Constructing a Consumption Model for Malaysian Consumers

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Abstract

The objective of this research is to construct a consumption model for Malaysian consumers. The research is important for Malaysian national agenda, especially, in achieving a societal integrity, social cohesion, the vision of 2020, and developed country per capita income, with the slogan of "1 Malaysia, People First, Performance Now". The consumption pattern of Malaysian consumers has changed markedly since 2005 as shown by several indicators such as consumer price index (CPI), per capita income and inflation rate. The per capita income for Malaysia has risen but at a very slow pace. It was USD5372 in 2005 and at the end of 2013 it has amplified to USD6765, a rise of 26 per cent. Therefore, Malaysia has to work harder by 121 percent to achieve the 2020 target of USD15,000 per capita income. Furthermore, as compared to per capita income of the consumers, the rise in consumer prices was incomparable. The consumer price index (CPI) increased from 95.4% in year 2000 to 122.8% in 2013. This implies that the consumer have to pay a higher price for purchase of consumer products nowadays. It has been a source of dissatisfaction among consumers. The price hike was triggered by a few factors such as the increase of the oil palm, rubber and fuel prices.

Keywords: Consumption pattern, consumer life style, consumer value, consumer motive, and consumer preference

1.0 Introduction

The consumption pattern of Malaysian consumers is changing drastically in recent years. This can be observed from the consumer price index which indicates a steady rise from 95.4% in year 2000 to 122.8% in 2013. This implies that the consumer have to pay a higher price for purchase of consumer products.

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Hence, the objective of this research is to construct a consumption model for Malaysian customers.Importance to National Agenda, societal integrity, social cohesion, achieved the vision of 2020, developed country per capita income, "1 Malaysia, People First, Performance Now".

2.0 Problem Statement

The consumption pattern of Malaysian consumers has changed markedly since 2005 as shown by several indicators such as consumer price index (CPI), per capita income and inflation rate. The per capita income for Malaysia has risen but at a very slow pace. It was USD5372 in 2005 and at the end of 2013 it has amplified to USD6765, a rise of 26 per cent. Therefore, Malaysia has to work harder by 121 percent to achieve the 2020 target of USD15,000 per capita income. (www.tradingeconomics.com). Furthermore, as compared to per capita income of the consumers, the rise in consumer prices was incomparable. The consumer price index (CPI) increased from 95.4% in year 2000 to 122.8 in 2013. This implies that the consumer have to pay a higher price for purchase of consumer products nowadays. It has been a source of dissatisfaction among consumers. The price hike was triggered by a few factors such as the increase of the oil palm, rubber and fuel prices. On top of that, the government intends to impose Goods and Services Tax (GST) in 2015 as another burden on consumers. The focus of this study is in the food and non-alcoholic beverages, housing, utilities and transportation. In Malaysia, the most important categories in the increase of consumer price index are food and non-alcoholic beverages (30 percent of total weight) and housing, water, electricity, gas and other fuels (23 percent of total weight) and transport (15 percent) (Malaysia Inflation Rate.htm, retrieved on March 3, 2014)(Table 1 and Figure 1). Importance to National Agenda, societal integrity, social cohesion, achieved the vision of 2020, developed country per capita income, "1 Malaysia, People First, Performance Now".

Table 1: The Consumer Price Index Increase by Category in January 2014

Categories	Consumer Price Index increase
Food and non-alcoholic beverages	30
Housing, water, electricity, gas and other fuel	23
Transport	15
Communication	6
Recreation and culture	5
Furnishings, household equipment and routine household maintenance	4
Restaurants and hotels	3.2
Miscellaneous goods and services	6.3

