

**MARKETING STRATEGIES OF HOUSING
DEVELOPERS TO CAPTURE THE MM2H
MARKET SEGMENT**

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by

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STRATEGIK PEMASARAN PEMAJU PERUMAHAN UNTUK MENAWAN SEGMENT PASAR MM2H

ABSTRAK

Program Malaysia Rumah Kedua Ku (MM2H) dianjurkan oleh kerajaan untuk membenarkan rakyat asing yang mematuhi keperluan program menetap di Malaysia dengan visa sepuluh tahun dan pas perkalian kemasukan. Peserta-peserta MM2H semakin meningkat sejak beberapa tahun yang lalu. Ia menjadi satu segmen pasaran yang berpotensi untuk pemaju rumah. Kajian ini dijalankan untuk memeriksa bagaimana pemaju rumah memenuhi keperluan segmen pasaran MM2H ini. Dalam kajian ini, pendekatan bercampur dengan menggunakan kaedah berurutan soal selidik dan temubual telah digunakan untuk membentangkan analisis dengan lebih menyeluruh. Data yang dikumpulkan melalui kajian soal selidik, temuramah dan sumber sekunder. 41 borang kajian selidik dilengkapi dan dikembalikan. Lapan pemaju rumah yang ditemubual membentuk kajian kes untuk tesis ini. Kajian ini mendapati bahawa 7.3% pemaju rumah mensasarkan satu kewarganegaraan. Terdapat satu pemaju rumah dalam kajian kes mensasarkan kewarganegaraan Korea sahaja yang kemudiannya mendapati taktik pemasaran itu adalah salah. Produk yang biasa dibekalkan untuk pembeli rumah MM2H adalah kondominium mewah. Julat harga tempat tinggal yang paling kerap ditetapkan untuk sasaran segmen MM2H adalah RM651,000 kepada RM850,000. Kuala Lumpur dengan kemudahan akses menjadi lokasi yang paling kerap dimajukan oleh pemaju rumah untuk menampung segmen MM2H. Kaedah pemasaran yang paling kerap digunakan adalah laman web syarikat dan pameran hartanah di Malaysia. Hasil kajian

ini boleh digunakan sebagai rujukan bagi pemaju rumah yang berminat untuk meneroka segmen pasaran MM2H.

MARKETING STRATEGIES OF HOUSING DEVELOPERS TO CAPTURE THE MM2H MARKET SEGMENT

ABSTRACT

Malaysia My Second Home Programme (MM2H) was initiated by the government to allow foreigners who fulfill certain requirements to reside in Malaysia with ten years visa and multiple entries passes. The participants of MM2H programme have increased over the years. It has become a potential market segment for housing developers. This study was done to examine how housing developers to cater this MM2H market segment. In this research, mixed methods were adopted to present a more comprehensive analysis. Data was collected via postal questionnaire survey, face-to-face interview and secondary sources. 41 usable completed questionnaires were returned. Eight interviewed housing developers formed the case studies for this thesis. The questionnaire survey found that only 7.3% of the respondents targeted a single nationality group. One of companies from the case studies targeted only the Koreans and subsequently found that it was a wrong marketing tactic. Also, this study found that most commonly developed product for MM2H house buyers were luxury condominiums and the price range of the dwellings was most frequently set at RM651,000 to RM850,000. Kuala Lumpur was the most preferred location for housing developments to cater for the MM2H segment due to easy accessibility to modern amenities and infrastructure. Lastly, the most executed marketing method by the sampled housing developers was company websites and property fairs in Malaysia. The findings of this study can be used as a reference for housing developers who are interested to tap into the MM2H market segment.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This thesis investigates the strategies employed by Malaysian housing developers attempting to capture the market segment of the Malaysia My Second Home (MM2H) government-initiated programme. This chapter provides a brief introduction to the research that was conducted. It begins with the research background and subsequently presents the problem statement, research objectives, the scope of the research and research method. The chapter concludes with a summary of the other chapters in this study.

1.2 Research Background

Foreigners owning second homes in countries abroad are becoming a common phenomenon (Modenes & Lopez-Colas, 2007). In relation to this, Asian countries which have surged as the premier destinations of retirement or migration (Ho & Khor, 2008) have recorded a growth in foreign ownership of property. To take advantage of the situation, countries like Malaysia, Thailand, Philippines and Indonesia have begun offering second homes or retirement programmes to capture this market. In the face of stiff competition the Malaysian government has improved and rebranded the Malaysia

My Second Home programme (MM2H) (Goh, 2008; Ho & Khor, 2008; Lee, Chong, & Abdul Rahman, 2010).

