HOUSE BUYERS'
LIFESTYLE SEGMENTATION OF THE
HOUSING MARKET IN MALAYSIA

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by

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LIST OF ABBREVIATION

AIO	Activities, Interest and Opinions
CIM	Chartered Institute of Marketing
EPU	Economic Planning Unit
GDP	Growth Domestic Product
KMO	Kaiser-Meyer-Olkin measure of sampling adequacy tests
MHLG	Ministry of Housing and Local Government
MYR	Malaysian Ringgit
NAPIC	National Property Information Centre
PCA	Principle Component Analysis
REDHA	The Real Estate and Housing Developers' Association of Malaysia
RICS	Royal Institution of Chartered Surveyors
RM	Ringgit Malaysia
SRI	SRI Consulting-Business Intelligence
SPM	Sijil Pelajaran Malaysia or the Malaysian Certificate of Education
SPSS	Statistical Package for the Social Sciences
STPM	Sijil Tinggi Persekolahan Malaysia or Malaysian Higher School Certificate
VALS	Values, Attitudes and Lifestyles
WTW	C H Williams Talhar & Wong

SEGMENTASI GAYA HIDUP PEMBELI RUMAH UNTUK PASARAN BARU PERUMAHAN DI MALAYSIA

ABSTRAK

Perubahan persekitaran yang dinamik telah menyebabakan perubahan drastik dalam gaya hidup dan tabiat pembelian pengguna. Pembangunan industri perumahan di Malaysia juga tidak terkecuali kepada perubahan ini. Untuk seiring dengan perubahan sikap dan tingkah laku pembeli rumah, ia adalah jelas bahawa syarikat-syarikat pembangunan perumahan perlu melakukan lebih dalam memahami bagaimana pembeli rumah berfikir dan memenuhi keperluan pembeli rumah.

Walaupun konsep gaya hidup adalah popular digunakan secara meluas dalam industri berasaskan pengguna, tetapi, konsep ini memang jarang digunakan dalam industri pembangunan perumahan. Sehingga kini, tiada penyelidikan yang dijalankan untuk mengkaji gaya hidup pembeli rumah dengan mengguna konsep gaya hidup keatas pembeli rumah yang berpotensi dalam projek-projek perumahan yang baru dibangunkan. Kajian ini adalah bertujuan untuk mengisi jurang persepsi yang sedia ada dengan mengenal pasti segmen yang wujud dalam kalangan pembeli rumah Malaysia dalam pasaran perumahan melalui gaya hidup mereka. Model pengaruh pada pilihan perumahan telah digunakan sebagai kerangka teori asas untuk kajian.

Data telah dikumpulkan dengan cara tinjauan soal selidik yang ditadbir sendiri. Data yang dikumpul telah dianalisis dengan menggunakan statistik melalui perisian SPSS versi 17. Responden telah dikumpulkan kepada lima faktor gaya hidup yang dipanggil sebagai pembeli rumah yang Berorientasikan Penampilan, Segmen gaya hidup beristirahat, gaya hidup 'Extroverted', Segmen cermat dan, Pembeli Rumah yang Berorientasikan Praktikal.

Penemuan dalam kajian ini boleh digunakan untuk reka bentuk dan pengurusan komuniti am perumahan serta strategi pemasaran yang sensitif kepada konsep gaya hidup. Beberapa implikasi dan cadangan telah dikemukankan oleh kajian ini. Ia juga disyorkan bahawa ujian kajian penyelidikan lanjut yang perlu dijalankan untuk perumahan AIO kenyataan dengan kumpulan-kumpulan yang berbeza dalam pelbagai pasaran. Di samping itu, ia juga dicadangkan bahawa pemboleh ubah gaya hidup diberi pertimbangan dalam model pembeli rumah masa depan bangunan tingkah laku dan usaha-usaha penyelidikan.

Dari sudut praktikal, hasil kajian ini memberikan maklumat tentang pembeli rumah segmen gaya hidup yang memberi kesan kepada pilihan dan keutamaan perumahan. Oleh itu, pemaju perumahan boleh menggunakan maklumat-maklumat tersebut untuk segmentasi pasaran sasaran mereka dengan lebih efektif, merangka strategi pemasaran mereka dengan lebih berkesan, dan menyesuaikan produk mereka untuk memenuhi keperluan pembeli rumah melalui gaya hidup mereka. Kajian ini juga memberi penerangan kepada pemaju perumahan untuk memahami sebab-sebab di sebalik keputusan pembelian pembeli rumah yang boleh membantu mereka untuk membangunkan strategi pemasaran yang lebih baik untuk memuaskan dan memenuhi keperluan pembeli rumah.

HOUSE BUYERS' LIFESTYLE SEGMENTATION OF THE HOUSING MARKET IN MALAYSIA

ABSTRACT

The dynamically changing environment has created a drastic change in the lifestyle and purchase habits of the consumers. The housing development industry in Malaysia is not immune to these changes. In order to keep abreast with the shift of house buyers' attitude and behaviour, it is apparent that housing development companies need to do more in understanding how the house buyers think, and then satisfying their needs of the house buyers.

Although the assessment lifestyle choice and preferences is a popular tool used widely in other consumer-based industries, this concept had rarely been applied in the housing development industry. To date no research had examined the lifestyle of potential house buyers for newly developed housing projects. This study aims to fill this perceived gap by identifying the segment that exists in Malaysian house buyers within the housing market as determined by their lifestyles. The model of influences on housing choice was used as the underlying theoretical framework for the study.

The data were collected by way of intercept self-administered questionnaire surveys. The gathered data was then analysed by statistical tool via the SPSS version 17 Software. The respondents were grouped into five lifestyle factors namely, Appearance Oriented, Relaxed Segment, Extroverted Lifestyle, Economiser Segment and Practical Oriented house buyers.

The findings in this study can be applied to the design and management of general housing communities as well as to marketing strategies that are sensitive to lifestyle concepts. Several implications and recommendations were highlighted by this study. It is recommended that further research studies test be conducted to the housing AIO statements with different groups in diverse markets. In addition, it is also suggested that lifestyle variable be given consideration in future house buyers' behaviour model building and research efforts.

