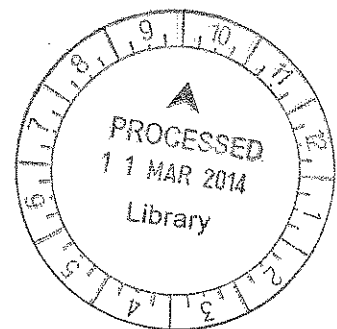


**INTI INTERNATIONAL UNIVERSITY**

**MASTER OF BUSINESS ADMINISTRATION**

**COMPARING THE IMPORTANCE OF LUXURY VALUE  
PERCEPTIONS AND PURCHASE INTENTIONS  
BETWEEN MODERN BELIEVERS AND  
NON-MODERN BELIEVERS IN MALAYSIA**

**FOR REFERENCE ONLY**



<b>Author</b>	<b>:</b>	<b>TIONG JIAN XI</b>
<b>Student No</b>	<b>:</b>	<b>I 12002076</b>
<b>Supervisor</b>	<b>:</b>	<b>Dr MUDIARASAN KUPPUSAMY</b>
<b>Submission Date</b>	<b>:</b>	<b>6<sup>th</sup> DECEMBER 2013</b>
<b>Ethics Number</b>	<b>:</b>	<b>BUS/PG/UH/00300</b>
<b>Final Word Count</b>	<b>:</b>	<b>17,685 words</b>

UD  
31  
T10  
2013

**FACULTY OF BUSINESS, COMMUNICATION AND LAW**

## ABSTRACT

Segmenting the population assisting marketers to bridge the gap of the rapid changes based on uncertainties of desirable needs and wants. One of the most noticeable market segments throughout the studies is psychographic segmentation by adopting both psychology (e.g. lifestyle) and demographic profile (e.g. age) bases. The objective in this study is to examine the value perceptions of modern believers and non-modern believers in Malaysia toward luxury purchase intention. In order to seek the differences between fashion conscious modern believers and non-modern believers, quantitative approach is adopted as this suited the best for descriptive and causal research. Independent t-test, partial least squares structural equation modelling (PLS-SEM) and partial least squares multi-group analysis (PLS-MGA) techniques were adopted to analyse the collected data. The findings suggest that, in general, consumers in Malaysia perceived combination of price and quality values (positive relationship) are equally important than expressive values. Whereas, modern believers deemed to have greater self-directed value perceptions and functionality value perceptions than non-modern believers. In short, this result is aimed to assist luxury brand managers in Malaysia to develop a coherent and integrated long-term strategy that fits into this unique yet collectivism society.

**Keywords:** Modern believers, luxury, values perceptions, purchase intentions, segmentation, Malaysia

## ACKNOWLEDGEMENT

I would like to express my greatest gratitude to my family, especially my father and mother to be the life exemplary. Great family support and love for me is the key factor to sustain in the competition and drive on the right path to be successful. Without their substantial support, I would be hardly to achieve what I have achieved.

I would like to pay my deepest appreciation to Dr Mudiarasan Kuppusamy, who continually conveyed a spirit of flexibility and faith on me. I greatly worship this opportunity as it made me think out of the box and breakthrough all the barriers that came along in my dissertation progress. In addition, I would like to thank Prof Dato Dr Ibrahim, Dr Jaspal Singh and Ms Yalini for the constant assistants and supports. Without these guidance and persistent help, this dissertation would not have been possible.

I would also like to pay my sincerest gratitude to few of the greatest friends I can ever have up to this moment. The knowledge learning and transferring during the discussion with Stella, Dinara, Said, Michael, Jayne and Michele have been always widen my mind, leveraging my learning capability to a higher level. Special appreciate notes to Dawson, Xiong and Hong Yee for the upmost faith and hope they always have on me. Lastly, to my adversaries and myself, as the greatest transformation of oneself is when he competes with himself. Good is always the enemy of great. I am now an elegant learner.