Sources: Malaysia Inflation Rate.htm, retrieved on March 3, 2014

Figure 1: The Consumer Price Index Increase by Category in January 2014
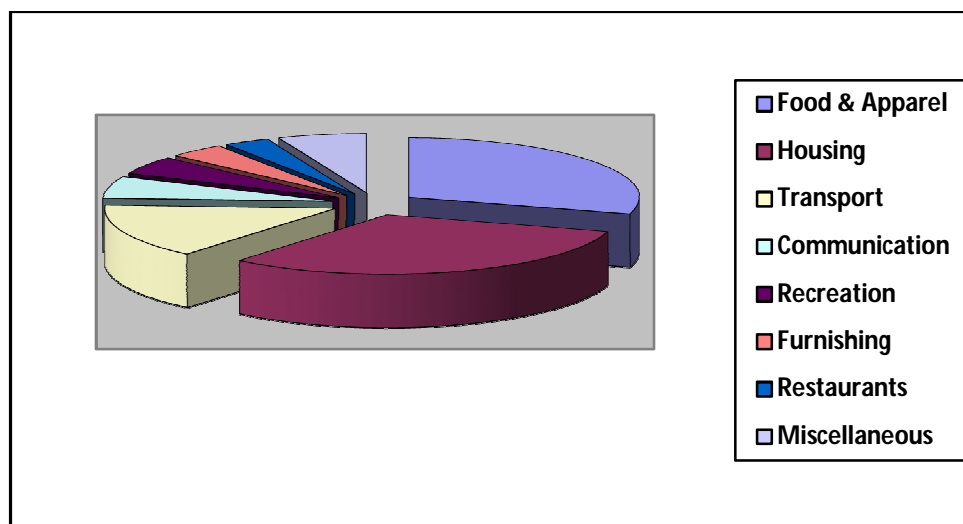
Source: Malaysia Inflation Rate.htm, retrieved on March 3, 2014

3.0 Hypotheses

H1. Consumer life style is a direct predictor of consumption pattern.
H2. Consumer value is a direct predictor of consumer life style.
H3. Consumer motive is a direct predictor of consumer life style.
H4. Consumer preference is a direct predictor of consumer life style.
H5. Price is direct predictor of consumer value.
H6. Product is a direct predictor of consumer value.
H7. Place is a direct predictor of consumer value.
H8. Promotion is a direct predictor of consumer value.
H9. Price is direct predictor of consumer motive.
H10. Product is a direct predictor of consumer motive.
H11. Place is a direct predictor of consumer motive.
H12. Promotion is a direct predictor of consumer motive.
H13. Price is direct predictor of consumer preference.
H14. Product is a direct predictor of consumer preference.
H15. Place is a direct predictor of consumer preference.
H16. Promotion is a direct predictor of consumer preference.
H17. Consumer life style mediates the relationship between consumer value and consumption pattern.
H18. Consumer life style mediates the relationship between consumer motive and consumption pattern.
H19. Consumer life style mediates the relationship between consumer preference and consumption pattern.
H20. Consumer value mediates the relationship between price and consumer life style.
H21. Consumer value mediates the relationship between product and consumer life style.
H22. Consumer value mediates the relationship between place and consumer life style.
H23. Consumer value mediates the relationship between promotion and consumer life style.
H24. Consumer motive mediates the relationship between price and consumer life style.
H25. Consumer motive mediates the relationship between product and consumer life style.
H26. Consumer motive mediates the relationship between place and consumer life style.
H27. Consumer motive mediates the relationship between promotion and consumer life style.
H28. Consumer preference mediates the relationship between price and consumer life style.
H29. Consumer preference mediates the relationship between product and consumer life style.

H30. Consumer preference mediates the relationship between place and consumer life style.

H31. Consumer preference mediates the relationship between promotion and consumer life style.

4.0 Literature Reviews

4.1 Consumer Consumption Pattern

Consumption pattern is defined as the way of using, eating, or drinking something, or the amount that is used or the amount that is bought and used. Some examples are consumption of fuel/energy, consumption of fruit and vegetables, consumption of junk food, domestic/home consumption (Cambridge Business Dictionary

http: //dictionary.cambridge.org/dictionary/business-english/consumption, retrieved on March 12, 2014). Ironically, most marketing textbooks fail to define consumption pattern under the consumer behavior section. Alternatively, Alayew (2009) define consumption pattern as an estimate of consumption of household within one week period. Presumably, consumers are individuals who buy products or services for personal use and not for manufacture or resale. A consumer is someone who can make the decision whether or not to purchase an item at the store, and someone who can be influenced by marketing and advertisements. Any time someone goes to a store and purchases a toy, shirt, beverage, or anything else, they are making that decision as a consumer (http://www.investorwords.com, retrieved March 12, 2014).