Malaysia My Second Home Programme (MM2H), which was mooted to replace the Silver hair Programme (1987) is a long-term residency scheme initiated and managed by the government to accord foreigners who fulfil the stipulated requirement to stay in Malaysia for a long period. It is open to citizens of all countries except Israel, Yugoslavia and Montenegro. Applications undergo a stringent vetting process and successful applicants are eventually granted a renewable Social Visit Pass with multiple-entry visa for a ten-year period (depending on the validity of the applicants' passport). The multiple-entry visa enables successful applicants to travel in and out of the country without any restrictions. Successful applicants are also allowed to bring along their spouses, unmarried children and parents as dependants.

1.3 Problem statement

The MM2H official statistics show that there were 15, 316 successful MM2H applicants from 1996 to March 2011 (see Table 1.1). Since housing is a basic necessity for human beings (Jiboye, 2011; Prieto, Yu, & Hoge, 2011), the MM2H poses both economic and social implications to the local housing market. According to Gibler, Taltavull, Casado-Diaz, Casado-Diaz, & Rodriguez (2009), an influx of second home purchasers have been created as a result of international retirement migration which has been further propelled by attractive second home programmes.

Based on this scenario, MM2H house buyers would generate more business opportunities for the housing sector in Malaysia. In addition, the liberalisation of Malaysian government's policies towards property ownership by foreigners has also attracted foreigners to invest in the local property market (Ong, 2008). Ideally, Malaysian housing developers should tap into this market by offering new homes to them.

Table 1.1 MM2H participants from 1996 to March 2011

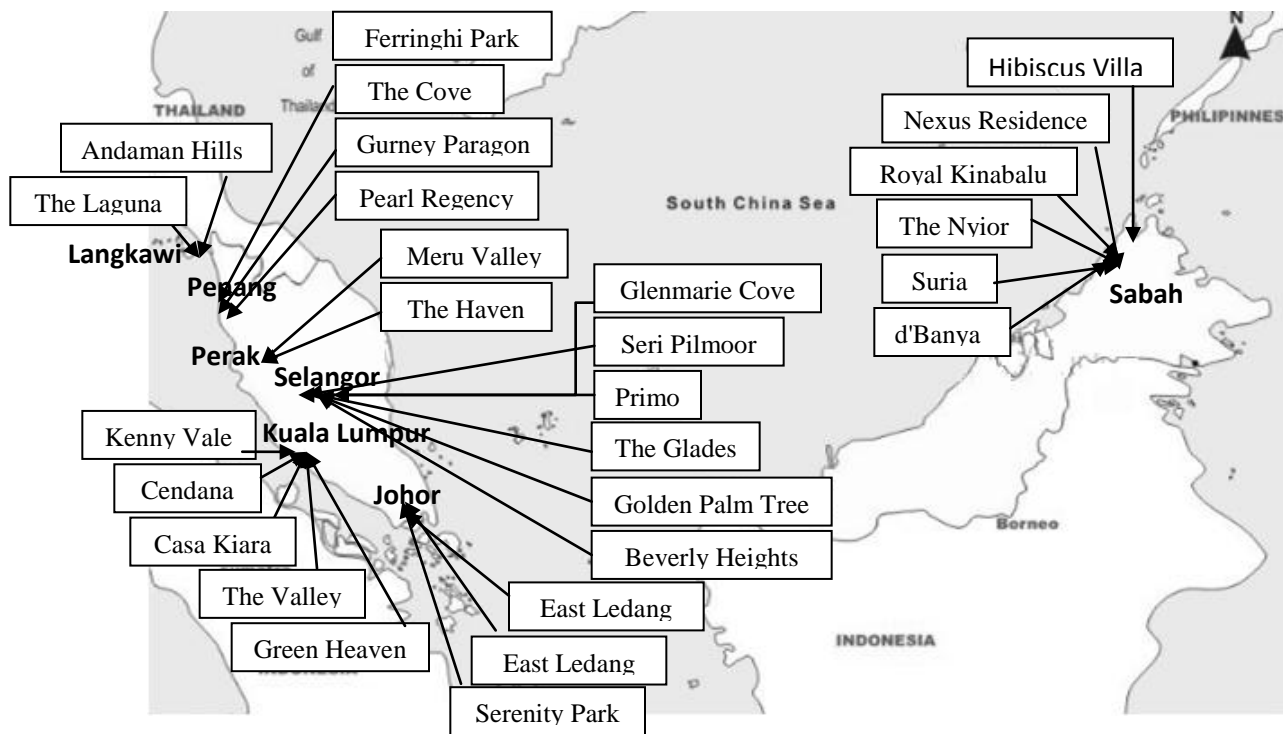
Year	No. of participant
1996	7
1997	18
1998	23
1999	223
2000	257
2001	300
2002	818
2003	1,645
2004	1,917
2005	2,615
2006	1,729
2007	1,503
2008	1,512
2009	1,578
2010	1,477
2011 (Feb)	500
Total	15,316

Source: MM2H official website, 2011

Thus far, there have been very limited studies on the response of Malaysian housing developers to the MM2H. As such, this study hopes to address the problem.

