

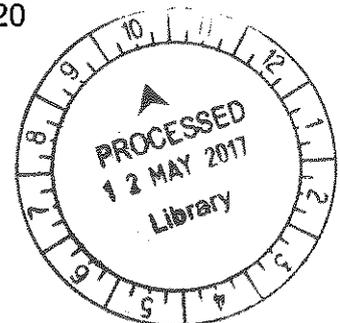
INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Consumer Attitudes towards Furniture Buying at Limbang, Sarawak.

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ABSTRACT

Since Malaysian furniture industry has undergone dynamic transformation, it makes Malaysia's furniture export world ranking was 8th in 2011 for all types of furniture. Besides, the furniture industry can leverage on the rising demand for furniture in the growing domestic property sector. Other than catering for homes, Malaysian furniture industry also cater for hotels, stadiums, conference centres, schools, hospitals etc.

This study suggests a research model that assists to determine consumer attitude towards furniture buying. The research study further on the relationship between furniture buying behavior with the factors: quality, price, aesthetics, comfort, durability and availability. It is concluded that aesthetics and availability is the significant factors that influence furniture buying behavior at Limbang, Sarawak.

Furniture retailers in Limbang, Sarawak are benefitted from the research since they are able to determine the factors that influence furniture buying behavior of their consumers. With improved aesthetics value of the furniture such as the design, colour and material as well as availability where the retailers could meet their consumers demand, the sales could be increased and more understanding of consumer behavior.

This study also gives suggestions and recommendation for future research in related areas in Malaysia as well as the limitation of study is elaborated.

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Fatin Arina binti Matusin

DECLARATION

This thesis is a presentation of my original research work and it has not been submitted anywhere for any award. Wherever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature and acknowledgement of collaborative research and discussions.

The work was done under the guidance of Associate Professor Dr. Soney Mathews, at the INTI International University, Nilai, Malaysia.

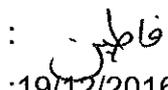
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Chapter 1 Introduction

1.1 Overview

This chapter introduces the research briefly by following this area which is background that discusses about the rationale of the research, problem statement, objectives and research questions, significance in doing the research, scope that is the focus of the research and limitations of the research. Furthermore, this chapter gives an overview of the research and justify the aims that should be achieved at the end of the research. The benefits from the findings are described as well as the flow of the research.

1.2 Background of the study

Nowadays, furniture is necessity for any household and it has been considered as essential household items. Furniture facilitates comfort to relax and to carry out domestic affairs for the family members and to accommodate visitors, offices and business houses are also equipped with trendy furniture (Dodiya, 2015).

1.2.1 World Furniture Industry

According to CSIL (2009), world production of furniture is worth about US\$ 350 billion. In order of furniture production, the seven major industrial economies which are the United States, Germany, Italy, Canada, Japan, the United Kingdom as well as France together produce 47% of the world total. The combination of furniture production from all developed countries covers 61% of the world total with 39% of the world total furniture production are from emerging countries currently. World Furniture Indicators and furniture trade basically involves 60 countries. The leading importers are the United States, Germany, France, the United Kingdom and Canada meanwhile the major exporters are China, Italy, Germany, Poland and the United States.

In addition, Husin (2012) stipulated that the world furniture production in 2011 was US\$421.6 billion. On one hand, production in Poland, China and Vietnam increasing rapidly because of investments in new plants especially designed and built for export. As a result, the world furniture industry export in 2011 was

US\$120.9 billion while the world furniture industry import was US\$111.9 billion. Therefore, world consumption total was US\$412.2 billion in which EU countries, Norway, Switzerland, Iceland, North-America cover 46% and Asia Pacific 44%.

1.2.2 Malaysian Furniture Industry

The Malaysian Furniture industry has undergone dynamic transformation over the years to a technological driven industry from a traditional cottage operation in which more than 2,400 furniture companies. By exporting to more than 160 countries every year over RM 7 billion, the furniture industry becomes one of biggest contributor for Malaysia's revenue. This is a result of evolution from being a provider of raw materials to a strong manufacturing foundation, skilled workers, a vast amount of high quality wood supplies, good manufacturing practices and excellent design capabilities (MATRADE, 2016).

Furthermore, Malaysia offers a vast variety of choices to local wood furniture including furniture from a combination of materials, imported woods, metal, plastic, and composite. Malaysian furniture producers use mixture of material innovation like polyethylene and metal, composite, wood, producing designs that are both aesthetic and functional to keep abreast with development. However, a usual challenge that Malaysian furniture faced is to provide quality designs that suit the taste as well as lifestyle of different generations.