There is a growing concern among the Malaysian consumers regarding the changing consumption pattern in Malaysia. Of late, consumers are feeling the pinch of higher product prices for example the fuel prices, poultry, fish and other household goods. This pattern is shown in the increased consumer price index (CPI) from 95.4% in 2000 to 122.8 in 2013. This implies that the consumer have to pay a higher price for purchase of consumer products nowadays. It has been a source of dissatisfaction among consumers. The consumer price hike was triggered by a few factors such as the increase price of raw commodity, removal of government subsidy, high demand of products compared to supply, increased prices of oil palm and rubber.

On top of that, the government intends to impose Goods and Services Tax in 2015 as another burden on consumers. Hence, this study intends to solicit the perceptions of consumers on the price increased of important products and services.

4.1.1 Consumer Consumption Pattern Models

Past studies has shown scarcity in the development of a model in consumption pattern for Malaysian consumers (Munusamy & Hoo, 2008; Hawkins, Roupe and Coney, 1981; Veenma, Kistemaker, Lowik & Hulshof 1995). Only two studies have modelled a consumption pattern model which was conducted in United States and Holland (Hawkins, Roupe and Coney, 1981; Veenma et al., 1995). One of the models suggested that predominate consumption pattern is predicted by predominate consumer lifestyle, use situations consumers face, predominate value, motive and preference system, physical landscape and psychological landscape (Hawkins et al., 1981). Similarly, Veenma et al., (1995) proposed a consumption model for convenience food usage in Holland, which suggest the antecedents of food usage as lifestyle, degree of urbanization, personal and family situation, nutritional knowledge, quality conscious, weight conscious, health conscious, and socio-economic status. Alternatively, Munusamy and Hoo, (2008) only examine 4Ps as the direct antecedents (price, product, place and advertising) of consumer motive in three Tesco Stores in Klang Valley, Malaysia.

Based on the above discussion, this study integrates the three consumption pattern models to formulate a new conceptual framework for this study as in Figure 2 (Hawkins et al., 1981 and Munusamy and Hoo, 2008).

4.2 The Antecedents of Consumer Consumption Pattern

The three previous models suggest that consumer consumption pattern can be explained by direct predictors and indirect predictors. The direct predictors of consumption pattern are consumer lifestyle (Hawkins et. al, 1981; Veenma et al., 1995), use situations customers face (Hawkins et. al, 1981), degree of urbanization, personal and family situation, weekdays, socio economic status, nutritional knowledge, quality conscious, health conscious, weight conscious and curious customer (Veenma et al., 1995). The indirect factors of predominate consumption pattern are predominate value, motive, preference system, physical landscape, and psychological landscape (Hawkins et. al, 1981).

Finally, the antecedents of consumer motive are price, product, place and advertising (Munusamy & Hoo, 2008). For this study, the selected direct antecedents of consumption pattern is consumer lifestyle, indirect factors (mediators) are consumer value, consumer motive and consumer preference and four exogenous variables (price, product, place and advertising).

4.3 Consumer Lifestyle

Consumer life style is defined as entity that purchases and uses products and services for the purpose of individual or household consumption. In other words, consumer life style is referred to a way of living that influences and is reflected by one's consumption behavior (Bin & Dowlatabadi, 2005).

4.4. Consumer Value

Consumer value is defined as a low price, whatever he or she wants in a product, the quality he or she gets for the price they pay, and what he or she gets for what they give (Zeithaml, 1988). Kahle (1996) recommends that consumer value is refer to people experiences and learning process.

4.5. Consumer Motive

Consumer motive is defined as internal impulses which simulated initiate some type of responses. In other words, consumer motive contribute to the drivers of behavior that bring consumers to the retail store (Duncan, 2005).

4.6 Consumer Preference

Consumer preference is defined as improved information flows enable organization to respond more efficiently to shift in consumer preferences, and to customized their products and services to their needs (dictionary.cambridge.org/dictionary/business-english,retrieved on March 12, 2014).

