MASTER OF BUSINESS ADMINISTRATION

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

Author : TIONG JIAN XI
Student No : I 12002076
Supervisor : Dr MUDIARASAN KUPPUSAMY
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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
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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.

2nd December 2013

James Tiong Jian Xi
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<td>NMB</td>
<td>Non-Modern Believers</td>
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<td>SD</td>
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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™ 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™