Indeed, a cursory survey of the selected MM2H and company websites by this researcher indicated that only some housing developers target the MM2H market segment. Figure 1.1 shows the housing projects that have been advertised on the MM2H websites, developers companies' website and UK property website such as "right move overseas".

Figure 1.1 Selected housing projects promoted to the MM2H visa holders



Source: mm2hcenter.com, mm2h.com, secondhome.com.my, malaysia2ndhome.net, mynexthome.com.my, rightmove.co.uk, 2011

When a new cluster of consumers enters a market, consumers' preference of dwellings in terms of type, size, features, and location will always be taken into consideration by housing suppliers to serve the demand efficiently (Gibler et al., 2009), without much

concern to the problems faced by suppliers. In this regard, a study of the market price, location and marketing strategies will give a comprehensive picture of supply and demand.

This study, thus hopes to provide a comprehensive picture of the marketing strategies employed by local housing developers to capture the lucrative foreign house ownership programme in the country and measure the impact of the MM2H programme.

Besides, the study also hopes to get a better overall picture of the programme in terms of types of dwellings, price range and location of houses and nationality of house owners.

1.4 Research Objectives

The aim of this study is to examine how Malaysian housing developers capture the MM2H market segment. The specific objectives are as below:

- i) To identify the targeted nationality of the MM2H house buyers
- ii) To determine type of dwellings provided to the MM2H visa holders
- iii) To investigate the price ranges set for the MM2H house buyers
- iv) To determine the locations of the residential developments for the MM2H visa holders

- v) To investigate the marketing methods adopted by housing developers to capture the MM2H market segment
- vi) To investigate the impact of the changing of MM2H policies toward housing developers

1.5 Theoretical Background

This study utilizes the 4Ps (Product, Price, Place and Promotion) marketing mix framework (McCarthy, 1960) in its investigation. Although 4Ps marketing mix has undergone tremendous challenges in the wake of intense criticism for its insufficiency (Grönroos, 1996; Gummesson, 2000; Rafiq & Ahmed, 1992), the researcher considers the framework as viable and will serve the purpose of this study well. In fact, some scholars such as Möller (2006) and Yudelson (1999) believe that the method still remains as the pillar of marketing management and is often widely used by practitioners and scholars (Dominici, 2009).

1.6 Research Scope

The study focussed on Malaysian housing developers who are located in Penang, Kuala Lumpur, Selangor, Johor, Malacca, Langkawi and Sabah. The rationale for the selection was based on the news media which claims that the MM2H visa holders are mostly concentrated in these states.

1.7 Research Method

A mixed research method comprising both quantitative and qualitative methods was adopted in this study. It is hoped that the combination of quantitative and qualitative approaches (Teddlie & Tashakkori, 2011), would serve to complement the weaknesses of both approaches if any (Greene, 2008). Postal questionnaire survey was used to elicit the quantitative data while in-depth interviews and desk research were executed for the qualitative case studies data.

1.8 Summary of Chapters

This thesis is divided into eight chapters. Chapter 1 provides the introduction of the study. Chapter 2 gives an overview of the MM2H programme. Chapter 3 reviews the literature on 4Ps marketing mix and elaborates the 4Ps marketing mix in housing sector. Chapter 4 provides the details of the research methods used in this research. Chapter 5 and Chapter 6 report the findings and provide the analysis of the eight case studies that the researcher undertook. Chapter 7 compares the findings with current developments based on a literature review. Finally, Chapter 8 discusses the implication of the research, limitations of the study and provides suggestions for future research.

CHAPTER 2

AN OVERVIEW OF MALAYSIA MY SECOND HOME PROGRAMME

(MM2H)

2.1 Introduction

This chapter briefly describes the evolution of the MM2H programme and how successive stages have influenced the housing sector. The current MM2H programme which started in 2002 is a product of a series of changes that began with the Silver Hair Programme mooted by the Ministry of Home Affairs in 1987. Although, at first it was under the jurisdiction of the same Ministry, it was eventually placed under the care of the Ministry of Tourism in 2006. The programme was rebranded with the aim of targeting high net worth foreigners, in addition to transmigration retirees.

2.2 Silver Hair Programme under the Ministry of Home Affairs (1987 – 2002)

The Silver Hair Programme was a retirement visa programme managed by the Immigration Department under supervision of the Ministry of Home Affairs. Although it was launched in earnest in 1987 (Dunkley, 2006; Kassim, 2001; Ono, 2008), it was not actively promoted until 1999 (Kassim, 2001). There are, however, scholars (Ho & Khor, 2008; Lee, Choong, & Abdul Rahman, 2010) who believe that the Silver Hair Programme was, in fact, launched in 1996.