4.7. Marketing Mix (4Ps)

Kotler and Amstrong (2006) defined marketing mix as 4P's namely the price, product, place, promotion. Marketing mix is designed to influence consumer decision-making and lead to profitable exchanges (Peter & Donnelly, 2007). In other words, the marketing mix is the set of marketing tools which used by organizations to pursue their marketing objectives in the target market (Munusamy & Hoo, 2008).

4.7.1 Price

According to Campbell (2009), the definition of price can be divided into two: from the marketing manager's perspective and from the consumer's perspective. From the marketing manager's perspective, the price is what the consumer is willing to pay for the value of the bundle of attributes offered and is what produces the resources that cover all of the other activities of the firm. In contrast, from the consumer's perspective, the price represents what the consumer must sacrifice to gain the value of the bundle of attributes in the product offering. In other words, price can mean more to consumers than just a monetary exchange of value.

4.7.2 Product

Kotler and Armstrong (2006) define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Ferrell (2005) defined the product as the core of the marketing mix strategy in which retailers can offer consumers symbolic and experiential attributes to differentiate products from the competitors. In addition, Borden (1984) identified product as a thing about quality, design, features, brand name and sizes.

4.7.3 Place

Place can be defined as a set of interdependent organizations involved in the process of making a product available for use or consumption by consumers (Kotler & Armstrong, 2006). Furthermore, Berman (1996) identified place strategy as an effective distribution of products among the marketing channels such as the wholesalers or retailers. Kotler (2003) stated that place strategy in retail stores include more than the question of how consumers access the stores, it also includes the availability of products in such stores.

4.7.4 Promotion

Promotion is defined as sales promotion, advertising, personal selling, public relations and direct marketing (Borden, 1984). Meanwhile, Duncan (2005) defined promotion as the key to the market exchange process that communicates with present and potential stakeholders, and the general public. Hakansson (2005) stated that promotion appears as an issue of how to create an optimal mix of marketing communication tools in order to get a product's message and brand from the producer to the consumer.

Figure 2: The Conceptual Framework
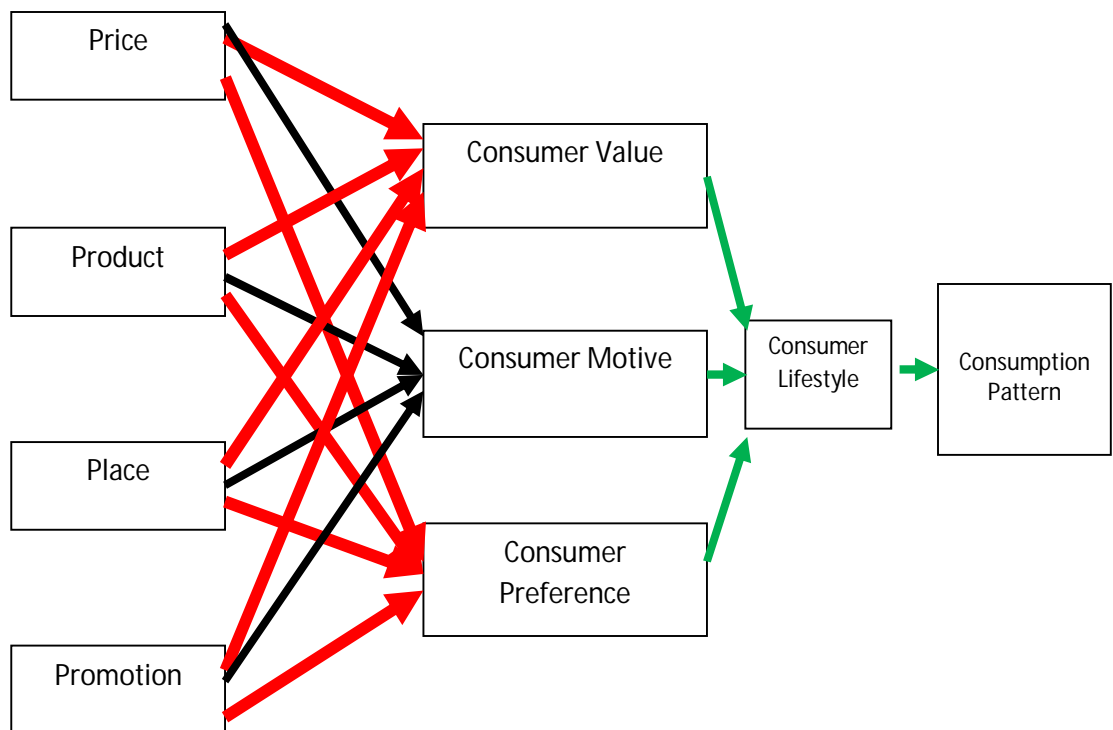
5.0   Research Methodology

