

**THE FACTORS THAT AFFECT THE ATTITUDE OF PEOPLE TOWARDS  
DIRECT SELLING IN MELAKA AND TERENGGANU**

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**THE FACTORS THAT AFFECT THE ATTITUDE OF PEOPLE TOWARDS  
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**The thesis is submitted in partial fulfillment of the requirements for the award  
of Bachelor of Technology Management (High Technology Marketing)**

**Faculty of Technology Management and Technopreneurship  
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**JUNE 2018**

## **DECLARATION OF ORIGINAL WORK**

“ I hereby declare that this report is the result of my own, except certain explanations and passage where every of it is cited with source clearly.”

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Date :

## **DEDICATION**

I would like to dedicate the appreciation to my family members who supported me in terms of spiritual and financial, beloved supervisor and panel who guided me throughout the research and course mates that assisted me through the journey of research.

## ACKNOWLEDGEMENT

I would to take this opportunity to express my sincere appreciation to my supervisor Puan Azrina Binti Othman for guidance and encouragement throughout the journey of completing this final year project. Throughout her guidance, I managed to finish my final year project successfully within the time frame given. Besides, there are some other important people involved in this final year project, for instance my beloved lecturers, friends and course mates. I am deeply grateful for the all the guidance and support towards this project.

Next, I am sincerely thanks to the researchers that they had previously conducted the similar study and published online. Although the research topic of the study was slightly different, but the theory and knowledge provided were useful as a reference in this final year project.

The token of appreciation is also extended to the respondents who are willing to spend the time in answering my questionnaire. Last but not least, appreciation goes to those who involved directly or indirectly in this final year project. Hopefully, this report will be a useful sources in the future.

## ABSTRACT

Nowadays, many people had changed their ways of shopping and they buy their daily stuff in the direct selling company as one of reason is the direct selling is the current trend. Then, there is also increment in the unemployment rate in Malaysia, but actually people has the second choice which is they could earn their income or passive income through the direct selling company while they are buying their daily stuff. Although, many direct selling distributor had also failed in their direct selling business and they have no idea why they failed. Besides, there is also many people also been scam by the investment scam likes pyramid schemes. So, this research is conducted to help to figure out the factors that caused them happened. This research also used to investigate what is the attitude of people towards direct selling when they been approached or engaged by the direct selling company. Actually, direct selling is one of the channels in the promotion and it is the activity of the market that bring the value of the product or service from the manufacturer directly to the end-user without any intermediaries and in the non-retail environment. This research is descripto-explanatory research and it is used the quantitative research method to obtain the data. The data are collected by using the questionnaire that distributed to the 384 respondents in the Malacca and Terengganu. The result of the analysis showed that experience with direct selling distributor, price of the product and quality of the product have significant relationship with the attitude of the people towards direct selling in Melaka and Terengganu. While the factor of information about direct selling has no significant relationship with the attitude of the people towards direct selling in Melaka and Terengganu. This results of this study contributes exceptional judgement to consumers and direct selling distributors in the Malaysia.

*Keywords: direct selling, pyramid schemes, attitude*

## ABSTRAK

Pada masa kini, ramai orang telah mengubah cara mereka membeli-belah dan mereka membeli barang-barang harian mereka di syarikat jualan langsung sebagai salah satu sebab penjualan langsung adalah trend semasa. Kemudian, terdapat juga kenaikan kadar pengangguran di Malaysia, tetapi sebenarnya orang mempunyai pilihan kedua yang mereka dapat memperoleh pendapatan atau pendapatan pasif melalui syarikat jualan langsung ketika mereka membeli barangan harian mereka. Walaupun, banyak pengedar jualan langsung juga gagal dalam perniagaan jualan langsung mereka dan mereka tidak tahu mengapa mereka gagal. Selain itu, terdapat juga ramai penipuan oleh penipuan pelaburan seperti skim piramid. Oleh itu, kajian ini dijalankan untuk membantu mengenalpasti faktor-faktor yang menyebabkan mereka berlaku. Kajian ini juga digunakan untuk menyiasat apakah sikap orang terhadap jualan langsung apabila mereka didekati atau terlibat oleh syarikat jualan langsung. Sebenarnya, jualan langsung adalah salah satu saluran dalam promosi dan ia adalah aktiviti pasaran yang membawa nilai produk atau perkhidmatan dari pengeluar terus kepada pengguna akhir tanpa sebarang perantara dan dalam persekitaran yang tidak runcit. Kajian ini adalah penyelidikan descripto-penjelasan dan digunakan kaedah penyelidikan kuantitatif untuk mendapatkan data. Data ini dikumpul dengan menggunakan soal selidik yang diedarkan kepada 384 responden di Melaka dan Terengganu. Hasil analisis menunjukkan pengalaman dengan pengedar langsung, harga produk dan kualiti produk mempunyai hubungan yang signifikan dengan sikap orang terhadap jualan langsung di Melaka dan Terengganu. Walaupun faktor maklumat mengenai jualan langsung tidak mempunyai hubungan yang signifikan dengan sikap rakyat terhadap jualan langsung di Melaka dan Terengganu. Hasil kajian ini menyumbang penghakiman yang luar biasa kepada pengguna dan pengedar langsung menjual di Malaysia.