From a practical standpoint, this study sheds some light into the house buyers' lifestyles segments that affect their housing choices and preferences. Thus, housing developers may use this information to better segment their target market, formulate their marketing strategies more effectively, and tailor their products to meet the house buyers' lifestyles. This study also enlightens housing developers to understanding the reasons behind house buyers' purchase decisions that can help them to develop better marketing strategies to satisfy and fulfil the house buyers needs.

CHAPTER 1

INTRODUCTION

1.1   Introduction

In this chapter, nine main areas of interest will be presented. The summary of thesis structure was outlined in section 1.9 as shown in Table 1.1. As the background of this study, the Malaysia construction industry is some kind of an economic engine that makes up an important part of the Malaysian economy. The Malaysian housing system is characterised by high levels of owner occupation (RICS, 2008). In today's highly competitive housing market, marketing has made a significant contribution to the construction industry (Moore, 1984). As business enters an era that is becoming more complex, hostile and where consumers are becoming more vocal and demanding, property development companies must improve their understanding of their business environments. The term marketing must be understood not in the old sense of making a sale or selling', but in the new sense of satisfying customer needs.

However, a number of professional marketing practitioners pointed out that many property and construction firms still pay lip-service to marketing, and fail to address their substantive marketing management capabilities (Humber, 1989 in Shafiei *et al.*, 2003). The motivation to adopt marketing in the house-building industry has evolved from four fundamental conditions: a fluctuation in work load; an unfavourable demand and supply position; changing market structures and a punishing economic climate (Etter, 1997). Competition from the second-hand house market also motivates house-building companies to adopt aggressive marketing. Unlike most consumer durables, the new house has found its virginity to be a handicap (Short *et al.*, 1986). This is especially right in larger cities like Kuala Lumpur, Selangor, Penang and Johor Bahru. Dwellings and layout are perceived to mature and to prove themselves with age.

A review of the literature reveals that very little academic research work has been published on the role of marketing in the house-building sector, a problem which has been witnessed by other academic researches (Dunlap *et al.*, 1988). This paucity of research does not reflect the interest that currently exists within the area. For example, there has been a vast increase in the number of journalistic items, workshops, seminars and consultancy-based work, all dedicated to various marketing issues across the house-building and construction industry as a whole as recently REDHA had conducted a survey among the REDHA members regarding the property and housing industry scenario for the sales performances and the measures to increase sales (REDHA, 2009).

One of the marketing processes that property development companies can utilise to better perform in the market is market segmentation. It is essential to marketing (Sheth, 1967) and it has long been considered one of the most fundamental concepts in modern marketing (Wind, 1978). As indicated by Swenson (1990) and Senguder (2003), market segmentation is necessary to analyse markets, find a niche, develop and capitalise on this superior competitive position because consumers become more sophisticated and society becomes more and more complicated. Lifestyle segmentation is one of market segmentation technique that can be utilised by the property developers is the notion of satisfying the house buyers needs and wants in living with their own preferred lifestyles. It has an impact on a wide range of everyday consumer behaviour and can therefore be a valuable basis for segmentation (Füller and Matzler, 2008). As a result, buyers with similar needs, buying behaviour, and attitudes can be identified and grouped into segments (Lin, 2002), the marketers can focus on these specific groups by developing individualised marketing and communication program with a distinct marketing mix to reach these market segments (Senguder, 2003; Hoyer and MacInnis, 2001; Tynan and Drayton, 1987) for each group for the firm to serve (Peter and Olson, 2002; Funk and Hudon, 1988).

Furthermore, prior knowledge of house buyers' needs and wants is important for the formulation of appropriate marketing strategies, ensuring house buyers' satisfaction and long-term success. Unattractive housing directly affects the self-respect of the occupants. As stated by Alexander (1977), all people want to see them reflected and to express themselves on their own choice. Thus, understanding the lifestyles of people will gives an architects and planners the chance to create a sense of individual expression (Burnhm, 1998). In addition, judging by the importance of any house to its occupants, it develops their own identity, human activities and social relationships start to be structured, the most important experiences occur (Aragonés, 2002). It provides a continuous sense of identify over time (Csikszentmihalyi and Rochberg-Halton, 1981; Hummon, 1989; Somerville, 1997) as well as individuals and families exhibit unique lifestyles by their very nature. The property developers thus, have a social responsibility to provide houses suited to the basic human needs as well as human development. The success of a housing developer would depend very much on obtaining up-to-date-information on house buyers' preferences (Chee and Peng, 1996) and the rewards will go to those marketers who can best read house buyers' wants and needs, and deliver the greatest value to their target buyers.

In the field of housing, however, the lifestyle concept rarely has been mentioned in research studies. Instead, as indicated by Beamish *et al.* (2001), there have been several other concepts influencing housing choice. Instead, clarifying the all the concepts influencing housing choice, this study focused on Malaysian house buyers' lifestyles and preferences for newly developed housing market and house buyers will then be profile according to their lifestyle patterns with identifying the significant between the potential house buyer's segments and socio-demographic as well as housing characteristics. The next sections provide problem statement about Malaysia housing industry.

1.2   Problem Statement

The Malaysia residential property market consists of various segments. With the dynamic changing environment caused drastic change in the consumers' needs; expectations as well as preferences. The consumers become ever more diversified, this reflection the diversity of house buyer's lifestyle. This change has also led to the development of a more sophisticated segmentation in the residential market through various approaches such as geographic, demographic, socio-economic and psychographic characteristics. Therefore, the Malaysian property developers companies seem to struggle to stick to a single strategy in approaching their customers.

Given the problems of property glut in some parts of the country especially in states of Johor and Selangor, the housing developers have to analyse the market scenario before launching their new housing developments. It had long been argued that, many housing developers based their marketing decisions on hunches and guesses, rather than on intelligence drawn from marketing research. The property development industry is in need of a comprehensive market intelligence to be able to predict and satisfy the needs of house buyers and to understand the way that housing contributes to this major life interest or project (Giddens, 1991). Cadman and Austin-Crowe (1983) stated 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."