Unfortunately, efforts by the researcher to determine the exact year of the launch of the programme was not successful. Despite numerous calls to the MM2H office in Kuala Lumpur, the question remained unresolved as none of the officers there could provide the actual year of the programme's launch. This was basically because none of the current staff employed there was involved during the early days of the programme. Furthermore, no documents which clearly indicated when the programme was launched were available at the office.

As far as this research is concerned, Kassim's claim (2001), that the Silver Hair Programme was launched in 1987 with the aim to provide a means for expatriates migrate to Malaysia after their retirement. It must also be noted that the Malaysian government had welcomed foreign expatriates especially the rich in the 1970s, well before the Silver Hair Programme was launched.

2.2.1 Requirement of Application and Incentives

Only foreigners at 50 years of age and above were allowed to participate in the Silver Hair Programme. Additionally, they had to meet certain financial qualification - proof of monthly pension of at least RM 7,000 or savings of more than RM 100,000 in Malaysian banks. Couples (no age limitation on spouse) had to provide proof of monthly pensions of RM 10,000 or minimum savings of RM 150,000 in Malaysian banks. In addition, applicants were required to have a sponsor who was either a Malaysian or a Malaysian permanent resident, and possess medical coverage and security bond to ensure that they would not be a burden to the government.

Participants were also barred from employment and operating business ventures in the country but were allowed to participate in volunteer organisations.

Successful applicants were granted a visa and a year-to-year Social Visit Pass for a maximum of 5 years. This enabled them to travel in and out Malaysia liberally. Other than their spouse, they were also allowed to bring along their children who were below 18 and parents as their dependents. Judging from numbers alone, the Silver Hair Programme cannot be considered a resounding success as there were only 828 newly-registered participants from 1996 to 2001 (see Table 2.1), which amounts to an average of only 138 individuals annually.

Table 2.1: Number of fresh participants of Silver Hair Programme from 1996 to 2001

No	Country	1996	1997	1998	1999	2000	2001	Total
1	United Kingdom	5	9	15	49	40	46	164
2	Singapore	0	0	0	38	38	42	118
3	Taiwan	0	0	0	32	32	35	99
4	Japan	0	3	4	26	26	20	79
5	China (PRC)	0	0	0	4	19	24	47
6	Indonesia	0	0	0	8	20	17	45
7	India	0	0	0	2	4	18	24
8	Pakistan	0	0	0	3	3	1	7
9	Republic of Korea	0	0	0	2	2	1	5
10	Others	2	6	4	59	73	96	240
Total		7	18	23	223	257	300	828

Source: MM2H Official Website, 2011

2.2.2 Implication on Housing Sector

Although, participants were allowed to purchase houses priced at RM100,000 and above, they were, however, restricted from acquiring certain categories of residential houses: one or two storey terrace houses, properties built on Malay Reserve land, and units under the bumiputera quota. The house purchase regulation encouraged house-buying foreigners to join the Silver-Hair Programme because foreigners were only allowed to purchase homes at the minimum price of RM250,000 under the Foreign Investment Committee (FIC) Guidelines for 1995 until 2001.

Since, the participants of the Silver Hair Programme were not required to purchase dwellings, they could stay in hotels for extended durations, rented properties or put up with friends or relatives at no cost (Pedro, 2006). The impact on the new housing sector was therefore not appreciable, especially since the number of participants to the Silver Hair Programme was not big (see Table 2.1).

Even when they purchased houses, the participants could select from the second hand market rather than those newly constructed by housing developers. So, it is with caution that the researcher believes the Silver Hair Programme could have brought some impact for new housing. However there has not been any significant impact on the housing sector nor direct economic benefits to the developers.

Although there is no data to support the above view, observation elsewhere may give hint as to what might have happened in Malaysia and support the claim. A study

undertaken in the south-eastern states of the United States, for example, found that more than half of the foreign incoming retirees bought houses that were already available rather than new ones (Bennett, 1993). Similarly, in Northern Ireland and the Republic of Ireland, it was found that transnational second home owners buy second hand houses in addition to new ones (Paris, 2006).

