THE LIFESTYLE SEGMENTATION OF HOUSE BUYERS' IN MALAYSIAN NEW RESIDENTIAL MARKET

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ABSTRACT: The property development industry is in need of a comprehensive market intelligence to be able to predict and satisfy the needs of house buyers. Many developers based their marketing decisions on hunches and guesses, rather than on intelligence drawn from marketing research. Property developers can provide a better product offering to the house buyers if they know what the buyers want. But developers found it impossible to stick to a single strategy in approaching their customers, the main reason being, the residential property market consists of various segments. All too often development projects have been undertaken on the basis of superficial knowledge of the market. Most real estate purchases are considered high involvement goods that required complex decision making. Greater knowledge of real estate consumers and their behaviour will lead to better understanding and prediction of decision-makers' actions in the real estate market. As a result, property developers must apply different sets of marketing strategies for different group of house buyers to ensure that they could successfully communicate with each specific segment separately. A lifestyle segmentation research could shed some light into the different segments of house buyers in the country. Each of these segments can then be profiled and characterised to give a more accurate picture of the behaviour and purchasing decisions of house buyers. In view of these statements, this paper attempts to broadly define lifestyle concepts based on the theories of lifestyle and consumer behaviour theories followed by discussion on the definition and structure of marketing and segmentation, i.e. types, segmentation scheme, benefit and advantages for residential market. This paper will also look into house buyers' consideration such as model of consumer behaviour, consumer buying behaviour, the factor affecting the consumer buying process, consumer buying decision process and the type of consumer buying behaviour. The paper then concludes with a general view on the residential market scenario in Malaysia.

Keywords: Marketing, segmentation, lifestyle, house buyers

1. INTRODUCTION

The construction industry makes up an important part of the Malaysian economy. It can be described as some kind of economic engine of Malaysia. The property development industry is in need of a comprehensive market intelligence to be able to predict and satisfy the needs of house buyers. It had long been argued by researchers that, many developers based their marketing decisions on hunches and guesses, rather than on intelligence drawn from marketing research.

Cadman and Austin-Crowe (1983) argued that, "While no development should be undertaken without proper analysis of the market for which the buildings are constructed, too many projects have been undertaken entirely on

'hunches'.... All too often development projects have been undertaken on the basis of superficial knowledge of the market." As a result, property developers must apply different sets of marketing strategies for different group of house buyers to ensure that they could successfully communicate with each specific segment separately (Cadman & Austin-Crowe, 1983). Thus,the property developers can provide a better product offering to the house buyers if they know what the buyers want.

Hence, a lifestyle segmentation research could shed some light into the different segments of house buyers in the country. Each of these segments can then be profiled and characterised to give a more accurate picture of the behaviour and purchasing decisions of house buyers. This argument is recently supported by the Marketing and Sales Director of Malton Development, a stock-listed property development company who called for a lifestyle segmentation analysis for Malaysian property buyers to be done to help developers in their decision making (The Star, 2006).

This paper begins by exploring the marketing definition and market segmentation concept theories. Then, it will presents the segmentation scheme, benefit and advantages for residential market based on the definition and structure of marketing and segmentation. It also looks into the lifestyle concept theories and the consumer behaviour theories on house buyer consideration. Lastly, the general views on the Malaysia residential market scenario were presented in this paper.

2. RESEARCH OBJECTIVES

The aim of this study is to identify the lifestyles segmentation of house buyer in the Malaysian housing market. The research aim would be achieved through the following objectives:

1. To generate the lifestyle dimensions factors of the newly developed in Malaysia residential market.

2. To identify the cluster segments of house buyers in the new residential market.

3. To develop a profile of house buyers based on their lifestyle patterns.

3. RESEARCH METHODOLOGY

The basic approach used in this research is survey methodology. Four aspects of the methodology are discussed in this section, questionnaire design, data collection, sample design, and data analysis.

3.1 Questionnaire design

The first stage of questionnaire design in this research involved determining relevant lifestyle factors and statements to be used in residential market segmentation. These factors and statements were developed through semi-structure interviews with industry expert in this industry will be listed out.

Once the lifestyle statements were determined from the first stage, a suitable questionnaire will be developed to measure these factors among potential house buyers. In this second stage, segmentation base for content validation and reliability analysis were also conducted on prospective house buyer. Beside the lifestyle based questions, the demographic variables are also expected to include in the questionnaire.