Furthermore, there is an evidence of the Malaysian property development companies becoming more concerned with market segmentation. Malton Development Bhd, a stocked-listed property development company for example, had been championing the need for industrial analysis by way of lifestyle segmentation analysis for Malaysian house buyers to

help developers in their decision making (Thean, 2006). They argued that, this can enables property marketers to spot new opportunities in the market and better serve the customers' needs and wants. It also ensures that they could successfully communicate with each specific segment separately by applying different sets of marketing strategies for different group of house buyers.

A lifestyles segmentation perspective is therefore taken in this study to form a better and more holistic understanding of the potential house buyer behaviours in the newly develop housing market. In addition, a lifestyles research can also 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 insight picture of the behaviour and purchasing decisions of the house buyers.

1.3   Research Questions

The research questions of the research are:-

1. How does lifestyle segmentation analysis identify the existing cluster segments in the housing market?

    a) Are there any differences between house buyers in relation to lifestyle and housing attributes in newly developed housing market?

2. How does the market segmentations of house buyers be further profiled and characterised to give a clearer picture of their behaviour and purchasing decisions?

    a) Are there any differences in house buyer socio-demographic characteristics among the cluster groups?

    b) Are there any differences in the house type preferences among the lifestyle groups?

1.4   Research Aim

The aim of this study is to investigate and profile the Malaysian house buyers' lifestyles and preferences for newly developed housing market.

1.5   Research Objectives

The research objectives are:

1) To determine the relevant lifestyle dimensions of Malaysian house buyers' in the newly developed housing market.

2) To identify the cluster segments of house buyers in the newly developed housing market.

3) To develop lifestyle profiles of house buyers according to their lifestyle patterns.

1.6   Brief Outline of Research Methodology

This study focuses on prospective house buyers scouting to buy newly developed houses being offered by housing developers in property exhibitions. The research had been divided into three phases. In the first phase, researcher held elite interviews with the industry experts to determine the relevant lifestyle dimensions from their viewpoints to be used in the main data collection. The results from the first phase allowed the initial development of the research questionnaires to be forwarded to the second phase of the research. The development of measures for segmentation base was made and dimensions were then tested with prospective house buyers for content validation, item analysis, construct validation and reliability analysis. In the third phase, a survey with prospective house buyers attending property exhibitions by using structured questionnaire were carried out to define the house buyer's decision making in exploring their lifestyle patterns.

Four aspects of the survey methodology was used in this study, namely the questionnaire design, data collection, sample design, and data analysis are briefly discussed. For questionnaire design, lifestyle statements relating to the AIOs of new residential house buyers were developed for use in the field survey. The questionnaire was produced in English and Malay language versions by using back translation procedure. The data was collection by intercept surveys with prospective house buyers attending property exhibitions throughout the country. The target population for the survey is the prospective house buyers of ages 18 and above attending property exhibitions held in the Sungai Petani, Kedah, Penang, Kuala Lumpur and Selangor, Melaka, Johor Bharu, Kota Bharu, Kelantan and Kota Kinabalu, Sabah. The main criterion for those participating in the study is they have the intention to buy or on the lookout for properties from the exhibitions. A convenience sampling method were utilised for this research.

The data in this study were processed by using SPSS programme (version 17.0). The empirical lifestyle segmentation centred mainly on the use of four statistical procedures, namely descriptive analysis, factor analysis; cluster analysis; and discriminant analysis. These analyses provide a complete exploration of univariate and multivariate relationships among the data. The resulting information formed the basis for conclusions. Lastly, the deliberations of research methodology will be further covered in chapter 6.

1.7 Scope and Limitation of Research

Malaysia is the research settings for this study. The data collection was conducted in the Sungai Petani, Kedah, Penang, Selangor, Kuala Lumpur, Melaka, Johor Bharu and Kota Bharu, Kelantan in West Malaysia and Kota Kinabalu, Sabah in East Malaysia as a whole. This study only involves prospective house buyers or visitors visiting the selected Malaysia property exhibitions in newly developed housing projects.

Beside, the nature of this study has also imposed some limitations such as data collections, time and financial consideration, theoretical and practical consideration. A major problem encountered during the course of the research was the dearth of literatures on lifestyles segmentation specifically in residential house market. The convenience sampling involved in this study comes from the visitors in the property exhibitions who were made accessible to the research team by virtue of renting sales booth at the exhibitions. The intercept method was used; whereby all the questionnaires were directed to the property exhibitions visitors. The respondents were recruited by chance, rather than at random.

1.8   Significance of the Research

The significance of this study can be viewed from both theoretical and practical point of view. Theoretically, even though the marketing literature review reflects an emerging interest in the psychographic topic to date, there is a dearth of empirical research that focuses on the lifestyle dimensions of Malaysian house buyers' behaviour. The instruments to measure the lifestyles of Malaysian house buyers were developed based on the review of previous studies relating to lifestyles. The instrument and procedure developed by this study can shade a new light into the purchasing behaviour of Malaysian house buyers, and hopefully be the catalyst of similar studies looking into other market segments in the industry. In addition, the instrument can be used for cross-market comparisons of lifestyle profiles. The results from this study may add to the existing body of knowledge in the consumer behaviour field by explaining the relationship between an individual's lifestyles profiles and his or her behaviour as a house buyer. This typology will be profiled using lifestyles, demographic and preferences in order to aid the identification and understanding of the groups.

Besides filling the aforementioned void in the literature, the results of the current study can carry significant managerial implications for marketing strategists. These

investigations could be useful for property development companies in deriving their marketing strategies which will benefit both the companies and their customers. By segmenting the Malaysian house buyer's lifestyle into clusters, this research attempts to explore a new operating horizon for the Malaysia property development industry. The companies will be able to predict prospective new residents' housing preferences with more accuracy. By doing so, housing developers will be able to develop future housing estates that will be more responsive and sensitive to the Malaysian house buyers' lifestyle. Further, they will be able to develop marketing strategies according to the lifestyle profiles of their target groups and underpin their market segmentation by producing the right product to the right customer base.

In addition, this study will potentially offer guidance to marketing practitioners in their efforts to sell their newly developed housing projects. It is anticipated that the identification of the house buyers' lifestyle typology could potentially assist the housing developers in providing better customer services. By offering the right product to the targeted house buyers, they may give themselves an advantage over other competitors. A new entrant into the industry can also develop a better understanding of what the industry is about by studying the behavioural patterns of house buyers revealed by this study.