2.3 MM2H under the Ministry of Home Affairs (2002 - 2006)

In March 2002, the MM2H programme was launched to replace the Silver Hair Programme which had not met the anticipated targets. Basically, the number of participants of the programme was lower than expected (Ho & Khor, 2008; Lee, et al., 2010; Ono, 2008). As indicated earlier, it managed to attract only 828 participants between 1996 and 2001 inclusively. As a result, the Silver Hair Programme was revamped and replaced with the MM2H programme. The MM2H was still placed under the Ministry of Home Affairs, but its promotion was spearheaded by the Ministry of Tourism. The stringent requirements and restrictions of the Silver Hair Programme such as minimum age, requirement of a sponsor, and security bond were removed, while several other rules and requirements were amended to make the programme more participants to prospective participants.

2.3.1 Requirement of Application and Incentives

Under the MM2H programme, applicants were segmented into two different age groups: 50 and above and below 50. Individual applicants aged 50 and above were required to have monthly incomes of RM7,000 and above, or fixed deposits of at

least RM100,000 in Malaysian banks. Applicants by couples in this category were required to have monthly incomes of RM10,000 or fixed deposits of at least RM150,000 in Malaysian banks.

On the other hand, individual applicants below 50 were required to have monthly incomes of at least RM7,000 and fixed deposits at least RM100,000 in Malaysian banks. For couple applicants of the same age bracket, monthly income of at least RM10,000 and fixed deposits of at least RM150,000 in Malaysian banks were required.

Although the requirements pertaining to sponsor and security bond were removed, participants were still required to have medical coverage to finance the cost of medical care, if necessary. Similar to the Silver Hair Programme, participants were not allowed to gain employment or run businesses.

Incentives provided under this programme were similar to its predecessor. Five-year Social Visit Passes with multiple entry visas were issued to successful applicants. They were allowed to bring their spouses, children below 18 years old and parents as their dependents. Children who wished to continue their education in Malaysia were required to obtain Student Passes and enrol in schools or institutions of higher learning that were recognised by the government.

The amendments listed above had a positive impact and brought about an increase in the number of participants with the average of successful applicant jumping from

138 to 1,745 annually. The number of successful applicants was highest in 2005 with 2,615 successful applicants (see Table 2.2).

Table 2.2: Number of fresh participants of the MM2H programme (2002 – 2006)

No.	Country	2002	2003	2004	2005	2006	Total
1	China (PRC)	241	521	468	502	242	1,974
2	Bangladesh	0	32	204	852	341	1,429
3	United Kingdom	108	159	210	199	209	885
4	Japan	49	99	42	87	157	434
5	Iran	0	2	8	7	9	26
6	Singapore	96	143	91	62	94	486
7	Taiwan	38	95	140	186	63	522
8	India	45	123	118	80	51	417
9	Indonesia	88	118	104	54	63	427
10	Pakistan	9	55	82	104	36	286
11	Others	144	298	450	482	464	1,838
Total		818	1,645	1,917	2,615	1,729	8,724

Source: MM2H official website, 2011

2.3.2 Implication on the Housing Sector

The minimum house prices for the MM2H visa holder was RM150,000, marking an increase of RM50,000 from the Silver Hair Programme. Beginning 21st May 2003, their acquisition of properties was exempted from FIC approval. This exemption (from obtaining FIC approval) eased the procedures of property purchase considerably. Interestingly, the minimum house prices for foreigners remained at RM250,000 but they were still subjected to FIC ruling. From the incentive for house purchases, it can be inferred that the government still encouraged the MM2H participants to purchase homes.

2.4 MM2H under the Ministry of Tourism (2006 - 2009)

As the figures indicate, the Ministry of Tourism was successful in aggressively promoting MM2H (Tengku Mansor, 2006). Acknowledging that promotion and marketing were essential components for the success of the programme, the cabinet, on the 1st of April 2006, decided to put the MM2H programme under the purview of the Ministry of Tourism, instead of the Ministry of Home Affairs.

Subsequently, revisions were made to the programme to make it more flexible and lure even more participants. In addition, a one-stop centre was launched; a month after the Ministry of Tourism took over, to expedite the application process. Other than processing the applications, the MM2H one-stop centre also provides counselling and information. It also acts as the policy-making secretariat which plans the direction of the programme.

2.4.1 Requirement of Application and Incentives

The financial requirements for MM2H applicants became more stringent when the MM2H programme was transferred to the Ministry of Tourism. For applicants aged 50 and above, monthly off-shore income of RM10,000 and above, or fixed deposit of RM150,000 and above were required. They were, subsequently, allowed to withdraw up to RM90,000 of the sum in their fixed deposit one year after obtaining the MM2H visa for expenses related to house purchase, education for children in Malaysia or medical expenditure. For applicants aged below 50, only a fixed deposit of RM300,000 and above was required. They were also allowed to withdraw up to

RM240,000 a year after getting the MM2H visa for similar purposes as those for the 50 and above category. However, there was so separate financial requirement for couples as before. The Social Visit Pass with multiple-entry visa was extended up to 10 years (from the previous 5 year period) and is renewable provided the participants did not violate any laws in the country.