3.2 Data Collection

The data collection methods considered to taking part of this research is a semi-structured exploratory interview with residential property expert during questionnaire design. The survey instrument will be undertaken is self-administrated questionnaire used to determine the lifestyle characteristic of the potential house buyers over age 18 attending property exhibitions to define the house buyer's decision making in exploring their lifestyles segmentation.

3.3 Sample Design

Target population is potential house buyers with age 18 and above attending property exhibitions to be held in Penang, Kuala Lumpur, Melaka, Johor Bharu and Sabah. A convenience sampling method will be conducted in this study.

3.4 Data Analysis

The data analysis will be undertaken in this study consists of frequency analysis, factor analysis, cluster analysis and discriminant analysis. Frequency analysis will be first conducted on the respondents' demographic characteristics.

Follow by factor analysis, the purpose of conducting the factor analysis is to reduce the number of the lifestyle variables to a smaller set of statements or to a manageable size which would be used as the basis for clustering. Principal Components Analysis (PCA) will be performed to aid in the interpretation of the factor analysis to provide insight into the number and nature of factors. Beside, the Cronbanch's Alpha will also be conducted for the reliability analysis in this stage.

Cluster analysis will be used to identify naturally occurring lifestyles segments among the sample of potential house buyers. The Ward's Minimum Variance method will be undertaken in this study. According to Hair et al. (1987), Ward's agglomerative hierarchical technique is considered to be one of the better clustering method available and it also been used in many marketing research applications (Punj and Stewart, 1983).

Discriminant analysis would be performed to test the stability of cluster solutions. So that, this analysis will aid to find the dimension or dimensions along which the cluster groupings differed and to find classification functions to predict group membership.

4. THE LITERATURE REVIEWS

4.1 Marketing Definition & Market Segmentation

Today's companies face stiff competition. The rewards will go to those who can best read customer wants and deliver the greatest value to their target consumers. Thus, Marketing is a key factor in business success. The American Marketing Association had defined that marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational objectives (as quoted by Shaw and Semenik, 1989; Wilson and Gilligan, 1997; Dibb *et al.,* 1994; McCarthy and Perreault, 1993; Chee and Harris, 1993; Pride and Ferrell, 1993; Solomon and Stuart, 2000).

The word "market" is specific location where products are bought and sold (Senguder, 2003). A market is made up of people and institutions, willingness to buy, purchasing power and authority to buy (Chee & Haris, 1993). Different customers within a market have different needs that they seek to satisfy (Palmer

& Hartley, 1999). Hence, the concept of market segments, which has become the integral part of modern marketing, had been propounded by Smith in 1956.

A market segment is a group within a market that is clearly identifiable based on certain criteria. It represents a subsection of a market where people share similar needs, to which a company responds with a product designed to meet these specific needs. Consumers within such a sub-market are assumed to be quite similar in their needs, characteristics and behaviours (Lin 2002).

According to Hutt & Stull (1992), market segmentation is a process of dividing the total market for a product or service into market segments based on similarity of demand. Peter and Olson (2002) had defined that market segmentation is the process of dividing a market into groups of similar consumers, and selecting the most appropriate groups and individuals for the firm to serve. Cravens (2000) had also mentioned that the opportunity for segmentation occurs when differences in buyers' demand or response functions allow market demand to be divided into segments, each with a distinct demand function. Thus, segmentation is an identification process aimed at finding subgroups of buyers within a total market.

In general, the value of segmentation analysis is to identify unfilled customer needs or wants, which may provide market opportunities for the firms (Hutt and Stull, 1992). Market segment, sub-segment and niches from separate markets are required distinctive marketing strategies (Stokes, 2002). Thus, market segmentation offers the important advantages to supplying organization (Stokes, 2002). There is closer matching between what are offers by the marketer, customer needs and concentration of resources on areas of greatest advantage and market leadership through domination of a narrowly defined market and lastly, key to profitability in competitive markets.

The objective of segmentation research is to analyze markets, find a niche, develop and capitalize on this superior competitive position. This can be accomplished by selecting on or more groups of consumers or users as targets for marketing activity and developing a unique marketing program to reach these market segments (Senguder, 2003).

Therefore, there are many ways for segmenting markets. Many of these approaches are derived from the consumer behaviour field (Senguder, 2003).