James Tiong Jian Xi

## DECLARATION

I hereby declare that this research is of my own effort except for those summaries and information of which that the sources have been clearly specified accordingly.

2<sup>nd</sup> December 2013

James Tiong Jian Xi

## Table of Contents

<b>ABSTRACT</b> .....	I
<b>ACKNOWLEDGEMENT</b> .....	II
<b>DECLARATION</b> .....	III
<b>LIST OF FIGURE</b> .....	VII
<b>LIST OF TABLE</b> .....	VIII
<b>LIST OF ABBREVIATION</b> .....	IX
 <b>CHAPTER ONE: Introduction</b> .....	 1
1.0 Introduction.....	1
1.1 Background .....	1
1.2 Problem Definitions .....	3
1.3 Missing Literature .....	5
1.4 Research Objectives (RO).....	6
1.5 Significance of the Research .....	7
1.6 Research Limitations .....	8
1.7 Scope of study .....	9
1.8 Chapter Summary .....	10
 <b>CHAPTER TWO: Literature Review</b> .....	 11
2.0 Introduction.....	11
2.1 Marketing and Segmentation .....	11
2.1.1 Segmentation and Psychographics.....	12
2.1.2 Theoretical Lens 1: SRI International VALS™ Framework.....	14
2.1.3 Characteristics of Modern Believers .....	14
2.2 Luxury Fashion.....	15
2.2.1 Theoretical Lens 2: Luxury Customer Values .....	18
2.2.2 Expressive Value Perceptions .....	21
2.2.3 Experiential or Hedonism Value Perceptions .....	22
2.2.4 Utilitarian or Functionality Value Perceptions.....	23
2.2.5 Price-Quality or Cost Value Perceptions .....	24
2.2.6 Luxury Purchase Intentions .....	24
2.3 Summary of Hypotheses Development.....	25

<b>CHAPTER THREE: Research Methodology</b>	<b>27</b>
3.0 Introduction	27
3.1 Research Purpose	27
3.2 Research Method	28
3.3 Research Time Horizon	29
3.4.2 Sample Population	30
3.4.3 Sample Size	33
3.5 Measurement Instrument	34
3.5.1 Questionnaires Development: Section A	35
3.5.2 Questionnaires Development: Section B	36
3.5.3 Pre-Test	38
3.6 Statistical and Analysis Method	39
3.6.1 Statistical Package for Social Science (SPSS)	39
3.6.1.1 Comparing Two Means: Independent Samples t-Test	39
3.6.2 Partial Least Squares Regression (smart-PLS)	40
3.6.2.1 Multiple Group Analysis: Parametric Approach (PLS-MGA)	40
3.7 Ethical Considerations	42
3.7.1 Voluntary Participation	43
3.7.2 Informed Consent	43
3.7.3 Privacy and Confidentiality	43
3.8 Chapter Summary	43
<b>CHAPTER FOUR: Research Analysis</b>	<b>44</b>
4.0 Introduction	44
4.1 Response Rate	44
4.2 Categorised Respondents through Mean Split	44
4.3 Descriptive Demographic Profile Analysis	45
4.4 Goodness of Measures: Assessment for Reflective Model	47
4.4.1 Reliability Analysis	47
4.4.2 Convergent and Discriminant Validity Analysis	47
4.4.3 Structural Model Evaluation – Coefficient Determination Analysis	48
4.5 Hypotheses Testing	51
4.5.1 Group Difference Testing (t-Test): Hypotheses 1	51
4.5.2 Path Analysis: Hypotheses 2 to Hypotheses 7	51