1.9   Structure of the Thesis

This part provides a brief outline on the organisation of the chapters. A seven (7) chapter's thesis format is employed in this write-up. The diagrammatic structure of this study is shown in Table 1.1. The Chapter One introduces the background of the study and the major themes to be investigated within the context under examination. It sets out the whole concepts of literature review, research design, and research significance in summarised forms. Chapter Two presents an intensive review of literature germane to marketing theory and segmentation. The empirical review on lifestyles segmentation and consumer buying

behaviour are presented in Chapter Three. It provides the theoretical base and the selected
aspects of lifestyles approaches for this thesis.

Table 1.1: The outline of thesis structure

Chapter 1: The Introduction	This chapter comprises the research background, research objectives, scope and limitation of research, significance of research and research methodology and the thesis flow chart. This chapter will examine the overall perspectives for the research.
Section 1 – Literature Reviews	
Chapter 2: Market Segmentation Overview	This chapter will focus on the following subject: o Parent Theories and Research Problem Theory o The marketing definition and concept o Market segmentation overviews o The advantage of market segmentation o Segmentation Scheme/approaches o Segmentation bases in consumer market
Chapter 3: Consumer Behaviour and Lifestyle Segmentation	This chapter will focus on the following subjects: o Consumer behaviour Overview o Model of customer behaviour o Lifestyles Segmentation Analysis o Definition of Lifestyle and Psychographic o Lifestyle Approach o Lifestyle Segmentation with AIO Inventory o Lifestyles approach as applied in industries
Chapter 4 : Housing Property Market Scenarios In Malaysia	This chapter will focus on the following subjects: o Malaysia Population Outlook o Malaysia Housing Market Overviews
Chapter 5 : Methodology Structure	This chapter will explain the research methods that have been used, research process, research structure and define the criterion in setting the self-administrated questionnaire questions.
Section 2 - Survey	
Chapter 6: Data Analysis, Results and Discussion	This chapter will focus on the data processing to categorise data collected and it will report on the self-administrated questionnaire conducted with the potential house buyers. Furthermore, this chapter will also analyse critically the results from the field survey to show that stand out the research aim and the research objectives have been achieved.
Chapter 7: Conclusion and Recommendation	This chapter will conclude the whole research study based on the findings. The objectives of the research and how to achieve the objectives will also be described. A comparison between the literature review and the data analysis will be also generated from the findings and the limitation during the research period will also be highlighted recommendations for future research of the implication of lifestyle segmentation will be given.

Chapter Four is discusses about the Malaysian setting in which the empirical
research was conducted. The discussions include a general perspective on Malaysia, its
background, economic development and demographic structure. Selected aspects of
consumer behaviour including income and buying power and lifestyle were also discussed.
The chapter also highlights brief perspectives of Malaysia residential market with regards to
their property market status perspective in regards to the states involved in this study.

Chapter Five outlines a detailed, step-by-step procedural examination of the methodology employed in obtaining the required information for this empirical study. The choice of statistical software to analyse the survey data are discussed.

Chapters Six presents the empirical results of this study. The final chapter (Chapter Seven) is concluded by summarising the earlier discussions and empirical findings, and eventually highlighting the salient implications and future research possibilities of this study. The limitations experienced in conducting the study are discussed. Possible avenues for future research wrap up the thesis. Lastly, the cover letters, the questionnaire used in the study shown in the appendices.

1.10   Summary

This chapter has laid the foundations for the thesis. The discussions in this chapter were started by the background of the research, followed by the research's problem statement. Then, it looked into the research questions, aim, objectives, methodology used, significance, scope and limitation, and lastly the structure of the thesis. The design and managerial implications of this study were discussed in detail in this chapter. This implication includes the marketing strategies sensitive to lifestyle concepts. The limitation and significance of the study were identified. In next chapter, previous studies regarding approaches to studying lifestyle will be reviewed, and the theoretical background of the study will be defined and explained. Further, the characteristics of selected states as the study setting will be described.

CHAPTER 2

MARKETING AND MARKET SEGMENTATION

2.1   Introduction

An overview and introduction of the thesis was given in Chapter One. A more detailed review of the research topic will be discussed in this chapter. In brief, this chapter reviews the parent and research problem theories, with the aims of charting the body of knowledge with a summary model; showing where the research problem fits into that body of knowledge and then identifying research issues and the basic marketing theory and concepts. This chapter also covers the marketing and market segmentation overviews. The purpose of having this chapter is to focus the discussion of later chapters on directions where further research is required to answer the research problem. The chapter 3, 4, 5, 6 and 7 are explicitly related to the research issues of an effective thesis.

