

AN ANALYSIS OF LUXURY PRODUCT PURCHASING BEHAVIOR OF MALAYSIAN UNIVERSITY STUDENTS

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ABSTRACT

This paper examines the factors influencing the purchase of luxury products among Generation Y from the perspective of Malaysian university students. Self-administered questionnaires were distributed to 450 students in five Malaysian public universities. In addition to questions regarding reasons for purchasing luxury products, the influential factors investigated are (a) income and social class; (b) learning and memory; (c) motivation and value; (d) perception; (e) personality and lifestyle; (f) marketing mix; (g) group influence; and (h) the environment and situation. The results indicated that income and social class are the leading factors influencing purchase of luxury products in the sample population. Based on the findings, implications for companies are discussed and further research is suggested.

Keywords: Behavioural science, purchasing behaviour, group influence, Gen Y, luxury products

INTRODUCTION

According to Grossman and Shapiro (1988), notwithstanding any functional benefits, luxury products are goods for which the mere use or display of a particular branded product brings prestige on the owner. Luxury products do not necessarily have to be high in price, but it must fulfil the standard of luxury products that is, they must be of high-quality, high-performance, and emotionally satisfying (Munuz, 2002).

The study of luxury products among Gen Y is timely, because as stated by Munuz (2002), purchases of luxury products have become a phenomenon for the new generation to escape from the stress of modern life. Although the definition can vary, the term “Generation Y” generally refers to people born from the mid 1970s to early 1990s. With personalities and behaviors that differ from those of preceding generations, Gen is a challenge for the companies who would like to attract them. According to Gardyn (2002), the wealthiest members of the Generation Y consumption group are those 19-25 year-olds, where a significant number of these older Generation Y consumers are either part-time or full-time college/university students. Research on this market segment has shown that increasingly, university/college students are spending their time surfing and shopping online (Anderson, 2001). But they also spend money going to the shopping malls and the product categories heavily purchased by Generation Y college students include traditional mall-related products (food, clothing, computer games, and other electronic products). Even though it seems that the purchasing power of Malaysian university students is not high, they have various sources of income ranging from the government education financing (PTPTN), part-time work, family, scholarship, etc, that constitute a viable target of marketers in selling their luxury products. The relevance of using university students in this study is further strengthened by Yi-Nang chang’s (2005) study that showed students often use branded products to symbolize status and to be part of the so-called ‘in-group’.

Thus, from the above it can be seen that there is a high degree of demand for luxury products among this market segment. In addition, this study is important because it not only examines customer's purchasing behaviour but also helps the organization understand such customer's needs and wants. It is widely acknowledged that understanding consumer behaviour is the key to be successful in business.

LITERATURE REVIEW

Generally, luxury products can be divided into three categories: home luxury products, personal luxury products, and experiential luxuries (Danziger, 2004a; Unity Marketing, 2004). According to Danziger (2004a), luxury home products includes branded or expensive home decorations such as kitchen appliances, furniture, outdoor garden, art, antiques etc.; while personal luxury products include products that give customers a feeling of pleasure and perceived 'high standard of living' such as clothes, beauty products; fashion accessories; automobiles, jewellery, watches etc. Experiential luxury is defined as an experience of luxury from the purchaser's own perspective, or a state of mind that create pleasure by doing activities such as going to the theatre, Café, pub, travel, restaurants and dining (Danziger, 2004b). Everyone might have a different concept of what constitutes a luxury product because their understanding on luxury has no specific measurement (Beverland, 2004; Danziger, 2004b). In order to at least scale down its scope, in 2004, Vigneron and Johnson developed an operational measure of brand luxury, known as a Brand Luxury Index scale (BLI) that consists of five key luxury dimensions, namely perceived conspicuousness, perceived uniqueness, perceived Extended-Self, perceived hedonism, and perceived quality/perfection. While consumers may choose to maximize all five dimensions, in practice, consumers may trade off less salient dimensions for more salient ones. This means that people who purchase luxury products are not necessarily rich or well-off, but should be those who are interested and can afford to purchase them (Danziger, 2004a; Lowther, 2005). In other words, luxury products do not necessarily have a high price, but it must fulfil the standard of luxury products, which must be high-quality, high-performance, and emotionally satisfying (Munuz, 2002). Furthermore, people with high education and who are more knowledgeable will tend to purchase luxury products (Danziger, 2004a; Stacy, 2005; Unity Marketing, 2004). In addition, people who are more concerned about their image, social class or status symbol will also have the tendency to purchase luxury products (Nia and Judith, 2000; Prendergast and Claire, 2003).