Table 2.3: Number of fresh participants of MM2H programme (2007- 2008)

No	Country	2007	2008	Total
1	China (PRC)	90	120	210
2	Bangladesh	149	68	217
3	United Kingdom	240	208	448
4	Japan	198	210	408
5	Iran	59	227	286
6	Singapore	58	48	106
7	Taiwan	31	16	47
8	India	46	32	78
9	Indonesia	25	27	52
10	Pakistan	31	65	96
11	Others	576	491	1,067
Total		1,503	1,512	3,015

Source: MM2H official website, 2011

The amendments did not yield positive results as the number of successful fresh MM2H applicants between 2007 and 2008 dropped to 1,508 persons annually on average (see Table 2.3) from 1,745 for reasons that remain unknown.

Nevertheless, the drop could have been due to the increase in financial requirements or the global credit crunch of 2008 which resulted in lost or diminished retirement savings, thereby forcing older individuals to postpone their retirement life (Coile &

Levine, 2009). Apparently the Malaysia Visit Year of 2007 also did not have any positive effects.

2.4.2 Implication on Housing Sector

As opposed to the MM2H programme when it was under the Ministry of Home Affairs, participants were now allowed to purchase two units of residential properties, each at the minimum price of RM250,000 except for Sarawak which set the minimum price at RM350,000. The floor price increased by RM100,000 from the previous amount of RM150,000. The acquisition of properties was still exempted from FIC approval. Without the limitation of one unit per participant, participants could have purchased another unit either for their own use or to let it out for rental.

2.5 Rebranding of MM2H under the Ministry of Tourism (2009 to present)

On 23rd March 2009, the rebranding of the MM2H programme was officially launched by Yang Amat Mulai Tengku Mahkota Kelantan Tengku Muhammad Faris Petra Ibn Sultan Ismail Petra at the Malaysia Tourism Centre. Between 2002 and 2008, there were numerous complaints on the limitations of the MM2H programme in the media such as Expat Magazine, local daily newspapers and internet forums. The purpose of rebranding was to make the programme more attractive and effective (Ministry of Tourism Malaysia, 2009). The rebranding exercise also aimed to capture high net-worth individuals wanting to invest in Malaysia. This earmarked Malaysia's attempt to join the ranks of other countries which target mobile high net-worth

individuals to reside in their countries. Singapore, for example, has been doing so since the 1990s (Wu & Eng, 1991).

2.5.1 Requirement of Application and Incentives

After the rebranding of the programme, the financial requirements, which remain valid till today, were revised yet again. Applicants aged 50 and above have to provide proof of monthly off-shore income of RM10,000 and minimum liquid assets of RM350,000 upon application. Once the application has been approved, proof of monthly income of RM10,000 or fixed deposit of RM150,000 are required. Participants are allowed to withdraw the fixed deposit up to RM50,000 after one year of getting the MM2H visa for approved expenses relating to house purchase, education for children in Malaysia or medical expenditure.

Applicants who are below 50 years old have to provide proof of monthly off-shore income of RM10,000 and minimum liquid assets of RM500,000. Upon approval of application, they are required to have fixed deposit of RM300,000 but are allowed to withdraw up to RM150,000 after one year for the purposes as mentioned in above. However, applicants who have purchased properties worth at least RM1 million are qualified to have a lower fixed deposit.

The new policy also allows participants aged 50 and above with specialised skills and expertise to work in certain sectors such as health, biotechnology, science, engineering and the oil gas industry for 20 hours per week, subject to approval by

the Expatriate Committee, Immigration Department of Malaysia. Participants are also allowed to actively invest and conduct businesses in various sectors of the economy.

In addition, the age limit of unmarried dependent children was raised from 18 years to 21 years which allowed participants to bring their dependent children without any anxiety. Also, foreign spouses of Malaysian nationals are given the option to stay in Malaysia under the MM2H programme.

Table 2.4: Number of fresh participants of MM2H programme (2009- Feb 2011)

No	Country	2009	2010	2011*	Total
1	China (PRC)	114	154	70	234
2	Bangladesh	86	74	61	153
3	United Kingdom	162	141	49	291
4	Japan	169	195	63	358
5	Iran	212	227	92	412
6	Singapore	61	73	15	131
7	Taiwan	36	49	8	81
8	India	35	51	10	79
9	Pakistan	103	77	24	173
10	Indonesia	53	25	9	77
11	Others	547	433	99	947
Total		1,578	1,499	500	2,936

Source: MM2H official website, 2011

* Note: Statistics recorded until March 2011.