2.2   Parent Theories and Research Problem Theory

The literature review covers the parent theories and research problem theory as well as some boundaries of the research problem are made explicit in chapter 1.2 to chapter 1.6 are shown in Figure 2.1. The parent theory in this study can be divided into three parts. First, this section begins by describing the definition, the concept of marketing theory and the overview of market segmentation in chapter 2. The second section includes the consumer behaviours and psychographic segmentation in chapter 3. The final section in chapter 4 is deals with the Malaysian housing property market scenarios that will be discussed.
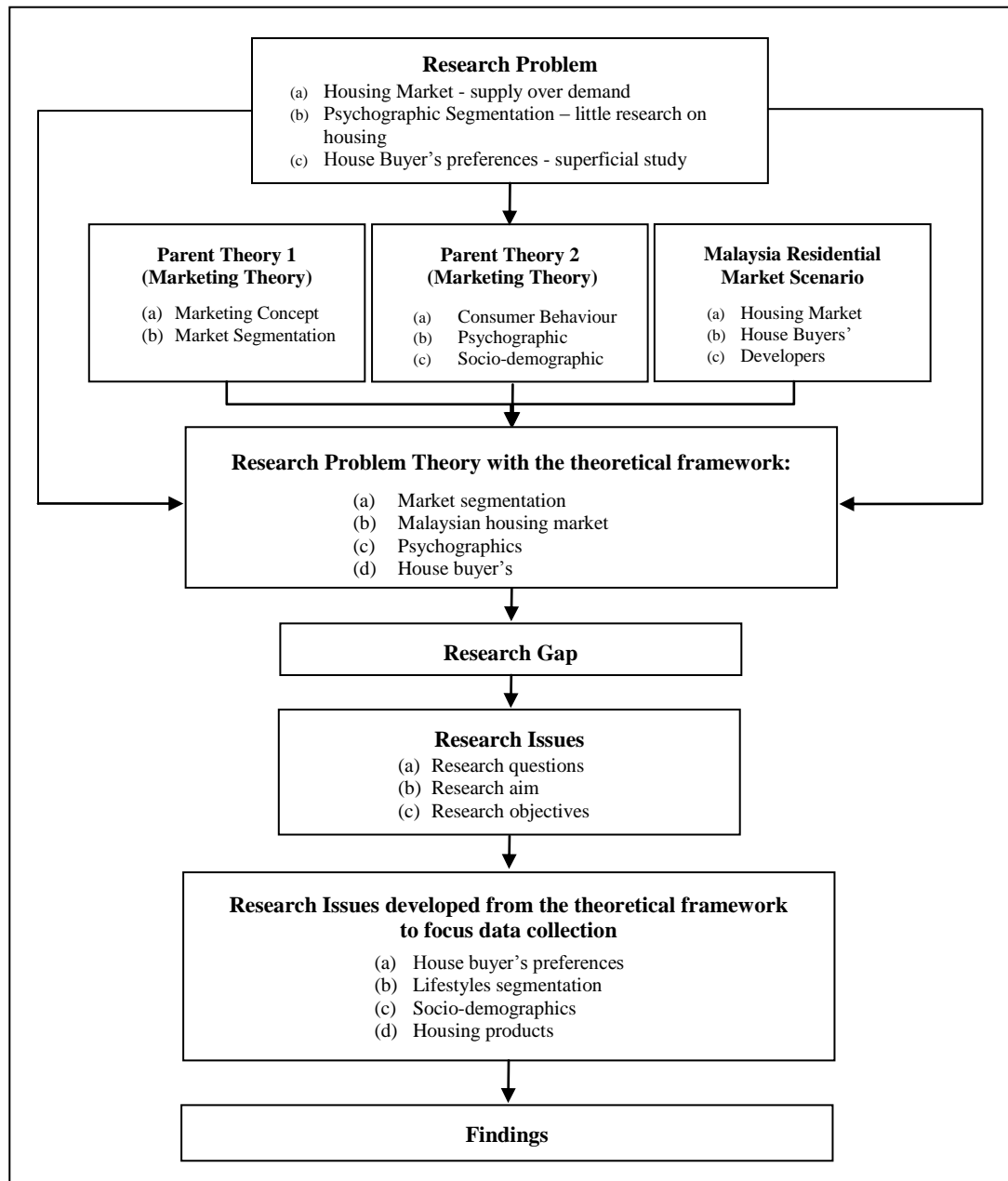
Figure 2.1: The link between the research problem and the theoretical framework developed in the research problem theory to solve it, and the parent theories and the research issues.

2.3   The Marketing Definition and Concept

The marketing theory is considered to be a parent theory in this study. According to Kotler *et al.* (2007), marketing came to prominence in since the 1950s and 1960s with focus on gaining customers for a multitude of newly developed consumer goods. However, many people still think of marketing as selling and advertising (Kotler *et al.,* 2007), and it has often been understood as the activity that persuades potential customers to buy a particular firm's

products in preference to any other (Kotler *et al.,* 2007). Nevertheless, in today's companies face stiff competition, marketing become a key factor in business success. The term of marketing in this twenty first century had been understood not in the old sense of making a sale or selling but in the new sense of satisfying customer needs by creating value through interacting and working with customer marketplace (Kotler *et al.,* 2007). Thus, most of the rewards go to those who can best read customer wants and deliver the greatest value to their target consumers. In other words, although selling and advertising are highly visible aspects of marketing practice, they are only part of a larger marketing mix that work together to affect the marketplace (Kotler *et al.,* 2007).

Kotler (1982) defines marketing is the human activity directed at satisfying needs and wants through an exchange process. Since 1980, Kotler's definition has become more complex as marketing is a social and managerial process by which individuals and groups obtain what they want and need through creating, offering, and exchanging products of value with others (Kotler, 1991; Kotler, 1994; Kotler and Armstrong, 2005). McNair (1968) produced a very thought-provoking definition of marketing which is as follows, "marketing is the creation and delivery of a standard of living". Jobber (1995) wrote that the modern marketing concept can be expressed as the achievement of corporate goals through meeting and exceeding customer needs better than competition. However, Palmer and Hartley (1999) believe that marketing is essentially about marshalling the resources of an organisation so that they meet the changing needs of the customer on whom the organisation depends. The Chartered Institute of Marketing (CIM) as quoted in Dibb *et al.* (1994); Wilson and Gilligan (1997); Lancaster and Massingham (1988) defines as marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

Adcock *et al.* (1995) believes that in order to prosper, all business organisations have continuously to encourage their potential customers to buy their products, and they must achieve this as efficiently as possible. This is the purpose of marketing. It is thus not

confined to advertising and selling, but covers everything related to what was once described as providing the right product, in the right place, at the right price, and at the right time. According to the Japan Marketing Association (1990), marketing needs to refer to the integrated and coordinated activities of research, product, prices, promotion, distributions, and customer relations, environmental activity, among others, which are directed toward the internal and external areas of the organisation, with respect to the society, culture, and natural environment and based upon mutual understanding with consumers, clients, business associates, individuals, regional residents, employees, members, and all other parties concerned.

Basically, marketing looks into two distinct subjects. They are called marketing concept and marketing function for every organisation. The marketing functions developed marketing influence extended into different business sectors (Kotler *et al.,* 2007). The most basic concept underlying marketing is that of human needs are stated of felt deprivation include physical, social and individual need. Customer wants is the form taken by human needs as they shaped by culture and individual personality and the demand is from human wants that are backed by buying powers (Kotler *et al.,* 2007). Thus, people satisfy their needs and wants with products and the concept of product is not limited to physical objects. However, according to Kotler *et al.* (2007), many marketers make mistake of paying attention to the physical products they offer than to the benefits produced by these products. They see themselves as selling products they offer rather than providing a solution to a need.