4.5.3	Multi-Group Analysis (MGA): Hypotheses 2a to Hypotheses 6a .....	53
4.6	Summary of Research Analysis .....	55
<b>CHAPTER FIVE: Discussion, Implications and Conclusion .....</b>		<b>56</b>
5.0	Introduction.....	56
5.1	Result Discussion .....	56
5.1.1	Hypotheses 1 Discussion: Differences Between Modern Believers.....	59
5.1.2	Hypotheses 2 and 2a Discussion: Self-Directed Value .....	59
5.1.3	Hypotheses 3 and 3a Discussion: Outer-Directed Value.....	60
5.1.4	Hypotheses 4 and 4a Discussion: Hedonic Value.....	61
5.1.5	Hypotheses 5 and 5a Discussion: Utilitarian Value .....	61
5.1.6	Hypotheses 6 and 6a Discussion: Cost Value .....	62
5.1.7	Hypotheses 7 Discussion: Overall Value .....	63
5.2	Theoretical and Managerial Implications.....	64
5.2.1	Theoretical Implications .....	64
5.2.2	Managerial Implications .....	65
5.3	Dimensions for Future Research .....	67
5.4	Conclusion.....	68
5.5	Personal Reflection .....	70
<b>REFERENCES .....</b>		<b>71</b>
Appendix A- SPSS Output .....		81
Appendix B- Smart-PLS Output – Overall Respondents .....		84
Appendix C- Project Paper Log.....		86
Appendix D- Initial Research Paper Proposal .....		91
Appendix E- Questionnaires .....		97
Appendix F- Project Ethics Form .....		102
Appendix G- Plagiarism Report.....		109



## LIST OF FIGURE

Figure 2-1: Global luxury sales .....	17
Figure 2-2: World wealth distributions .....	18
Figure 2-3: The overview of conceptualized model .....	21
Figure 3-1: Summary of population for each state, Malaysia .....	32
Figure 3-2: Summary of urbanization level by states, Malaysia .....	32
Figure 4-1: Results of the path analysis .....	52



## LIST OF TABLE

Table 2-1: Summary of research objectives and hypotheses .....	26
Table 3-1: Empirical justification of sample size from previous studies .....	34
Table 3-2: List of demographic questions .....	35
Table 3-3: List of variables for modern believers .....	36
Table 3-4: List of manifests towards factors (latent variables).....	36
Table 3-5: List of manifests towards factors (dependent variables) .....	37
Table 3-6: Summary of analysis methods and purposes.....	42
Table 4-1: Demographic profile of overall respondents.....	46
Table 4-2: Composite reliability and convergent validity analysis.....	49
Table 4-3: Outer loadings and cross loadings for overall respondents .....	50
Table 4-4: Discriminant validity of overall respondents .....	50
Table 4-5: t-Test for Hypotheses 1 .....	51
Table 4-6: Path coefficients and hypotheses testing (H1 to H7).....	53
Table 4-7: Multi-Group analysis for modern believers and non-modern believers .....	54
Table 4-8: Summary of status of tested hypotheses .....	55
Table 5-1: Hypotheses result summary .....	57
Table 5-2: Results explanation .....	58

## LIST OF ABBREVIATION

MB	:	Modern Believers
NMB	:	Non-Modern Believers
SD	:	Self-Directed Value
OD	:	Outer-Directed Value
EH	:	Hedonic Value
UH	:	Functional Value
CS	:	Cost Value
OL	:	Overall Value
PI	:	Purchase Intention
n	:	Number of Respondents
se	:	Standard Errors
CR	:	Composite Reliability
AVE	:	Average Variance Extracted
$R^2$	:	Coefficient of Determination
$\beta$	:	Path Coefficient

## CHAPTER ONE:

### Introduction

#### 1.0 Introduction

This chapter endeavours on analysing the gaps that are apparent in the intention diversions of luxury goods purchases between both modern and non-modern believers who are currently residing in Malaysia. It is of utmost importance to firstly outline the sequence and framework of this discussion. The entailing areas that would be central to the study and discussion on this Chapter are namely; the background of study, problem definition, missing literatures, research objectives, significance of research, research limitation and scope of study.