*Kata kunci: jualan langsung, skim piramid, sikap*



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**LIST OF ABBREVIATIONS**

<b>ABBREVIATIONS</b>	<b>MEANING</b>
AI	Artificial Intelligence
DS	Direct Selling
B2B	Business-To-Business
DSA	Direct Selling Association
DSAM	Direct Selling Association of Malaysia
MLM	Multi-Level Marketing
TRA	Theory of Reasoned Action
$H_0$	Null Hypothesis
$H_1$	Alternative Hypothesis
SPSS	Statistical Packages for Social Science
DV	Dependent Variable
IV	Independent Variable
IDS	Information about Direct Selling
EDSD	Experience with Direct Selling Distributor
PP	Price of the Product
QP	Quality of the Product



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## CHAPTER 1

### INTRODUCTION

#### 1.0 Introduction

Introduction for the Introduction of Chapter 1 is discuss about the background study of the Final Year Project of researcher. The topic of the Final Year Project is the factors that affect the attitude of people towards direct selling in Melaka and Terengganu. At the same time, researcher had described the direct selling. The discussion of introduction had included the background of the study, problem statements, research questions, research objectives, scopes of study, limitations of study and importance of research.

#### 1.1 Background of Study

In the new report on 29 April, Bukit Aman Commercial Crime Investigation Department said the number of cases of the investment scams in Malaysia have grown to an “alarming” RM379.1 millions lost nationwide from 1,883 scams from 2015 until April 2017. The police data showed 408 recorded cases with RM70.1 million in losses in 2015, 1,151 cases reflecting RM210.3 million in losses in 2016 and 324 cases with a total of RM98.7 million losses in the first four months of this year alone (Lim, 2017). Because of the pyramid schemes issues, so the people make confused with the pyramid scheme is same with the direct selling. After been scammed, they will reject them even

the legal direct selling too because they thought both of pyramid schemes and direct selling are same. After been scam, then they will have the negative attitude towards direct selling company.

According to Hood (2013), so far Asia Pacific is the largest region for direct selling in the world, followed by next country which is North America. The revenue of direct selling in Malaysia is increasing smoothly from \$1 billion to \$2 billion over the last year. In the data of Global Market Revenue By Country (2012), the revenue of direct selling in Malaysia is roughly total of 2.1B US Dollars. Sixth in *The New Wellness of Revolution: How to Make a Fortune in the Next Trillion Dollar Industry* by Paul Zane Pilzer is home based business and direct selling is one of the home based business. So, this is shown that direct selling is the current trend of business and also buying style in nowadays.

Last, the unemployment rate of Malaysia increase form year 2015 to year 2016 since most of the job had been replaced by the Artificial Intelligence (AI) and Robotic Systems. According to Press Release Labour Force Survey Report, Malaysia (2016), the unemployment rate in Malaysia in year 2015 is around 450,300 people and increase to 504,100 people in year 2016 which is increase 0.3% from year 2015 to year 2016. So, direct selling may be one of the platform for them since there is low requirement to join direct selling business. Most people don't know that they could having own business when they are buying their daily stuff through direct selling company.

The aim for this study is investigate factors that affect the attitude of people towards direct selling company in Melaka and Terengganu.

## **1.2 Problem Statements**

Since direct selling is one of the platform for people to start their own business, so there is many people joined as direct selling distributor. According to Lilyquist (2017), in the first year of operation, there is minimum of representatives' drop-out is 50%. After five years of operation, a minimum of 90% of representatives have left the

company. Then after year ten, only those at or near the top have not dropped out which making it safe to say at least 95% of representatives have dropped out. But, most of the direct selling distributor in Malaysia had failed their direct selling business and they have no idea on the reason why they failed.

Besides, there is many consumer had outdated as they have no idea with the current trend of direct selling. Direct selling is uniquely poised to capitalize on current and emerging trends both in consumer behavior and the workforce (Roush, 2017). Direct selling could provide the opportunity for consumer to have their own business while spending their daily expenses. Everybody got opportunity to do the business while spending for their daily expenses. But most of the consumer did not have any idea about this opportunity of direct selling when they bought their daily stuff.

