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MASTER OF BUSINESS ADMINSTRATION

Factors Affecting Luxury Products Preference among Foreign Students in Malaysia

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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 aboard. Obviously, the increasing number of foreign students will add some positive effect on an economy also for the luxury market. The customer behavior desirve attention for when a brand wants to 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 face 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 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 vaild participants in this research.

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

(230 words)

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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.

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BCG-Boston Consulting Group

CAGR-Compound Annual Growth Rate

IO- International Office

KMO-Kaiser-Meyer-Olkin

RM - Riggit 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

[handwritten: Phua or Phau (Reference page mismatch)]

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 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).

[handwritten: 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 2. Excess 3. Extravagance 4. Traditional and Ostentation 5. Research of Status 6. Push Strategy 7. Shopping experience	1. Direct interaction 2. Quality 3. Innovation 4. Exclusivity 5. Service 6. 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).
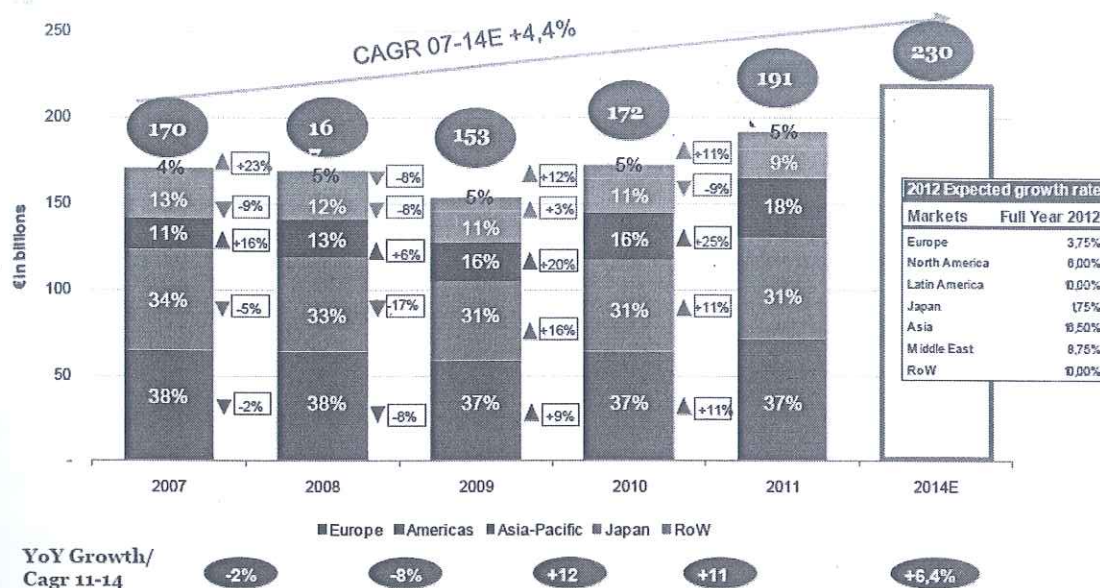
Figure 1. 2: Worldwide luxury Goods Market trends by geography 2007-2014E
Source: PwC's analysis Altagamma report, 2012

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