With the rebranding, the number of new successful MM2H participants increased from 1,512 in 2008 to 1,578 in 2009, but dropped slightly to 1,499 in 2010 (see Table 2.4). The drop was small (i.e. 5%) compared to the drop from 2002 – 2006 to 2006 – 2009 period which stood at 15.7%. This percentage inferred that the relaxed ruling successfully cushioned the decrease of newly registered participants.

2.5.2 Implication on the Housing Sector

Participants are allowed to purchase houses at the minimum price of RM500,000 effective 1st January 2010 and for any number of units, whereas formerly they were only allowed to purchase a maximum of two units of residential properties. Similar to the previous ruling, the acquisitions of property is exempted from FIC approval, but the property deeds can be wholly registered under the foreigner's name. Incidentally since 30th June 2009, foreigners purchasing properties in Malaysia are no longer required to obtain FIC approval.

With the rebranding, the MM2H programme expects to attract more big spenders and experts in various fields to make Malaysia their second home and spur the economy. Based on the incentives mentioned above, it can be inferred that the government hopes for these people to stimulate the housing sector as there is no longer any restriction on the number of housing units they can purchase, preferably properties worth RM1 million or more. In addition, the MM2H participants are entitled for loans up to 85% of the property's value, whereas non-MM2H foreigners are only allowed to get loans up to 60% only.

From a ten -year survey conducted by Lee at al. (2010) which ended in 2009, they note that if every MM2H participant had invested in the residential property, it would have had a high impact on the housing sector. Again, as mentioned earlier, the government did not make it compulsory for international retirees in Malaysia to purchase homes. Therefore, Malaysian housing developers did not gain from the MM2H as much as they might have wished for.

2.6 Summary

The MM2H programme has gone through various transformations for the last one and a half decades since its inception. The financial requirements have been made stiffer progressively, but housing purchase ruling became more relaxed as time went by (see Table 2.5). From its original intention to cater to retirees, the latest MM2H variant attempts to capture the high net-worth individuals from around the world. In conclusion, it can be noted that the evolution of the MM2H programme, indicates the government's intention to attract foreigners to reside in Malaysia and encourage them to purchase property here.

Table 2.5: Changes of minimum purchase price of residential property

Silver Hair Programme (1987 - 2001)	MM2H Programme (2002 - 2006)	MM2H Programme (2006 - 2009)	Rebranded MM2H (2009 - present)
Under the Ministry of Home Affairs.	Under the Ministry of Home Affairs.	Under the Ministry of Tourism.	Under the Ministry of Tourism
Minimum purchase price of residential property was RM100,000.	Minimum purchase price of residential property was RM150,000.	Minimum purchase price of residential property was RM250,000 for most state except Sarawak. (effective Dec 2006)	Minimum purchase price of residential property is RM500,000 (effective on 1 st Jan 2010)
		Minimum purchase price of residential property in Sarawak was RM350,000.	Minimum purchase price of residential property in Sarawak remains at RM350,000.
Only one unit allowed to be purchased	Only one unit allowed to be purchased	Only two units allowed to be purchased.	No limit on the number of houses which can be purchased.

Source: Author

CHAPTER 3

4 PS MARKETING STRATEGIES

3.1 Introduction

This chapter sketches the evolution of the 4Ps (Product, Price, Place and Promotion) marketing mix and its implementation in different fields. The final part of this chapter describes 4Ps marketing mix in residential property sector. Although, there are criticisms on the 4Ps marketing mix, yet it widely regarded as one of the best known concepts in marketing.

3.2 Evolution of Marketing Mix

Inspired by Culliton (1948) who described the business executive as a ‘mixer of ingredients’, Borden coined the term marketing mix in 1953 (Borden, 1964, 1984; Chai, 2009; Constantinides, 2006; Dominici, 2009; Zineldin & Philipson, 2007). Marketing mix consists of 12 elements: product planning, pricing, branding, channels of distribution/place, personal selling, promotions, advertising, packaging, display, servicing, physical handling and, fact finding and analysis (Borden, 1957, 1964).

In the 1960s, McCarthy (1960) reclassified the 12 elements of marketing mix into 4Ps. The 4Ps marketing mix framework is not only a scientific theory, but can be used to develop in long-term strategies and short-term tactical programmes (Brookes & Palmer, 2004). This framework has dominated the marketing literature, marketing

research and practice since it was reclassified (Grönroos, 1994) and has extremely influenced the development of both marketing theory and practice (Möller, 2006). In fact some scholars such as Bevan (1991) claims that marketing mix is a fundamental pillar of the marketing discipline (Bevan, 1991). Nevertheless, there are researchers who advocate that the framework is expanded from 4Ps to 5Ps, 6Ps, 7Ps, 8Ps and even 15Ps (see Table 3.1). However, these proposed Ps have yet to be commonly accepted (Ken and Brown, 2006) in marketing theory and practice.