Family and friends, or direct experience might influence consumer behaviour on purchase of luxury products (Danziger, 2005b). Luxury also tends to be influenced more by the customer's perception of what constitutes quality, prestige etc. Thus, marketers should properly build the products brand name, understand the consumer mind set, pay close attention to consumers' emotional needs, and be familiar with the consumers' environment, be it home, working place or entertainment environment, to gauge the consumer's psychological and behavioural needs (Mastens, 2004; Unity Marketing, 2004).

Why Purchase Luxury Products

Factors influencing purchase behaviour are mainly due to certain internal and external stimuli (Solomon, 2004). It can either be because people want to escape from routine job, enhance quality of life, reward hard work (Danziger, 2004a), gain extra feeling of confidence, get memorable experiences, to be more special and unique (Danziger, 2004b), to express their personality, as a status symbol, or to fulfil their psychological needs (Nia and Judith, 2000). In terms of internal factors, consumer's learning and memory plays an important role in consumer purchasing behaviour. Consumers will encode the information in their mind and

then it becomes a sensory memory or storage in a short-term or long-term manner, which might influence their next purchase behaviour (Solomon, 2004). The consumers' income as a social class is another internal factor that has to be considered because it indicates the wealth and status hierarchy of a person in their society. These two elements will affect buying behaviour because different standards of living will cause consumers to purchase different products (Solomon, 2004). The third internal factor, that is motivation, refers to a process that will lead consumers to do something to achieve their satisfaction. Motivation will influence consumers' needs and wants, which vary over situations and time and posed different degree of effects on the consumer (Reid, 2002). It is a complex interaction, in which individual responds to the different types of internal and external stimuli (Jones and Lloyd, 2005; Amar, 2004). Perception is another important internal factor since it relates to the person's sense of personal identification and viewpoint (Hackley and Kitchen, 1998). Perception is a process related with how consumers select, organize, and interpret the physical sensory elements such as sight, sounds, and smells. Normally, it is linked with the consumer's feeling toward the thing they want to evaluate (Solomon, 2004). The fifth internal factor, which is personality, influences people's responses to their environment based on their personal perceptual, cognitive, and emotional outlook (Dole and Schroeder, 2001; Lau and Shaffer, 1999). In terms of lifestyle, it is defined as patterns in which people live and spend time and money (Kesic and Piri-Rajh, 2003). It not only reflects different modes of living but also will affect consumers' consumption pattern. Moreover, in social view, personality is learned, rather than inborn and it might interplay between inborn process and environment influence (Lau and Shaffer, 1999). That is, lifestyle is developed to measure behaviour as a function of inherent individual characteristic that have been shaped through the social interaction of psychological and sociological factors and past experience (Kesic and Piri-Rajh, 2003). For instance, the average university student has over 11 hours daily of free or discretionary time to fill (Gardyn, 2002). Increasingly, college students are spending much this time surfing and shopping online (Anderson, 2001).

In terms of the external factors, as most people are living in groups, group influence becomes a factor that is able to influence the consumer purchase behaviour. This is because people might covet other people's behaviour and wishes to be a part of it (Solomon, 2004). Individuals mostly will hear other people's recommendation and get information regarding products. In this situation, group reference is an important intermediate to determine the consumer purchase behaviour (Solomon, 2004). For instance, members of Generation Y will often buy products that they know that their peers will accept because it makes them feel as though they are part of the group. Environmental characteristics have also been argued as an important factor influencing consumer-buying decision (O'Cass and Julian, 2003). Time pressure, peer pressures, mood, availability and accessibility, ease or difficulty of obtaining information, and budget influenced consumer purchase behaviour (Anonymous, 2006c). Besides that, consumer purchase behaviour caused by environmental factors consisted of specific occasions, usage situations, the way they feel at that time, situational self-image, physical and social surrounding, temporal factors and time (Solomon, 2004). Lastly, the marketing mix is also considered an important external factor. Marketing mix is generally known as the "4Ps" - product, price, promotion, and place (Grönroos, 2007; Kotler and Armstrong, 2004). Normally products can be determined through feature, quality and quantity; and the right balance between these 4P can either make or break a product. For instance, correct pricing strategy can be created by studying the product's demand and market segment; placing the product in the right location can greatly enhanced its accessibility to customers; while the right type of promotion can ensure that the target audience will be reached to increase awareness, and thus increase the chance of the product being purchased

