THE IMPACT OF ECONOMIC SITUATION ON HOUSEHOLD BUYING BEHAVIOUR

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The thesis is submitted in partial fulfillment of the requirements for the award of Bachelor of Technology Management (High-Tech Marketing)

Faculty of Technology Management and Technopreneurship

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DECLARATION OF ORIGINAL WORK

I hereby declare that this thesis entitled "The Impact of Economic Situation on Household Buying Behaviour" is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in the candidature of any other degree.

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DEDICATION

I dedicate this thesis to my parent, Ong Kong San and Koo Geok Too, who bring me up, taught me, caring me, concern me, and sacrificed their time and money for me. Therefore, I have the chance to study in university.

Moreover, I want to dedicate this thesis to my supervisor, Assoc. Prof. Dr. Norfaridatul Akmaliah Binti Othman, for her guidance and motivation along this whole process of the project.

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ABSTRACT

Global economic condition still in a fragile state. When the economic situation had suffered significant changed around the world, the consumer had reported as different behaviour in term of their buying behaviour. The purpose of this study was to identify the impact of economic situation that change household buying behaviour in terms of frequency of shopping, buying decision and brand switching with the aim to benefit the food and beverage industry to help them analyse the current economic situation which lead household buying behaviour change. The conceptual framework of impact of economic situation on household buying behaviour including inflation, unemployment rate and income rate as independent variables while household buying behaviour such as frequency of shopping, buying decision and brand switching as the dependent variables. The questionnaires were distributed to respondents and 150 of data was collected to analyse using Statistical Package for Social Science (SPSS) through descriptive analysis, correlation analysis and regression analysis. The finding of research able to benefit the food and beverage industry in Malaysia. Based on a statistic which shows on Department of statistics Malaysia Official Portal, food expenses were the major expenses of Malaysian in their monthly expenses as food was a basic need for human. Hence, this research was important to food and beverage companies to realize the change in economic situation so they can prepare a solution to overcome the problems that they faced.

Keywords : economic situation, household, buying behaviour, food and beverage, Malaysia

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ABSTRAK

Keadaan ekonomi global masih berada dalam keadaan yang rapuh. Semasa keadaan ekonomi telah mengalami perubahan yang ketara di seluruh dunia, pengguna pun mempunyai tingkah laku yang berbeza dari segi tabiat membeli-belahnya. Tujian kajian ini adalah untuk mengenal pasti kesan daripada keadaan ekonomi yang akan memberi perubahan tabiat pengguna isi rumah dari segi kekerapan membeli-belah, keputusan membeli dan pertukaran jenama dengan tujuan memberi kebaikan kepada industri makanan dan minuman supaya membantu mereka dengan menganalisis keadaan ekonomi semasa yang membawa perubahan tingkah laku pengguna isi rumah membeli-belah. Rangka kerja konsep daripada kesan keadaan ekonomi ke atas tabiat membeli-belah pengguna isis rumah terdiri daripada inflasi, kadar pengangguran dan kadar pendapatan sebagai independent variables manakala tabiat membeli-belah pengguna isi rumah terdiri daripada kekerapan membeli-belah, keputusan membeli serta pertukaran jenama sebagai dependent variables. Borang soal selidik diedarkan kepada responden dan sebanyak 150 data akan dikumpulkan untuk menganalisis dengan menggunakan Statistical Package for Social Science (SPSS) melalui analisis deskriptif, analisis korelasi dan analisis regresi. Hasil daripada kajian ini dapat memberi manfaat kepada industry makanan dan minuman di Malaysia. Berdasarkan statistic dari Jabatan Statistik Malaysia, perbelanjaan makanan adalah perbelanjaan utama bagi rakyat Malaysia selain makanan juga merupakan keperluan asas bagi manusia. Oleh itu, kajian ini penting untuk syarikat makanan dan minuman supaya dapat menyedari terhadap keadaan ekonomi dan dapat menyediakan penyelesaian untuk mengatasi masalah yang dihapai.

Kata Kunci : keadaan ekonomi, isi rumah, tabiat membeli-belah, makanan dan minuman,Malaysia

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LIST OF ABBREVIATIONS

GDP	Gross domestic product per capita

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter include the information of this research which are background of study about the buying behaviour of household and the impact of economic situation on it. The researcher believes that this research will bring the advantage and benefit to the company which need it. Furthermore, the researcher also discusses the problem statement, research question, research objective, scope, limitation of study and importance of study.

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1.1 Background of Study

Global economic condition still in a fragile state. When the economic situation has suffered significant changed around the world, the consumer has reported as different behaviour in term of their buying behaviour. Consumer behaviour or buyer behaviour is considered as undividable with principle of marketing. Solomon (2011) defined that consumer behaviour is a study of process which involved groups or individuals select, purchase, use or dispose of services, products, ideas or experiences to satisfy desires and needs. There is a similar definition from Kotler and Keller, consumer behaviour defined as 'Consumer behaviour is the study of how individuals, groups and organizations select, buy, use and dispose of goods, services, ideas or experiences to satisfy their needs and wants" (P. Kotler & Keller, 2011). Based on Philip Kotler and Armstrong (2012), the external factors such as economic situation is hardly and unable control by individual and hard to predict. So, the unexpected changes of economic situation cause the consumer feeling insecurity, the doubt about the nature of upcoming events and consumer has also become much more careful when dealing with certain expenses (Gabriela, 2010). Most consumers will reduce their expenses due to the negative economic environment.