MATRADE (2016) informed that, the variety of creativity in Malaysian design delights from regular furniture to designer items and the veteran collector as well as the experienced theme decorator. Consequently, furniture manufacturers in Malaysia are incorporating sustainable and chemical free fabrics fibres in their upholsteries, adopting green manufacturing methods besides using green wood as the effort to go green.

Other than catering for homes, for today's discerning market Malaysian furniture is penetrating high end applications with increasing five-star resorts and spas. In order to imbue their setting with a natural ambiance, they are catering for the evergreen demand of Malaysian made furniture. Thus, Malaysian supplier do not only leveraging for the end user instead also supply for institutional users like conference centres, hotels, schools, hospitals, stadiums and F1 lounges as well as contracts.

Generally, Malaysian furniture manufacturers have progressed to original brand manufacturer (OBM) from original equipment manufacturer (OEM), for all types of furniture applications. With a wide variety of offerings, Malaysia is amongst the leading global producer of furniture for all industries by having enhanced capabilities and capacity in producing furniture of innovative designs, quality, coupled with brand development and aggressive marketing (MATRADE, 2016).

Adding on, Husin (2012) said that Malaysia's furniture export world ranking was 8th in 2011 for all types of furniture. Therefore, Malaysia export value of all furniture USD 2.5 billion in 2011. At the same time, Toh (2016) stated that the furniture industry can leverage on the rising demand for furniture in the growing domestic property sector, despite the impressive growth in the export market, said Malaysian Furniture & Furnishings Fair (MF3) organising chairman Alfred Yow.

Based on the Malaysian Property Market Report 2015, a total of 362,105 units of properties developed. From this figure, 274,789 units are residential, commercial and industrial properties. Toh (2016) recorded that Yow said there is a potential for our industry to capitalise on the demand for furniture in the domestic property market in this context during the opening ceremony of MF3. He also said that the furniture industry is the most dynamic among the timber-based sectors in Malaysia, contributing significantly to the total export earnings of timber and timber products. In 2015, export of total furniture products was valued at RM9.14bil, an increase of 14.1% compared to RM8bil in 2014. Among the furniture products, wooden furniture exports was valued at RM7.29bil and accounted for 80% of total furniture exports in 2015. He added that the industry, which depends largely on foreign labour, needs to strengthen innovation and optimise resources through more mechanisation and automation in the furniture manufacturing processes.

According to Osman (2015), with over 90% of its production exported, Malaysian furniture industry is highly export-oriented. Thus in 2010, it makes Malaysia as the ninth largest exporter of furniture in the world by exporting to more than 160 countries. With the major export destinations were the Australia, Japan and USA, exports of wooden furniture amounted to RM6.2 billion in

2011. Other than the traditional markets, Malaysian furniture has gained access to the markets in Russia, South America, Middle East, New Zealand, and Africa. Other than that, Malaysia act as main supplier for Middle East market for office furniture.

Moreover, Osman (2015) provided that mainly located in Peninsular Malaysia, there are more than 2,000 Malaysian furniture companies in operation that is a high concentration of furniture establishments in Selangor, Johor and Malacca. For the export market, Malaysian furniture manufacturers have given greater emphasis on the design and production as well as finishing of higher quality products with own-brand. Some of these companies have moved towards manufacturing own-designed furniture from supplying ready-to-assemble furniture.

Subsequently, Malaysian furniture manufacturers today recognized the need to move from designing manually to the use of Computer Aided Design (CAD), AutoCAD is one of the popular software system used. In order to utilise a wide range of other materials like metal, plastic, glass and other composite materials in combination with rubber wood or other wood species, Malaysian furniture companies have ventured for the increasingly sophisticated market to produce designs which are both aesthetic and functional.

Referring to Wong (2015), the furniture industry remains a significant timber product earner in the country and Sarawak contributes RM40 million of the total national export. Chief Minister Tan Sri Adenan Satem said despite the state's 1% in the total national wooden furniture export contribution, Sarawak registered an increase of 33% in the trade last year. He also said that we have the resources but furniture industry players in the state need to strive further thus we will continue to support and promote the development of the furniture industry in order to be competitive in the global market. Hence, Sarawak is an important player in the international tropical timber market and timber products. Despite various challenges, the timber industry still remains as one of the main contributor in the state's economy over the past decades. This sector, which continues to have high growth and immense potential, is currently occupying

fourth position in terms of export earnings after liquefied natural gas, crude petroleum and petroleum products and palm oil.