2.4 Market Segmentation Overviews

According to the definition found in the Oxford English Dictionary to 'segment' is to divide into parts. In marketing terms, these parts can either refer to groups of consumers with similar requirements or to groups of goods or services with similar attributes. As different customers within a market have different needs that they seek to satisfy, before a

marketing mix strategy can be implemented, the marketer must identify, evaluate and select a target market (Chee and Haris, 1993). To be fully marketing oriented, a company would have to adapt its offering to meet the needs of each individual. In reality, this is definitely easier said than done. As such, companies providing products and services target their wares at a clearly defined group in society and position instated, so that it meets the needs of that group. These subgroups are often referred to as 'segment' (Palmer and Hartley, 1999).

The concept of market segments, which has become the integral part of modern marketing, was 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). People or firms with in a market can be segmented according to a number of criteria, including socioeconomic, geo-demographic, lifestyle and behavioural factors (Palmer and Hartley, 1999).

2.4.1   Type of Market

Markets consist of customers, people and organisations that are both willing and able to buy (Hutt and Stull, 1992; Chee and Haris, 1993). The word 'market' is specific location where products are bought and sold (Senguder, 2003). Thus, the most common types of market are categories as consumer and business or industrial markets segments (Shaw and Semenik, 1989; Chee and Haris, 1993; Senguder 2003). According to them, a consumer market is comprised of ultimate consumers who purchase goods or services for personnel or household use. Marketers can use this approach to identify their target markets for defining, reaching, and satisfying both consumer and business markets (Hutt and Stull, 1992; Senguder, 2003).

Senguder (2003) stated that the total market approach sometimes defines the total market for particular products as its target market by only designs a single marketing mix and directing it toward at an entire market for particular product. He also explained that the total market approach can only be effective in two conditions. Firstly it must be involved large proportion of customers in the total market have a similar needs for the product. For example, this is akin to the notion that 'one size shoe fits everyone'. Secondly, the organisation is able to develop and maintain a single mix that satisfies customers' needs (Senguder, 2003).

Therefore, when a company takes the total market approach, marketer attempts to establish in customers' minds the superiority and prefer ability of one type of product relative to competing brands. In this situation, the product differentiation is used where the firm does not actually differentiate or alter the physical characteristics of the product to its other products. Rather, the firm only attempts to differentiate in consumers' mind of its products from competitor's products mainly through promotion (Senguder, 2003). However, because most consumers have or think they have a specific requirements, therefore, a strategy of market segmentation is more commonly used than is total market approach (Senguder, 2003; Shaw and Semenik, 1989). This approach was employed in this study will be further discussed next.

2.4.2 Market Segmentation Definition and Roles

In general, Hutt and Stull (1992) had been defined market segment as groups of customers with similar characteristics within the total market. Shaw and Semenik (1989) give a more details defined and explained. They stated that market segment is a group of people population that can be identified according to the four criteria. Firstly to have something in common that causes members of the group to respond in a similar fashion to marketing stimuli that is homogeneity exists within the group. Secondly, can be

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distinguished and differentiated from other market segments; that are heterogeneity exists between groups. Thirdly, it can be reached by available communication media and lastly there are of sufficient size and market potential. Based on the definition above, market segmentation therefore is a valuable process in assisting in the first three steps in the marketing planning guide, which are to identify the target market, the target's objectives, and the alternative means available to the people in the target market to satisfy their objectives (Shaw and Semenik, 1989).

In addition, market segmentation is an important part of a firm's strategic marketing planning (Nylor and Kleiser, 2002) because it is an identification process aimed at finding subgroups of buyers within a total market. Smith (1956) had commented segmentation is based upon developments on the demand side of the market and represents a rational and more precise adjustment of product and marketing effort to consumer or user requirements. To be successful in their operations, firms must select one or more segments to target with a distinct marketing mix (Hoyer and MacInnis 2001). Together with positioning and targeting, market segmentation forms the foundation of the strategic management concept (Kotler and Scheff 1997). The explanation of these strategies is as follows Schiffman and Kanuk (2000) in this study.

According to Schiffman and Kanuk (2000), market segmentation is the first step in a three-phase marketing strategy. It is a process of segmenting the market into homogeneous clusters. In addition, it is likely to be important differences among buyers in terms of their product and service need, buying behaviour, and attitudes (Funk and Hudon, 1988). Hutt and Stull (1992) stated that it is a process of dividing the total market for a product or service into market segments based on similarity of demand. For Peter and Olson (2002), it is the process of dividing a market into groups of similar consumers, and selecting the most appropriate group(s) and individuals for the firm to serve. Bearden *et al.* (2004) explained it more specifically where the market segmentation is divides markets into subsets of

prospective customers who behave in the same way, have similar want of have similar characteristics. Specifically, market segmentation is the process of dividing a large population of heterogeneous customers into smaller subsets of customers that share certain characteristics and respond differently to the marketing mix as stated by Reid and Bojanic (2005) cited in Bojanic (2007).

In order to respond to different marketing mix, to target the market is the important strategy came after market segmentation. The marketer must decide on a specific marketing mix, that is, a specific product, price, channel, and or promotional appeal for each distinct segment (Schiffman and Kanuk, 2000). To accomplish this, one or more segments selection of target will be done in this stage. This been supported by Ferrell *et al.* (2002). They has stated that in selecting a specific target market and making decisions regarding the crucial elements of the marketing mix thus choosing the right strategy from among many possible alternatives to ultimate test in developing good marketing strategy and to give a firm a chance to satisfy the needs of target customers, differentiate its products from competitors, and achieve its marketing goals and objectives.

The final step is market positioning, as marketer allow to position the product so that it is perceived by the consumers in each target segment as satisfying his or her needs better than other competitive offerings (Schiffman and Kanuk, 2000). In other words, the primary role of placing the firm in an optimal position with respect to customer needs first is to consider decisions related market segmentation and to target markets (Ferrell *et al.,* 2002). This is because market segmentation is the process of placing the buyers in a product-market into sub-groups, so that the members of each segment display similar responsiveness to a particular positioning strategy. 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 (Cravens, 2000). Figure 2.2 has shown the segmentation and the market-driven strategy process.