and be a success in the marketplace (Vignali, 2001, Kotler & Amstron, 2004). Technology is also a major influence of Generation Y's buying behaviour (Shepherdson , 2000). It influences how they find and compare products, as well as how they get their products. Unlike other customer segments, they are not afraid of innovation. On the contrary, they enjoy surprises, adapt quickly, and like to get off the beaten path to discover new products, new destinations and new activities (Der Hovanesian, 1999). In terms of marketing, it is vital to remember that they have been immersed in advertising since birth and, as a result, are less sensitive to it or even immune. Therefore, they can be difficult to reach through traditional media and more easily reached through the internet. However, viral marketing, search engine referencing and online public relations are more effective than conventional advertising banners.

Based on the literature review, certain speculative relationships among the study variables could be surmised. The studies cited in the literature review have indicated that particular internal and external factors can be significant influential factors for purchase of luxury products. The above evidence leads the researcher to determine the direction for this research with the aim of studying the factors influencing the purchase of luxury products among Generation Y from the perspective of the Malaysian university students. In this study, internal and external factors influencing purchase decision is discussed in terms [1] income and social class, [2] learning and memory, [3] motivation and value, [4] perception, [5] personality and lifestyle, [6] marketing mix, [7]group influence, and [6] environment and situation.

RESEARCH OBJECTIVES AND CONCEPTUAL FRAMEWORK

The objective of this study is to determine the factors influencing Malaysia university students' purchase of luxury products. Since they serve as an important current and potential market (once graduating and earning good pay) this research will help companies understand the luxury market and its increasingly important Gen Y customers segment. With this in mind, the framework below is used as a guidance to answer the research question: "What are the factors influencing the purchase of luxury products among the Malaysian university students?"