Table 3.1: Elements in marketing mix

4Ps	McCarthy (1960)	Product, Price, Promotion, Place
5Ps	Judd (1987)	Product, Price, Promotion, Place, People
5Ps	Heuvel (1993)	Personnel, Product, Place, Price, Promotion
6Ps	Kotler (1984)	Product, Price, Promotion, Place, Political power, Public opinion formation
6Ps	Lawrence et al. (2000)	Product, Price, Promotion, Place, People, Packaging
7Ps	Booms and Bitner (1981)	Product, Price, Promotion, Place, Participants, Physical evidence, Process
8Ps	Goldsmith (1999)	Product, Price, Promotion, Place, Personalisation, Personnel, Physical, Procedures
15Ps	Baumgartner (1991)	Product/Service, Price, Promotion, Place, People, Politics, Public relations, Probe, Partition, Prioritize, Position, Profit, Plan, Performance, Positive implementations

Source: Modified from Gummesson (1994)

Although, the 4Ps marketing mix framework, has become the pillar of traditional marketing management, it has also been subjected to intense criticism (Möller, 2006). For instance, Grönroos (1996) criticised the framework as being too limited while

Gummesson (2000) criticised it for its inadequacy in meeting the requirements of the marketing concept. Rafiq & Ahmed (1992) argued that 4Ps do not take sufficient account of building a long-term relationship between industrial buyers and sellers. Popovic (2006) claims that the framework is too production-orientated and not customer-oriented which should be the case as customer perspective are vital for marketing planning. There are critics who even reject the 4Ps and propose alternative frameworks (Chai, 2009). Constantinides (2006) summarised the criticisms of others in the context of services marketing (see Table 3.2).

Table 3.2: Review of services marketing literature

Author (s)	Arguments	Proposition
Cowell (1984)	Three aspects justifying the revision of the original Marketing mix framework: <ul style="list-style-type: none"> - The original mix was developed for manufacturing companies - Empirical evidence suggesting that marketing practitioners in the service sector find the marketing mix not being inclusive enough for their needs 	Adopts the framework proposed by Booms and Bitner (1984)
Brunner (1989)	The 4Ps Marketing mix elements must be extended to include more factors affecting the services marketing thus becoming mixes themselves	Concept Mix, Cost Mix, Channels Mix, Communication Mix
Ruston and Carson (1989)	The unique characteristics of the services – intangibility, inseparability, perishability and variability – make the control of the marketing process, using the generalised tools of marketing, inadequate.	New instruments and concepts must be developed to explain and manage the services intangibility
Fryar (1991)	Segmentation and differentiation is the basis of successful positioning of services. Furthermore the personal relationship with the customer and the quality of the service are important elements of the services marketing	The marketing of services requires: <ul style="list-style-type: none"> - Differentiation based on segmentation and positioning - Customer contact - Unique vision on quality

Doyle (1994)	While recognising that the content of the 4Ps in the service sector is somehow different from that of the tangibles he does accept the 4Ps as the elements of the services marketing mix. He identifies special difficulties in Promotion and Place preferring to replace them by the terms Communication and Distribution.	Service Marketing Mix: <ul style="list-style-type: none"> - Product - Price - Communication - Distribution
Melewar, Saunders (2000)	The Corporate Visual Identity System (CVIS) is the basis of the corporate differentiation and the core of the company's visual identity.	A new P must be added to the 4Ps of the marketing mix (and the 3Ps of the services mix) namely the <ul style="list-style-type: none"> - Publication
English (2000)	The traditional marketing has never been an effective tool for health services marketing	A new framework emerges, emphasising the 4Rs: <ul style="list-style-type: none"> - Relevance - Response - Relationships - Results
Grove et al. (2000)	Services marketing can be compared to a theatrical production. How the service is performed is as important as what is performed. Critical factor is therefore the customer experience. The traditional marketing mix does not adequately capture the special circumstances that are present when marketing a service product.	Four strategic theatrical elements constitute the Services Experience: <ul style="list-style-type: none"> - Actors - Audience - Setting - Performance <p>These elements must be added to the extended services marketing mix model of Booms and Bitner</p>
Beckwith (2001)	Marketing services in a changing world requires focusing on increasing the customer satisfaction and rejecting old product paradigms and marketing fallacies	The four keys of Modern (services) Marketing <ul style="list-style-type: none"> - Price - Brand - Packaging - Relationship

Source: Modified from Constantinides (2006)

Although there have been many advances in marketing thought and conceptualisation, and each of these advances has posed challenges to the 4Ps marketing mix, it still endures because it focuses on the four important fundamentals (Product, Price, Promotion and Place) of marketing planning and management