Two research designs will be utilized: qualitative and quantitative approaches. The qualitative approach will interview 20-30 producers of main products/services: (Food: [sugar, rice, poultry, meat & vegetables] and Clothing; Housing: [water, electricity, and gas];   transport (fuel); communication; recreation, furnishing & household) restaurant and hotel; related government agencies (Ministry of Domestic Trade & Consumer Affair; Ministry of International Trade and Industry, Agriculture agencies; related non-government agencies (Consumer Associations, Institute of Marketing Malaysia, Association of Breeder Malaysia). For quantitative method, the unit of analysis is the consumer. This study approaches the respondents in two specific geographic segments i.e. rural and urban segments (Hawkins, Roupe, & Coney, 1981). The sampling frame is four states (Kedah, Kelantan, Selangor, and Kuala Lumpur) in Malaysia with the population of about 10.62 millions. The sample size from each state is 200 respondents, totaling sample size of 800 (200x4) (Table 2). We will take rural consumers from two states (Kelantan, and Kedah) and urban consumers in two states in urban areas (Selangor and Kuala Lumpur). The measurements of the variables are adapted from past instruments (price, product, place, advertising, consumer value, consumer motive, consumer preference, consumer lifestyle, and consumption pattern) (Table 3). The analysis methods for qualitative will be N-Vivo and quantitative will be Multiple Analysis of Variance (MANOVA, discriminant analysis) and structural equation modeling (SEM).

Table 2: The Sample Size

State	Population (Millions)	Sample Size
Kedah	1.95	200
Kelantan	1.54	200
Kuala Lumpur	1.67	200
Selangor	5.46	200

5.1 Data Collection Method

This is a quantitative and qualitative research design captured in a questionnaire designed for this study and structured questionnaires for interviews. The respondents will be identified through the statistic of population around in Malaysia.

5.2 Measurements

All measurement scales for variables are obtained from existing developed scales as summarized in Table 3. All variables will be measured using 7-point Likert scale from 1-strongly disagree to 7-strongly agree.

Table 3: Measurement (Instruments)

VARIABLES	NO. ITEMS	ORIGINAL STUDY Cronbach Alpha	SOURCE
Consumption Pattern	30	0.850	Duhaime, Chabot, & Gaudreault, 2010
Consumer Lifestyle	8	0.886	Kucukemiroglu, 1997
Consumer Value	10	0.834	Armstrong et al, 2012
Consumer Motive	10	0.879	McCarthy et al, 2011
Consumer Preference	21	N.A	Ndungu, 2013
Product	5	0.854	Kombenjamas & Lertrattananon, 2011
Pricing	4	0.787	Kombenjamas & Lertrattananon, 2011
Promotion	4	N.A	Kombenjamas & Lertrattananon, 2011
Place	5	0.814	Kombenjamas & Lertrattananon, 2011

6.0 Significance of the Study

1. Consumption pattern is a very important issue for consumers because it benefits National Agenda in caring for public consumer needs.
2. The output of this study could assist policy makers to formulate new consumption pattern model to enhance consumption pattern among the consumers from rural areas and urban areas in Malaysia.

7.0 Conclusion

The objective of this research is to construct a consumption model for Malaysian consumers.The consumption pattern of Malaysian consumers has changed markedly since 2005 as shown by several indicators such as consumer price index (CPI), per capita income and inflation rate. On top of that, the government intends to impose Goods and Services Tax (GST) in 2015 as another burden on consumers.

The focus of this study is in the food and non-alcoholic beverages, housing, utilities and transportation. In Malaysia, the most important categories in the increase of consumer price index are food and non-alcoholic beverages (30 percent of total weight) and housing, water, electricity, gas and other fuels (23 percent of total weight) and transport (15 percent).

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