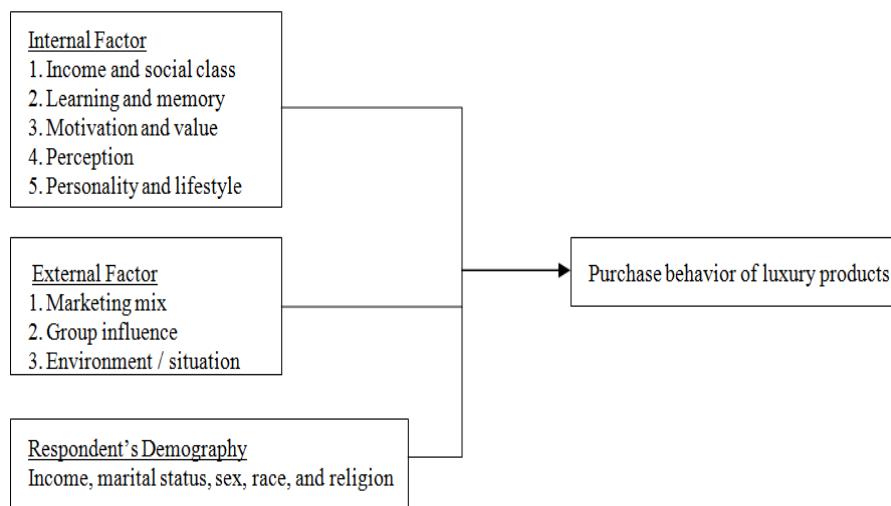


Figure 1. A model of the influential factors in the purchase of luxury products

RESEARCH METHODOLOGY

The population for this study was undergraduate students of Malaysian public universities, in order to examine the factors influencing purchase of luxury products among the Gen Y. Five public universities in Malaysia agreed to participate in this study; they are Universiti Malaya (UM), Universiti Sabah Malaysia (UMS), Universiti Sarawak Malaysia (UNIMAS), Universiti Sains Malaysia (USM), and Universiti Utara Malaysia (UUM). Based on Sekaran (2003)'s formula, minimum sample size is identified at around 400. Research assistants were used to distribute a total of 450 questionnaires, and respondents in this research were selected through convenience sampling. The instrument used was a pilot-tested questionnaire method from the Luxury Tracking Report Wave 3, 2004 (Unity Marketing, 2004), which is one of the most detailed instruments in the field and has been found to produce highly reliable results. The questionnaire consist of two parts; part A looked at the respondents' demographic information; and part B measured the internal and external factors influencing the purchase behavior of the respondents toward luxury products. Alpha value for the variables in the questionnaire ranges above 0.7 and therefore they are considered reliable and valid.

FINDINGS

Out of 450 questionnaires that were distributed to the students, 393 usable questionnaires were returned (87.33% response rate). Most of the respondents' age ranged between 20 to 24 years old. In terms of the gender structure, there were a greater number of females (70%) to males (30%). This unbalanced situation happened because female students outnumbered their male counterparts in all the surveyed universities. Majority of the undergraduate students were single and most of the respondent's sources of allowance were from the Malaysian Education Financing Scheme called PTPTN, that consisted of 76%, followed by family (13%), and 2.3% respondents used their own savings/money. 81% of respondents have an allowance of below RM500 per month. There were 13% of respondents who get between RM500 to RM1000 monthly allowance. The rest had a monthly income of RM1000 and more. This is because either they were doing part time jobs or they obtained additional funding from family.

Category of Luxury Products Perceived as the Most Satisfying

When asked about their most satisfying luxury purchases, 50.3% stated personal luxury products. This is due to the fact that they were more focused on self-image and willing to spend more on purchase of the personal luxury products like clothing, fashion accessories, cosmetics, and so forth. There were 38.2% of respondents who expressed that they mostly purchased experiential luxuries, while only 11.5% respondents stated that they spent more on luxury home products in the past year. This trend showed that besides emphasizing on self-image, the new generation has the tendency to be more interested in enjoying their life.

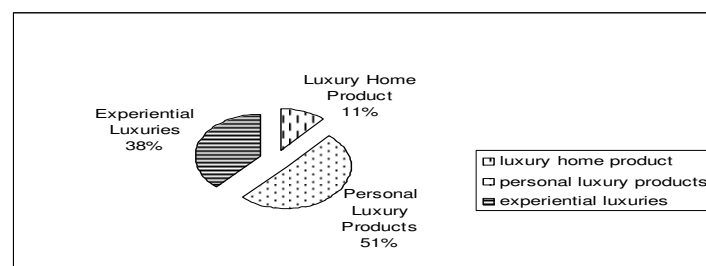


Figure 2. Category of Luxury Products Respondents Perceived as giving them personal satisfaction and happiness

The pattern of expenditure on luxury products was related to the financial aspects of the respondents. The 99% of confidence level showed that there was a positive relationship between a respondent's financial condition and expenditure pattern on luxury products. It meant that the better a respondent's financial condition, the more they would spend on luxury products. Increases in 1% of respondent's financial condition would lead to an increase of 0.272% of the respondent's expenditure on luxury products (show in Table 1). This showed that if the respondent's financial condition was better than previous year, he would tend to purchase more luxury products, and vice versa.

Table 1. Correlations: Financial Condition and Expenditure

	<i>Financial Condition</i>	<i>Expenditure</i>
Financial Condition	1	0.272**
Expenditure	0.272**	1

** Correlation is significant at the 0.01 level (2-tailed)

Internal and External Factor Influencing Respondents Purchase of Luxury Products

Income and social class were the leading factor influencing purchase of luxury products, consisting of 68.1% of respondents. For this Gen Y, it is important that the luxury labels are recognized because their social standing is based on the validation by peers, and of being seen as somebody who can afford and have the taste to buy luxury products. Besides that, motivation and value of the respondents were also important to evaluate factors influencing respondents' purchase of luxury products (i.e., 62.29% of the respondent's feedback).