#### 1.1 Background

Comprehension on the demarcation between different types of consumers and the intentions of consumer purchases can be achieved through the discussion and contemplation of *market segmentation*. Wind (1978) and Dibb (1998) supported the statement elaborating that businesses in all industry sectors, market segmentation always play a prominent role for strategic planning. The consensus is apparent and the reason expressed is clear; market segmentation helps marketers or the business to focus precisely on their targeted group of customers or end-consumers. Generally, subject to some qualifications, the demand and preferences of products and services of the overall population are becoming increasingly diverse. Such a response is not only present in Malaysia but also can be observed globally in a way that there is a sharp rise in the degree of satisfaction in terms of both products and services (Dibb, 1998). Such an analysis on market segmentation strategy proves to be extremely helpful in finding the homogeneity in the heterogeneous state of customer bases.

Market segmentation creates linkage between marketers and customers by understanding the role of supply and demand of the game. Conventionally, practitioners' view the barriers of global market remarkably rely on the economy, cultural and languages. Nevertheless, Hassan and Craft (2005) debating on this issue as the barriers should not stop just at only external and visible point, but the purchasing behaviour or the buying pattern of the society reflecting an even stronger issue to be included during the market research. Psychographic segmentation came into the picture of adopting both psychology (e.g. lifestyle) and demographic (e.g. age) bases. Robinson (2009) later summarized that a population can be broken down into five segments, notably as innovators, who lavish on developing new ideas and gadgets; early adopters, are those who are fashion conscious and loved to be seen as leader and have time and money to invest; early majorities, are those who sensitive to price and risk averse; late majorities, who particularly more conservative, and laggards who perceived high risk in adopting new idea. All these elaborated segments are highly interconnected in developing precise marketing strategy. Marketers have been always aggressively in searching relevant innovators and early adopters with the intention to influence the targeting audiences through viral marketing.

Luxury fashion goods have shown an unprecedented pattern of growth in most of the corners in the world, especially emerging markets. Souiden, M'saad and Pons (2011) observed that not only the upward market or higher income level segments of consumers purchase luxury items, recently, consumers with rather limited financial resources started to join into picture, especially those in emerging countries with the growth ranges from 20% to 35%. PwC (2012) reported that the worldwide luxury spending has increased by 13% in 2010 and 10% in 2011 led by emerging markets, supporting the phenomenon of growing luxury spending after the financial crisis in year 2007. Fionda and Moore (2009) indicated that out of various factors, rising numbers of individuals with an appetite for luxury consumption reflects to be the most significant factor. This factor is then pushing supplier of luxury fashion goods to develop business strategies to continuously seeking better service for customers (e.g. customer values perceptions).

Consequently, aligning with the subsequent factor; approaches to study the behaviour of customers purchase intention towards luxury products have been taken aggressively. Ko and Megehee (2012) have constructed a robust research of recent studies and its contributions in this specific industry; total four categories have been outlined, namely as luxury value, luxury brand management, luxury consumer behaviour and luxury brand counterfeiting. These four categories have shown the significant relationship between fashion marketing and the consumption of luxury brands. In conjunction, Shukla and Purani (2012) developed a model to investigate the customer luxury value perceptions towards purchase intention in cross national contexts. In the view of foregoing, development of the luxury market has awakened the interest of researchers and practitioners as an integral of consumer culture.

## 1.2 Problem Definitions

In the recent Asian Management Review, Heggde (2013) raised the concern of the replacement of India over China in luxury market due to the manifold of growth. The scholar pointed the increasing numbers of high net-worth individuals (increased 35 per cent from 2009 to 2012) are responsible of the dynamic growth. The elaborated phenomenon should have been foreseen when Davitt (2011) reported that between all the nations in Asia Pacific, Singapore, Japan and India lead other countries in terms of ownership of luxury goods (luxury item worth more than US\$ 500, approximately MYR 1595) and were among the top luxury consumers. However, in the same report, Indonesia, Malaysia and Philippines are the nations owning the least number of luxury items, according to the findings from the survey of MasterCard on consumer Purchasing Priorities on Luxury Shopping. Further, Burn-Callander (2013) reported in Telegraph, that Malaysia is ranked as second most active shopper nations, after China, per trip in United Kingdom, with average spending of 778 Euro (approximately MYR 3368).

