

## **Demand Analysis of FAFH in Malaysia**

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### **ABSTRACT**

Despite the importance of FAFH, limited attempt has been made to study the economics of this emerging cultural change. This may be due to underestimation of importance of FAFH, especially when the food sector is mostly studied at aggregate level. The general objective of this study is to analyze FAFH consumption in Malaysia. Specifically, the objective of this research is to analyze the determinants of FAFH demand and examine how socioeconomic factors of consumers have contributed to FAFH. The control variables for the study provided expected coefficients that are significantly different than zero. As the level of development increase, household structure changes simultaneously with income increase that lead to an increase in FAFH expenditure. This study has shown that FAFH has the propensity to increase with an increase in income. FAFH high-income elasticity provides a good indicator for FAFH industry demand.

### **INTRODUCTION**

Food consumption patterns have changed over time as a result of development. Coupled with an increase in income and urbanization, total expenditure on food away from home 'FAFH' has increased rapidly. The rising FAFH demand has stimulated the development of other economic activities especially in the service sector such as franchising, packaging and catering. In line with this development it is inherently important to understand the demand of FAFH.

Despite the importance of FAFH, limited attempt has been made to study the economics of this emerging cultural change. This may be due to underestimation of importance of FAFH, especially when the food sector is mostly studied at aggregate level. The general objective of this study is to analyze FAFH consumption in Malaysia. Specifically, the objective of this research is to analyze the determinants of FAFH demand and examine how socioeconomic factors of consumers have contributed to FAFH. To meet these objectives the paper is organized as following. The next two sections describe the data and sketch a picture of FAFH consumption behavior followed by empirical approach and discussion of the results.

### **Consumer Expenditure on Food in Malaysia**

Changes in lifestyle and demographic affect consumer demand for goods and services. Traditionally, Malaysian households' consists of married couples with a working husband, non-working wife and their children. On the other hand the non-traditional household comprising of working wife households, single parent household and household of multiple adult without live at home child are increasing. An average Malaysians would normally have four daily meals. Not surprising, the largest chunk of expenditure was accounted for by food and drink with a combined expenditure of M\$32,971 million in 2000.

The traditional household would have their meals at home and the non-traditional one would have it away from home. In light of the changing structure of the households, the growth in ready meals and pre-packaged foods has pushed up spending on food. Thus families are eating out more either at fast-food restaurants as well as traditional restaurants. Studies shows that change in consumer demand have impacted the structure of the food industry (Goodwin and Brester, 1995; Senauer *et al.*, 1991).

Changing lifestyle resulting in increasing popularity of eating out amongst Malaysians with an evident increase in dining in fine restaurants as well as in cheaper food stalls popularly known as hawkers "*gerai*." The majority of non traditional household Malaysians consume their breakfast, lunch and dinner at food stalls, which are often more cost effective than preparing their meals.