Table 2. Internal and External Factor Influencing Respondents Purchase of Luxury Products

	<i>Strongly agree</i>	<i>Agree somewhat</i>	<i>Neither Agree Nor Disagree</i>	<i>Disagree somewhat</i>	<i>Disagree</i>
	<i>Percentage Influence</i>		<i>Neutral</i>	<i>Percentage Not Influence</i>	
Internal Factor	Income and Social Class	21.87% 46.23%	17.90% 17.90%	11.53% 14.00%	2.47%
	Learning and Memory	12.34% 51.57%	29.06% 29.06%	16.21% 19.37%	3.16%
	Motivation and Value	17.36% 62.29%	21.36% 21.36%	13.86% 16.35%	2.48%
	Perception	16.47% 59.75%	21.88% 21.88%	15.36% 18.36%	3.00%
	Personality and Lifestyle	15.89% 57.96%	24.54% 24.54%	14.2% 17.5%	3.3%
External Factor	Marketing Mix	17.70% 61.19%	21.03% 21.03%	14.51% 17.78%	3.27%
	Group Influence	15.15% 59.55%	21.35% 21.35%	15.9% 19.1%	3.2%
	Environment / Situation	15.25% 57.12%	25.24% 25.24%	14.68% 17.64%	2.95%

The study showed that there is a tendency for Malaysian students to buy luxury products in order to stand out and be recognized, to fit in with their peer group, or just to spoil themselves with the high status goods. The least important factor influencing respondents' purchase of luxury products was factors pertaining to their learning and memory, which is the degree of rationality used when making purchasing decision. For instance, Gen Y consumers tend to pay less attention to the quality when purchasing luxury products and just take for granted that a luxury brand name is an indication and a guarantee of good quality. This might indicate that Gen Y consumers are more concerned about the logos than quality, where they focus more on the visibility of logos or labels than the functionality or quality of products. Other internal and external factors influencing purchase of luxury products are show in Table 2.

DISCUSSIONS AND IMPLICATIONS

The findings show that, in the case of the Malaysian Gen Y, personal luxury reigns over experiential luxuries or luxury home products. That is, their main objective is to enhance physical self-image by buying branded and high quality clothes and fashion accessories; rather than through experiential activities such as dining, clubbing, theaters, etc. The internal factor of income and social class were considered the most critical factor in Gen Y's purchase decision. In other words, social standing and prestige image are the driving forces that make it worthwhile for them to indulge in luxury products. Thus, this result concurs with the view that the luxury market is mainly behavioral (Danziger, 2004c). The results also tally with the study done by Nia (2000) that showed the ownership of luxury products will give individuals personal satisfaction and help them attain higher perceived status by having their luxury products recognized, accepted, and admired by others. Motivational aspects should also be stressed when companies plan their marketing strategy since this study shows that motivation will influence on consumer needs and wants, which vary over situation and time depending how well the company fulfills consumer wants and motivational drive. Furthermore, motivation is also important since it is a complex interaction on how an individuals respond to the different types of internal and external factors (Jones and Lloyd, 2005; Amar, 2004). The results also shows that consumers' perception is another internal factor that should be monitored since it is the basis for which the consumers judge whether the product is really worth the tag of 'luxury'. In terms of the external factors, marketing mix is found to have a significant influence on consumer purchase of luxury products. This is because consumers pay special attention in analyzing the products features, the products price and so forth since they are paying high amounts of money for the products (Grönroos, 2007). Besides that, marketing mix such as promotion will also create awareness on consumer mind and influence them on their buying behaviour (NetMBA, 2005). Thus, it is important for the marketers to examine how this generation defines luxury and what is now popular with their young customers and adjust their products to the trend. The other external factors, namely group influence and environmental factor also have a high influence proving that the Gen Y rely on a lot of outside stimuli when making purchasing decisions. The advent of social networking sites like MySpace and Facebook means that marketing efforts must "listen" in order to identify, target and reach Generation Y. Members of this generation like to talk about themselves and their lives (their trips, friends, photos, etc.) on personal pages and blogs.

In conclusion, the overall results showed both internal and external factors should be of great concern to any company that wants to capture the Gen Y's market segment. Although the results and recommendations do not represent the whole Gen Y in Malaysia, the study would help the management to formulate strategies in order to grab the opportunities within the luxury market. Further research should also be conducted in order to find other factors that contributed to decision to purchase luxury products among this generation. In recognizing the

limitations of this study, it is recommended that the study should be expanded to a larger sample, encompassing both working and studying Gen Y.

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