Last year Sarawak timber product exports were recorded at RM7.3 billion, which accounted for state's total export earnings. This is also a 1.3% increase in export compared to its performance in the previous year. Sarawak export accounts for 36% of Malaysia's total timber product export of RM20.5 billion last year.

1.3 Problem Statement

Datuk Patinggi Tan Sri Haji Adenan Haji Satem expects the State economy to remain resilient and estimated to grow at 4.0%, despite softening export growth due to lower commodity prices (Anak Sarawak, 2016). The growth is expected to remain broad based and continue to be driven by the services sector, supported by private consumption and tourism related activities. He said growth will also be driven by higher demand for resource-based products.

On the other hand, Furuoka (2014) mentioned that population can have neither positive nor negative impact on economic development thus his findings also indicated that income expansion did cause the population expansion in Sarawak, Malaysia. Sarawak is entering a very challenging phase of development in the economic transformation from medium to High Income Economy. Hence, the people must strive to do better and benchmark themselves against the best. Basically, the future of Sarawak lies in the degree of efficiency and continuous commitment to manage the State resources effectively (Anak Sarawak, 2016).

Subsequently, The Straits Times (2016a) informed that Bank Negara contrastingly small foreign reserves comparing with other Asian countries that left the central bank with less option. Therefore, Malaysia's central bank is asking foreign banks to make a written commitment to refrain from the ringgit in the offshore non-deliverable forwards market in order to protect a weakening currency. This is a proof that the authorities are tightening controls on the ringgit.

According to The Straits Times (2016b), Bank Negara Malaysia Assistant Governor Adnan Zaiyani said the central bank was currently intervening in the foreign-exchange market. Furthermore, Bank Negara has urged banks to disregard the offshore rates from the non-deliverable forward markets as well as use the central bank's officially quoted onshore rates instead. Other than that, Bank Negara told local banks to not quote prices on the ringgit based on the prevailing NDF rate therefore asking foreign banks to stop non-deliverable forward related transactions. This shows that Malaysian ringgit weaken thus it is cheaper than other currencies.

Adding on, imported items become more expensive due to higher costs because of the exchange rates. Therefore, the industry will have less imported items if they do, it will be expensive. Thus, local products will become the major sales. In this case, there might be no variation since imported items have different values than local products. However, the export items become cheaper for the receiver countries since the ringgit has dropped.

REA Group Chief Operating Officer-International Arthur Charlaftis stated that significant increases seen in the cost of living in Malaysia that includes the increased price of fuel, toll-ways and public transport as well as the introduction of the Goods and Services Tax last year in which caused significant impact to Malaysian families (Bernama, 2016). Since price of most of the items increased, people feels they need to reduce purchasing other than necessities and save more for their future. Low income family might struggle to at least having food to eat. Hence, the purchasing of furniture might be declined.

In a nutshell, the research is focusing on consumer attitude towards furniture buying behavior at Limbang, Sarawak. As the research conducted in Limbang is minimum so that it is important to understand the consumer attitude towards furniture buying behavior of this industry. In addition, this research will discuss the factors that influence furniture buying behavior of consumers in Limbang, Sarawak. Furthermore, the outcome of this study will determine consumer attitude towards furniture buying at Limbang, Sarawak.

1.4 Research Objectives

This research aims to help the researchers to discover the consumer attitude towards furniture buying behavior at Limbang, Sarawak. At the same time, this research may help to improve the understanding towards consumer furniture buying.

The research objectives are formulated as follows:

- a) To determine the factors that influence furniture buying behavior in Limbang, Sarawak.
- b) To determine the highest significant factor that influences the furniture buying behavior in Limbang, Sarawak.

1.5 Research Questions

Based on the research objectives above, this research focuses on evaluating the relationship between factors that influence furniture buying behavior as well as the consumer attitude towards furniture buying at Limbang, Sarawak.

The following are the main questions in this research:

- a) Do the quality, price, aesthetics, comfort, durability and availability influence furniture buying behavior at Limbang, Sarawak?
- b) Does availability has the highest significant influence furniture buying behavior at Limbang, Sarawak?

The above research objectives and research questions aims to direct the research to obtain appropriate results for the relationship between factors that influence furniture buying behavior and the consumer attitude towards furniture buying at Limbang, Sarawak.