Then, most of the consumer had confused about the differences of direct selling and pyramid schemes. The direct selling and pyramid schemes are different things but the consumer will treat them as same thing. In an article dated 2014, Federal Trade Commission's Aditi Jhaveri advocates if "income is based mainly on the number of people one recruits, and the money those new recruits pay to join the company — not on the sales of products to consumers", this is a sign that the company is operating a pyramid scheme. If the money earned is based on the sales to the public, the company is a legitimate multilevel marketing plan. Same, after the consumer been scam by the direct selling company, then they will have the negative attitude towards the direct selling company.

### **1.3 Research Questions**

Three research questions have been determined from the problem statements.

1. What is the attitude of people towards direct selling in Melaka and Terengganu?
2. What are the factors that affect the attitude of people towards direct selling in Melaka and Terengganu?
3. What is the most influence factor of people towards direct selling in Melaka and Terengganu?

## **1.4 Research Objectives**

In this study, the primary objective is to investigate the factors that affect the attitude of people towards direct selling among the Melaka and Terengganu people. Then, this study will also determine their attitude towards direct selling and the level of factors of people towards the direct selling company in Melaka and Terengganu.

1. To identify the attitude of people towards direct selling in Melaka and Terengganu.
2. To investigate factors that affect the attitude of people towards direct selling in Melaka and Terengganu.
3. To determine the most influence factor of people towards direct selling in Melaka and Terengganu.

## **1.5 Scopes of Study**

In this study, the purpose is to identify the attitude of people towards direct selling and also the factors affect their attitude. Besides, this study is also determine the most influence factor towards direct selling in Melaka and Terengganu. The researcher had suggested the four attitudes of people towards direct selling and these four attitudes are accept the direct selling, will consider about direct selling, reject direct selling and reject direct selling but will consider about their product. Then, the researcher believed that there are four factors that affect their attitude towards direct selling. These factors are information about direct selling, experience with direct selling distributor, quality of the product and price of the product. Last, the researcher had also determined the most influence factor of people towards direct selling in Melaka and Terengganu. The most influence factor is about which factor is affect the most and what is the reason if the factor is influencing the most.

## **1.6 Limitations of Study**

The limitations of the study is the characteristics of methodology that will affected the application of the result of the study and this characteristics cannot be controlled by the researcher which is the restrictive weaknesses of the study. In this study, the respondents are only cover for the area of Melaka and Terengganu states and this is only the attitude of the respondent of Melaka and Terengganu states. There may have different attitudes from other people in another states in Malaysia. Larger sample states will give a better result of study. Then, to generalize the results for larger groups, the study should involves more participants in more different levels such as profession, successful people, educator and so on. Next, the researcher is difficult to search for the secondary sources about this study effectively as there is most of the articles and journals need to buy. As a student, it is hard to pay so much money to buy the articles and journals. Last, the time range to finish the Final Year Project is limited too as the researcher has to rush their time on other assignment too for the other subjects. The time range may be longer to provide the researcher enough time to get better result of study.

## **1.7 Importance of Research**

The importance of research is the reason for the research to be carried out. This study is carried out to study about the attitude of people towards direct selling and the factors that affect their attitude. This result could help the marketers and the direct selling distributors to well understand about the attitude of people and their factors. The result could help them to achieve better performance in direct selling business. Besides, the result of this study could help the marketers and direct selling distributor to strengthen their relationship with their customer and sustain their return business. Then, the consumer may also have more choices in buying their daily use products after the consumer know more about direct selling. They could buy in the fix store or from the direct selling distributor as both of them have their own advantages. So, this study directly gives the benefits to both marketers or direct selling distributors and the consumer. Lastly, this study will gives the impact in the academic as this could help

the student and lecturer have well and more understanding about the direct selling and also could differentiate between direct selling and pyramid schemes.

### **1.8 Summary**

Overall in this chapter, the researcher had discussed about the background of study and the problem statements off this study. Then, the result from the findings of the problem statement also helped to determine the research questions and research objectives. Also, researcher had shown the scope of study, importance of the study and the limitations of this study.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

In this chapter, the researcher had discussed the development of the direct selling for today business in Melaka and Terengganu. The research her also included the confuse that made by the residents which is the difference between the legal direct selling company and illegal pyramid scheme. Besides, the researcher had discussed the advantages and disadvantages of the direct selling. The contribution of the factors that affect the attitude of people towards direct selling also been discussed in this chapter. The researcher had also came out with the theoretical framework and research framework to relate the dependent variable and independent variable. Finally, the researcher had made some hypothesis based on the independent variables to find out the relationship with the dependent variable. Throughout the literature review, it will helped in developing the better understanding of the view of the previous works that related to the research questions and research objectives.

#### 2.1 Marketing

According to the Wirtz, Tuzoviz and Kuppelwieser (2014), marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at