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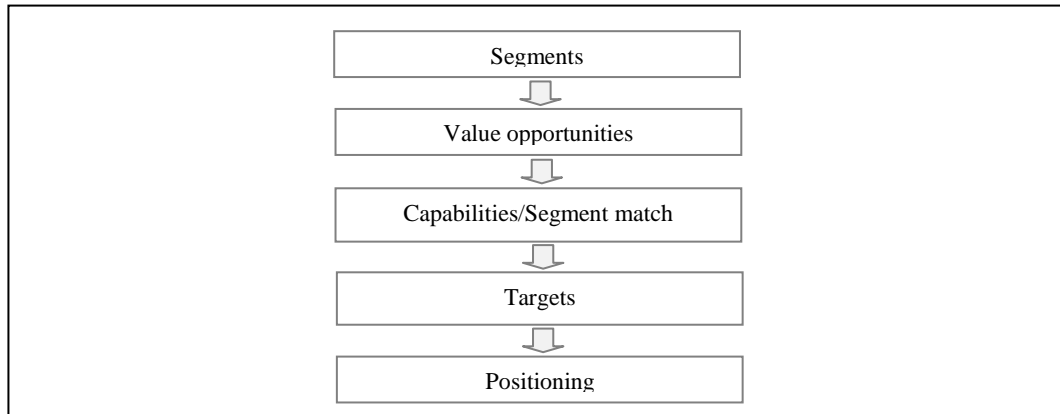
Figure 2.2: Segmentation and the market-driven strategy process
Source: Adapted from Cravens (2000)

The underlying concept of market segmentation the facts that people's wants were differ and further, the wants of one person may be different under various circumstances (Shaw and Semenik, 1989). Therefore, marketers need to appeal to particular segments performance to capture the most of total market by satisfying the specific needs of each segment by dividing the total market into several relatively homogeneous groups and marketing mixes are then adjusted to meet the needs of specified market segments (Chee and Haris, 1993). Hutt and Stull (1992) had suggested that the approach that marketing managers use to carry out the task must be infused with a series of what, how, where, when, why, and who questions as shown in Table 2.1.

Table 2.1: Differences among buyers

What	• What needs do buyers wish to satisfy with the purchase of a particular product or services? • What influences their demand; that is, what causes buyers to purchase more or less? • What risks do they perceive in buying the product or services? • E.g., are they concerned that it will go out of style or become outdated?
How	• How do consumers or organisational users buy the particular product or service? • How long does it take them to make their purchasing decisions? • How is the product used? • How much are buyers willing and able to spend? • How much do they buy?
Where	• Where do buyers purchase the product or services? • Where do customers obtain product or service information?
When	• When do people decide to buy? • When do buyers purchase more of product or services?
Why	• Why are people motivated to buy? • Why do they prefer a particular company's product or services?
Who	• A business will want to know who its customers are, who buys from competing firms, and who is included in each of the marketing segments identified by the previous questions.

Source: Adapted from Hutt and Stull (1992)

Instead, answers to these questions, it also can help marketers better understand the market well enough and to decide which market should be segmented, and how it should be segmented (Hutt and Stull, 1992). Segmentation analysis is used to identify unfilled customer needs and wants, which may provide marketing opportunities for the firms. According to Shaw and Semenik (1989), such analysis were to assists in the establishment of marketing objectives, to forces the manager to envision a more precise definition of the needs of consumers, to improves management's understanding of way customers make purchases and why non-customers do not, to help directly in the marketing program, leading to more efficient allocation of marketing resources, and finally to facilitates assessment of the firm's competitive strengths and weaknesses.

In conjunction to the points stated above, market segmentation guides marketers in channelling effort to the most profitable markets, designing products that match consumer needs and desires, and selecting the most effective promotional messages as well as the advertising media most likely to reach the target market (Shaw and Semenik, 1989). To fully incorporate to the marketing concept, marketers should construct a market segmentation plan that consists of selecting a target from among the identified market segments and generating the proper marketing mix for each selected target market. Finally, only after all these are in place, can marketers proceed with market positioning.

2.4.3 The Advantages of Market Segmentation

As stated previously, 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 as not only do they need different products but they may respond differently to pricing policies, promotional approaches and distribution coverage

(Stokes, 2002). According to Stokes (2002), market segmentation offers the important advantages by supplying organisation with:

1. **Closer matching between what is offers by the marketer and customer needs** – It is possible through a combination of research and experience to develop a good understanding of the needs of a well-defined segment of customers and offer appropriate product and services to them.

2. **Concentration of resources on areas of greatest advantage** – By closely identifying with one segment of the market, an organisation can concentrate its resources on meeting the needs of that customer group in the fullest possible way. Larger organisations have learned that the key to success in competitive markets is to focus decentralised business units on specific segments. Smaller firms with limited resources survive by concentrating on what they do best for a targeted group of customers.

3. **Market leadership through domination of a narrowly defined market** – it is becoming increasingly difficult to achieve and maintain leadership in large global markets as competition increase. One way to achieve leadership is through specialization. If an organization can spot a viable sub-market, it can concentrate on the needs of that segment and establish high customer loyalty and a position of market leadership.

4. **Key to profitability in competitive markets** – Research has confirmed that segmentation is the key to profitability in competitive markets. Long-term profitability is associated with those companies that achieve leadership positions in viable segments or market niches.

Hutt and Stull (1992) have also pointed out the business use market segmentation in order to achieve one or more of the following benefit:

1. **Define the Total Market** – By dividing the total market into segments a company can improve its understanding of why consumers or organisational buyers do or do not buy certain products or services. The market segmentation process helps a company stay abreast of changing needs and wants and provides an understanding of how to meet current market demands. Segmentation encourages an awareness of who is buying a product or service, where and when.

2. **Focus marketing efforts** – Identifying potential buyers is the first step in planning a marketing program that will satisfy their needs. This will enable buyers in the selected segments to be reached with advertising appeals that are directed specifically at them.