All the peoples are living under same roof which is considered as a household. In other word, it's called as a family, which is the members of a household are related by blood or law. According to Department of Statistics Malaysia Official Portal, Malaysia had a population of around 31.7 million peoples in 2016 and there is 7.6 million of households with 4.1 persons of average household size. In the current world, household plays vital roles in the economy which are they demanding goods and service from the market.

Hence, this research will study about the household buying behaviour during this fluctuation of economic situation in terms of food and beverage industry in the region of Johor. From the previous research, there are some research study the impact of economic situation or economic, financial crisis on non-food expenses such as luxury goods like

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automobile (V. Sharma & Sonwalkar, 2013). Besides that, Chang (2011) had studied about the economic crisis in the agriculture industry. Moreover, there is limited research which studies the impact of economic situation in Malaysia. There is a research gap that found from the literature review. Food also is the main expenses for a person and it is the basic needs for human. The researcher wants to study is it any significant effect on food and beverage industry in economic fluctuation even food is the basic needs for human. Johor, Malaysia is the research location because the geographical area of Johor is located at Southern tips of Peninsular Malaysia, besides Singapore with second largest population in Peninsular of Malaysia. Besides that, the news from The Star Online stated that many potential job seeker in Johor losing to Singapore to work (MUSA, 2016). This can clearly show that many Johorean going to Singapore to work, but coming back Malaysia to spending.

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1.2 Problem Statement

Global condition still in a fragile state. The economic crisis has a cycle which is every ten years will occur once. The last economic crisis was in between 2007 and 2008 while the prediction of next economic crisis or recession will be on 2017 and 2018. According to KOK (2016) on The Star Online news on 3rd Sept, there is a study on financial fragility of household in Malaysia has found that only 10.8% of household can recover from financial shocks. Another study by Bank Negara's Financial Inclusion and Capability study found that only 6% of Malaysian can survive for more than 6 months, 18% can survive up to 3 months only if they lost their main source of income. It is because 65% of household income in Malaysia are from paid-employment. Besides that, the Malaysia's unemployment rate is 3.4% in June 2016 which is higher than the previous year.

With the current economic situation, definitely will affect the household buying behavior. The Chairman for Asli Center of Public Policy studied, Tan Sri Ramon Navaratnam said that Malaysia is in the economic slowdown and uncertainty period, if our economy keep slowdown and inflation accelerates, many households will get affected. Hence, consumers will slowly lose their interest in buying with the suddenly disturbed of economic status. Then this will lead impact to consumer and household buying behavior and their buying decision.

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1.3 Research Question

In this study, there are several research questions that have been developed regarding the problem statement occurred. The research questions of this research are

i. What are the impact of economic situation on buying behaviour?

ii. Which economic situation will most influencing on household buying behaviour?

iii. What is the relationship between economic situation and household buying behavior?

1.4 Research Objective

The main purpose of this study is to analyse the impact of economic situation on household buying behaviour. This study aims to address several specific objectives as below:

i. To identify the impact of economic situation on buying behaviour.

ii. To analyse the economic situation which is most influencing on household buying behaviour.

iii. To study the relationship between the economic situation and household buying behaviour.

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1.5 Scope of Study

Johor, a state in Malaysia which located at the Southern tips of Peninsular Malaysia is selected as the target area for this research. Johor has been chosen because the location of Johor beside Singapore, a wealthiest country in Southeast Asia. The economic situation different with other states due to many Johor citizens are working in Singapore with different buying power. A report from The Star Online had stated that many potential job seekers in Johor are losing to Singapore to work. This has clearly shown that many Johor citizens going to Singapore to work but they are coming back to Johor to spend their money. Besides that, Johor has a major development project among Malaysia which called Iskandar Malaysia. It is the major focus of development in Malaysia. With a rapid development, the economic situation of the Johor citizens is different with other states.

The scope of this study is to identify the impact of economic situation that change household buying behavior in terms of frequency of shopping, buying decision and brand switching with the aim to benefit the food and beverage industry to help them analyse the current economic situation which lead household buying behavior change. From the previous research, there are some research study the impact of economic situation or economic, financial crisis on non-food expenses such as luxury goods like automobiles (V. Sharma & Sonwalkar, 2013). Besides that, Chang (2011) had studied about the economic crisis in the agriculture industry. Moreover, there is limited research which studies the impact of economic situation in Malaysia.

Moreover, this finding of study able to benefit the food and beverage industry in Malaysia. Based on a statistic which shows on Department of statistics Malaysia Official Portal, food expenses are the major expenses of Malaysian in their monthly expenses. Food is a basic needs for human (Maslow, 1943). Thus, the researcher wants to study is it the economic situation will give impact on household buying behavior in food and beverage industry as food is the basic needs. Thus, this research is important to food and

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beverage companies to realize the change in economic situation so they can prepare some solution to overcome the problems that they faced.

1.6 Limitation of Study

The limitation of this research is that are something out of control from the researcher. From this research, researcher has collected the data of respondent from the household. The researcher assumes that respondents are knowledgeable to provide a reliable answer and reply. There is a limitation for respondents to read the questionnaire because the questionnaire only provides English language. Hence, the group of respondents cannot understand the English language, then cannot provide accurate answers. In addition, the respondent maybe will misinterpret and misunderstanding about the survey question due to the difference in experience, education, and background.

Besides that, the researcher also assumes the respondents provide the honest answer. It is because respondents are less likely to respond to survey due to respondents feel overworked and do not have time or rushing when answer the survey question. In addition, time constraint also one of the limitation for this research. This research only has 1 year to complete it.

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