To support the disclosure, in the report of Department of Statistics Malaysia (2013), despite the fact that the Consumer Price Index (CPI) has increased 1.6%



from January-June 2012 to January-June 2013; however, the *Clothing & Footwear* category experienced decrement at 0.7%. In addition, Foreign Direct Investment in Malaysia by wholesale and retail trade has decreased 43.3%; which is from RM 3,325 million to RM 1,886 million respectively by year 2011 and 2012. The indications, however, reflecting that current Malaysian shopping or luxury product purchasing trend is somewhat differed from the Malaysia Economic Transformation Programme since 2009. The core objective is to leverage the domestic income level to high income level through the programme. Therefore, a clear and widening gap could be easily spotted of the effort by Malaysia's government to the current real situation. All these economic indicators have shown a significance downturn of apparels and non-apparels industries, which luxury fashion retailers and wholesalers hold vital role in corresponding towards the shifts.

As such, current situation has provoked the necessity to seek for the values perceptions among Malaysians towards their purchase intentions in luxury fashion industry. The reason is simple as value perceptions differed by nations, and is important for these luxury fashion leaders to seek the homogeneity and heterogeneity between the nations within Asia Pacific. Over the decades, studies have been conducted by scholars and practitioners across the globe to investigate the real values reflecting luxury fashion products; however, there was no proper yet structured model has been developed to measure luxury value perceptions towards purchase intention until the publication by Shukla and Purani in 2011 and 2012. Understanding the characteristic of each value perceptions projected to be essential in order to clarify the confusion of what businesses think and what consumers demand. Of course, argument arises where businesses create demand, nevertheless, without the consumers' purchasing power, the creation will seize to be a worthless investment. There were only limited studies have been conducted in Malaysia and most of the studies aimed at the general population than specific contexts. Hence, the study was not only conducted to examine the luxury purchase intention but also, precisely focus in the contexts between modern believers and non-modern believers.

Modern believer, in the findings of Baharun et al. (2009) explained modern believers as the culture which heavily following the latest fashion trends and these components may represent to be the dominant dimensions of Malaysian population. The findings contributed by Baharun et al. (2009) were developed through the adoption of VALS<sup>TM</sup> framework, one of the most notable psychographic frameworks invented by SRI International. However, due to the license and copyright issues, the findings were then been factorized independently, as well categorized accordingly. Moreover, the study has only undergoes the context between investors and non-investors in Malaysia, which also notable as financial industry. The problem remains as there has yet not been a study fully discovering the modern believers and non-modern believers in luxury fashion industry in Malaysia, which appear to be highly relevant towards the contexts. The issue raises the importance to seek the heterogeneous of this specific yet amorphous psychographic segment in Malaysia through the assistance of luxury purchase intention model developed by Shukla and Purani (2012). Furthermore, there has yet not been a study fully discovering the possible relationship of modern believers and non-modern believers towards the luxury purchase intention. All in all, there is necessary to identify the segments of modern believers and non-modern believers in order to bridge the gap for marketers or business practitioners, especially in luxury fashion industry to design and strategize more effective approaches to Malaysia's consumers. As such, the research question is raised; what could be the most influential factor or value affecting Malaysians to purchase more luxury fashion products?

### **1.3 Missing Literature**

Based on the relative literature review, there have no studies examining on the association and correlation of luxury value perceptions within modern believers and non-modern believers in Malaysia. Referring to the previous studies accomplished by scholars and practitioners on modern believers and non-modern believers towards luxury fashion purchase intention are shown to be relatively limited. Most of the studies have shown on full adoption of VALS<sup>TM</sup>