Over the years many segmentation schemes have been developed. For the most part these schemes fall into four distinct groups (Funk and Hudon 1988; Mar Iman 2002)

a. Priori segmentation – establishing groups that differ with respect to some purchase characteristics such as frequency or size of purchase. Various demographics are then used to describe market segments. Although this approach can provide useful insights into the nature of most markets, its major problem is its lack of focus on the person making the purchase decision.

b. Cluster-based segmentation – in contrast with the priori method, the number and type of segments in cluster based segmentation are not known in advance. Rather, the segments evolve from clustering respondents according to similarities in personal variables such as attitudes, interests, opinions, and benefits sought. The latter approach provides considerable insight into the nature of the person making a purchase decision, and this is particularly helpful in guiding the development of overall marketing and communication programs.

c. Flexible segmentation – depends heavily on conjoint analysis and computer simulation of choice behaviour. Segment is build up based on the consumers' response to alternative product offerings under various competitive and environmental conditions.

d. Componential segmentation – needs sophisticated analysis and extensive computing calculations. It seeks to predict which type of consumers will be most responsive to which product feature.

4.2 Concept of Lifestyle Segmentation

Lifestyle is a concept of much current interest in several quarters (Lundgen, 1996). It is an important consumer characteristic and a determinant of individual purchasing behavior (Assael 1995; Engel, Blackwell, and Miniard 1995; Jobber and Lancaster 2003). It is represented by individuals' activities, interests and opinions (AIO) (Sjöberg & Engelberg, 2005). In marketing, it has been used for decades and several commercial applications (Sjöberg & Engelberg, 2005).

696

Lifestyle marketing is a process of establishing relationships between products offered in the market and targeted lifestyle groups. It involves segmenting the market on the basis of lifestyle dimensions, positioning the product in a way that appeals to the activities, interests and opinions (AIO) of the targeted market and undertaking specific promotional campaigns which exploit lifestyle appeals to enhance the market value of the offered product. Lifestyles can be used to explain existent and to anticipate future consumer behavior, both in a geographical and a temporal context (Kucukemiroglu, 1999).

The concept of the lifestyle represents a set of ideas quite distinct from that of personality (Kucukemiroglu, 1999).It relates to the economic level at which people live, how they spend their money, and how they allocate their time (Anderson and Golden, 1984) and what importance they place on their immediate surroundings; their views of themselves and the world around them; and some basic demographic characteristics (Kucukemiroglu, 1999).

This concept can be used either as segmentation bases or as descriptors of segments identified by other bases (Matzler et al. 2004). Either way, they provide a rich description of market segments, and a life-like picture of consumers. In short, research has shown that the senior market can be segmented into distinct categories by lifestyle (Day et al., 1988; Gollub and Javitz, 1989; Sorce et al., 1989).

4.3 Consumer Buying Behaviour

To identify the lifestyles segmentation, the marketers need to understand the behavioural determinants of consumer purchase behaviour and the study of consumer behaviour has therefore become a crucial issue in marketing (Chee & Haris, 1993). Understand who their customers are in order to target their marketing activity as precisely as possible (David & Stokes, 2002). Once they know who customers are, they also need to know as much as possible about how those customers behave.

a. Factor affecting the consumer buying process

Purchases by individual acting as the consumer are influenced by many factors including their own background and personality. It can be classified under two categories which are the influences on the consumer as part of a

social group; and the influences of more individual, psychological characteristics (Stokes, 2002). First, is a social influence, it is the consumer membership of various types of social groups ranging from wider cultural groupings to narrower family units powerfully influences consumer habits. Secondly, it is an individual influences/psychological factor. It is an individual's buying behaviour and it is been influenced by a number of major psychological factors, such as individual needs and motives, personality types, self-image or concept, perception, learning, beliefs and attitude (Chee & Haris, 1993 and Stokes, 2002).

Lifestyle, however has looked at both social and individual influences at work in 'black box' where consumer purchase decisions are made. Marketing commentators have relied heavily on the discipline of economics, sociology and psychology to help explain these forces (Stokes, 2002). Marketing researchers have developed one concept which combines these various approaches under the heading of 'lifestyle' (Stokes, 2002).

b. Types of Buying Decision

For Shaw & Semenik (1989), to describe the basic type of buying decision people make, it is first necessary to understand that two underlying factors influence consumer decision making and there are information search and the involvement.

