have differing definition of luxury products, it depends on the level of income, the development of the country's economy and the market size. This study focused on the luxury brand products to analyze the factors influencing the preference. According to Bain and Company (2012) luxury goods worldwide market study; the average age of Asian luxury consumers is decreasing steadily, and the consumption of luxury products continued to increase. In 2012, Asian consumers account for more than 50 percent of the revenue. Based on this phenomenon, this research focused on foreign students to examine the factors products preference in Malaysia (Small emerging market).

1.1.1 Overview of Global Luxury Market

The term of luxury is different from time to time. Actually it is hard to give the definition of luxury because it is extremely subjective and ever-evolving (Kapferer, 1997; Phua or Phay (Reference page mismatch) and Prendergast, 2000), also it represents a social context (Nueno and Quelch, 1998) which follow a cultural evolution. The word luxury was originated from a Latin word "luxus", which implies indulgence of the senses regardless of cost (Mootee, 2004). Obviously, luxury is not a new word or concept for us, since lots of researchers and scholars have researched on it before (Race, 1834; Veblen, 1899; and Keasbey, 1903). Race or Rae (reference page mismatch)

Luxury market like the parabola with the development of the economy has been changing from time to time. Year 1995 to 2007 was the golden period for luxury market worldwide, the market grew dramatically each year. Period of 1995 to 1999 was particularly interesting, the Compound Annual Growth Rate (CAGR) on luxury product market was 11 per cent during this period. Every decade has its own definition, so it can be called as luxury industry boom and after this period, the luxury product market seems to reach better stability compared to the booming period, with only 1 percent growth from the year millennium until 2003. After the insipid, the luxury market ushered the new growth from 2004 to 2007, the CAGR growth rate became 8 percent. The figure indicates the turning point of luxury market from consolidated and matured luxury industry back into growing stage (Bain & Company, 2009).

From the theoretical side, the development of luxury is always associated with the development of economic growth. Due to the economic growth in Southeast Asia, lots of "new rich" has been born in this time which increases the number of new customers who purchased luxury products (Vigneron and Johnson, 2004).

Generally, the global luxury market can be categorized into two different types of market, emerging market and traditional market, based on different features of the

two types of markets. As set-out in Figure 1.1, customers in traditional market are seeking for product quality and service quality, while consumers in the emerging markets have different perception towards people in traditional market, they are seeking for social status and symbols rather than the quality of the products (PwC, 2012).

Emerging Market	Traditional Market
1. Target brand loyalty	1. Direct interaction
2. Excess	2. Quality
3. Extravagance	3. Innovation
4. Traditional and Ostentation	4. Exclusivity
5. Research of Status	5. Service
6. Push Strategy	6. Shopping experience
7. Shopping experience	7. CRM (Custom Relationship)

Figure 1. 1: Features of Emerging Market and Traditional Market

Source: Winners and strategic drivers PwC, 2012

According to Bain & Company (2012), the predication the worldwide luxury goods market revenues will grow by 7 percent at the end of the three months of 2012 and the total revenue estimated reaches 212 billion (Euro dollars).

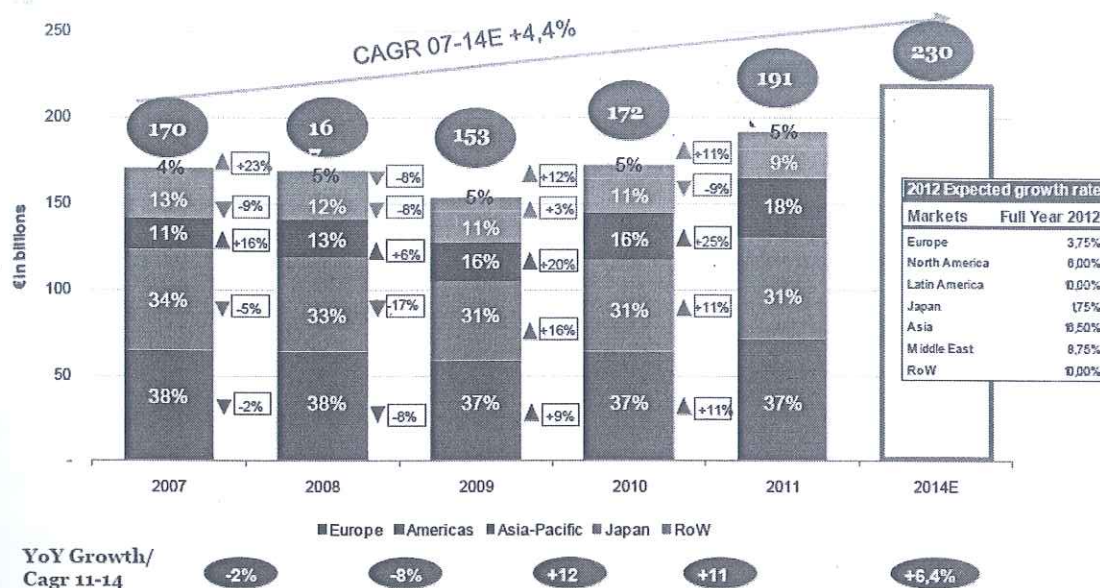


Figure 1. 2: Worldwide luxury Goods Market trends by geography 2007-2014E

Source: PwC's analysis Altagamma report, 2012

Emerging market always has a younger generation capable of spreading strong long-term growth rates by replenishing aging workers and consuming goods (Krauss, 2009). As shown in (Figure 1. 2), emerging market have 25 percent growth potential compare with the last two years (2010 and 2011), almost half of the revenue generate from emerging markets.

1.1.2 Overview of Luxury market in Asia

The luxury market has experienced significant growth in the past ten years. According to Euromonitor (2011), it is expected to reach USD 240 billion by 2015. Apart from Italy, Spain and Japan, high-end goods markets are growing significantly across the world (Branchini, 2011). Most research in the area of luxury consumption has traditionally been undertaken in Europe countries and North American which is the country of origin of the luxury brand products, more recently