3. **Identify Market Opportunity** – Companies that segment their markets are better prepared to assess their strengths and weaknesses in relation to those of competing firms. They are, for instance, able to determine how deeply another company's product is entrenched in the market. With this information by marketing its product to a different segment.

With these advantages stated, the benefits of segmentation analysis are to assist in the establishment of marketing objectives, precise definition of the needs of consumers. As mentioned previously, it also helps in improves management understanding of way customers make purchases and reason for not buying. In addition, these benefits may be able to direct the marketing programs, leading to more efficient allocation of marketing resources and facilitates assessment of the firm's competitive strengths and weaknesses. With the market segmentation basic concept in this study next is to explore the decision process of market segmentation.

2.4.4 Bases for Segmentation in Consumer Markets

As mentioned earlier, segmentation is the process of dividing markets into segments of customers with similar purchase behaviour. It emerged as a primary market planning tool and the foundation for effective overall strategy formulation in a variety of companies (Senguder, 2003). From literatures, there are many ways for segmenting markets and many of these approaches are specifically derived from the consumer behaviour field (Senguder, 2003). Hence, consumer decision making is an objective yet emotional process whereby various factors influence the purchase decision as shown in consumer buying behaviour. In addition, the motivations and needs, perceptions, demographics, product awareness levels, and purchasing habits are components of an individual's total lifestyle that will be discuss in chapter 3 later. Because of the markets can be segmented in a variety of ways, there is no one clear as a best method (Senguder, 2003). Thus, this been supported by Kotler *et al.* (2007) and they stated that there is no single way to segment a market. Marketers have to try different segmentation variables alone and in combination to find the best way to view the market structure.

As the basic goal of market segmentation is to identify market segments comprised of people or business with similar characteristics and similar needs (Senguder, 2003; Hutt

and Stull, 1992; Shaw and Semenik, 1989) as explained in previous. Hence, for a large majority of the scholars, the used methods of segmenting the consumer market are geographic segmentation (Senguder, 2003; Stokes, 2002; Hutt and Stull, 1992; Chee and Haris 1993; Tynan and Drayton ,1987) demographic segmentation (Senguder, 2003; Stokes, 2002; Hutt and Stull, 1992; Chee and Haris 1993; Tynan and Drayton ,1987), lifestyle or psychographic segmentation (Senguder, 2003; Stokes, 2002; Hutt and Stull, 1992; Chee and Haris 1993; Tynan and Drayton ,1987), socioeconomic (Senguder, 2003; Tynan and Drayton ,1987), usage rate segmentation (Hutt and Stull, 1992; Tynan and Drayton ,1987), benefit segmentation (Stokes, 2002; Chee and Haris 1993), behavioural segmentation (Stokes, 2002; Tynan and Drayton ,1987), end use (Stokes, 2002; Tynan and Drayton ,1987). Schiffman and Kanuk (2000) had pointed out nine major categories of market segmentation bases. The various bases of segmentation analysis has been summarise and as shown in Table 2.2.

Table 2.2: Summary of segmentation based

Segmentation Based	Description
Geographic segmentation	Dividing the market by location.
Demographic segmentation	Characteristics such as, age, sex, marital status, income, occupation, and education are most often used as the basis for market segmentation.
Psychological segmentation	Consumer segmentation strategies are often based on specific psychological variables such as motivations, personality, perceptions, learning, and attitudes.
Psychographic/Lifestyles segmentation	Divides market based on differences in consumer lifestyles and through the measurement of their activities, interests and opinions (AIOs).
Socio-cultural segmentation	The use of sociological and anthropological variables to segment the market.
Use-related segmentation	Categorises customers in terms of product, service, or brand usage characteristics, such as level of usage, level of awareness, and degree of brand loyalty.
Usage-situation segmentation	Recognition of occasion or situation as the determinant of what consumers will purchase or consume.
Benefit segmentation	Companies identifying the one most important benefit of their product or service that will be most meaningful to consumers.
Hybrid segmentation	Such as demographic/psychographic (combination for demographic and psychographic profiles of consumer segment profiles), geo-demographics, and VALS.

Sources: Adapted from Schiffman and Kanuk (2000)

Kotler *et al.* (2007) had outlined the major variables that might be used in segmenting consumer markets. Table 2.3 presents a summary of the main approaches to market segmentation within marketing and consumer behaviour literature.

Table 2.3: Market segmenting variables for consumer markets

Variables	Description
Geographic	Dividing a market in to different geographical units: regions; states, municipalities; cities size or neighbourhoods; density and climate.
Demographic	Dividing a market based into group based on demographic: Age; Sex; Family size; Family life cycle; Income; Occupation; Education; Religion and Nationality.
Psychographic	Dividing market into different groups based on consumer: social class; lifestyle or personality characteristics.
Behavioural	Dividing market into groups based on consumer knowledge of: purchase occasion; benefit sought; user status, usage rate; loyalty status; buyer-readiness stage and attitude towards product.

Sources: Adapted from Kotler et al. (2007)

For Shaw and Semenik (1989), consumer market segments may be identified mainly by the consumer characteristics or attributes of the population or by behavioural differences into six major categories as shown in Table 2.4.

Table 2.4: Principal bases used for identifying consumer market segments

Consumer Characteristic or Attributes	Behavioural Differences
• Geographic • Demographic • Economic • Life-style	• Volume or consumption rates • Values or benefits sought

Sources: Adapted from Shaw and Semenik (1989)

In addition, Senguder (2003) have also divided base for segmentation consumer market into two main categories, the physical attributes segmentation and behavioural attribute segmentation. Both physical and behavioural bases can be used to explore and exploit market niches as shown in Table 2.5 and there are seven major categories both of physical and behavioural bases.

Table 2.5: Consumer segmentation bases

(I) The Physical Attributes Segmentation
• Geographic (Location: region, country, state, cities and towns, etc.) • Demographic (Age, gender, education, race, social classes, etc.) • Socioeconomic (Occupation, household income, education level, etc.)

(II) Behavioural Attribute Segmentation
• Psychographic (Personality, characteristics and lifestyle, attitude, feeling) • Product Usage (Heavy – Light – Non – user) • Benefits (Wants and Needs) • Other Behavioural Bases (Perception and preferences – media exposure)

Sources: Adapted from Senguder (2003)