For information search, it is relates to the amount of time, energy and individual that puts into the process of fact gathering before making a decision. Some people tenaciously seek out information and agonize over decision (Shaw & Semenik, 1989). Others seem quite nonchalant in their decision making. The amount of information search varies among individuals and depends on the type of product being considered for purchase (Shaw & Semenik, 1989).

The involvement is relates to the degree to which a particular purchase is ego or value laden for the individual. The more a purchase is tied to a person's self image, the more highly involved that person is in the decision process high involvement purchases are typically those products that reflect an individual's social status, lifestyle, or references group affiliation (Shaw & Semenik, 1989). Low involvement products are those with less symbolic in nature and tend to serve rather mundane utilitarian functions (Shaw & Semenik, 1989).

Beside that, several models have been put forward which attempt to describe the various components in the consumer decision-making process. According to Stokes (2002), early models, such as those developed by Engel, Kollat and Blackwell (1968) and Howard and Sheth (1969), amount to complex maps which describe all the possible components of a purchase decision. However these models do not explain how the various components relate to each other, or how they can be measured. They also assume that purchase decisions are a thought-out series of logical events. Whilst this may be true of decision with high purchaser involvement, it is less applicable to low-involvement decision.

Models are useful, however, in describing the possible stages that a buyer might go through in making a decision as shown in figure 1, the potential stages in a buying process (Stokes, 2002).
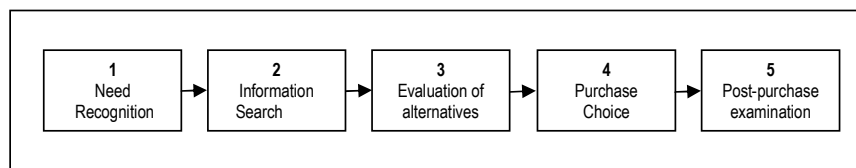
Figure 1: The stages of a consumer buying process
Source: Adapted from Stokes, D. (2002). Marketing, 3rd ed. New York, United States of America: Continuum.

The first three stages represent a decision process before buying; the fourth stage is the actual act of purchase, followed in the fifth stage by a period of usage and evaluation of the product or service. This implies that the consumer is involved in the marketplace before and after buying the product, not just during the actual time of purchase (Stokes, 2002).

Lastly, the customers make buying decisions in a way that cannot be directly observed. However, inputs and influences into the decision making process can be assessed by the buying decision that results. While, consumers buying decisions are influenced by social factors, individual factors and lifestyle factors. Consumer buying decision can be divided into the five stages of need recognition, information search, and evaluation of alternatives, purchase choice, and post purchase experience.

4.4 Malaysia Residential Market Overview

The housing market in Malaysia deals with a high involvement consumer product which is highly priced, entailing a substantial financial risk to the buyer (Chee

and Peng, 1996). Therefore, the transaction of houses is a complex one as buyers pay larger sums of money long before they even see their purchase. Prospective buyers are usually compelled to depend on surrogate they are like for example, perspective drawings, models or mock-ups to assess what they are likely to get. Thus, a buyer merely buys based on promises of future satisfaction (Chee and Peng, 1996).

As mentioned before, the Malaysian housing market is highly competitive. The success of a housing developer would depend very much on obtaining up to date information on consumer preferences. Prior knowledge of consumer needs and wants is important for the formulation of appropriate marketing strategies, ensuring buyers' satisfaction and long-term success (Chee and Peng, 1996).

Hence, the measurability of customer orientation enables marketers to assess their level of customer orientation and those of their competitors from time to time. As business enters an era that is becoming more complex and hostile, and where consumers are becoming more vocal and demanding, a customer orientation measure is much needed (Chee and Peng, 1996).

Thus, a lifestyle segmentation research could shed some light into the different segments of house buyers in the country. Each of these segments can then be profiled and characterised to give a more accurate picture of the behaviour and purchasing decisions of house buyers.

5. CONCLUSION

This chapter give the overview for the marketing process and the variables what come into place. It introduces the concept and covers on the house-building Industry. Besides on these theories, this study can be more forwards to the primary data collection.

After the considerations of the pros and cons of the segmentation schemes, it was decided that cluster based segmentation would be used for this study. The inductive approach used in this scheme makes it more attractive than the priori scheme which already determines the sets of segmentation before the main data collection is carried out. Basing market segmentations on consumer lifestyles enables the development of purposeful advertising strategies and the design of new products meeting future demands (Decker, 2006).

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