CONSUMER CONFIDENCE INDEX INFLUENCE ON ATTITUDE TOWARDS SALES PROMOTION: COMPARISON BETWEEN MALAYSIA AND SINGAPORE

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CONSUMER CONFIDENCE INDEX INFLUENCE ON ATTITUDE TOWARDS SALES PROMOTION: COMPARISON BETWEEN MALAYSIA AND SINGAPORE

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I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Corporate Master in Business Administration.

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This research paper was submitted to the Faculty of Economics and Business, UNIMAS and is accepted as partial fulfillment of the requirements for the degree of Corporate Master in Business Administration.

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DECLARATION AND COPYRIGHT

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I hereby declare that this research is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references and a bibliography is appended.

Signature ..........................................

Date ..................................................29/8/2011

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ABSTRACT

This study evaluates the impact of consumer confidence index towards sales promotion attitude in Malaysia and Singapore. The results of the data analysis show that different levels of consumer confidence index does not influence sales promotion attitude in Malaysia and Singapore. Nevertheless, at significance of 10% from the t-test analysis shows that different level of CCI does impact the attitude of Malaysia’s consumer. In addition, low level of consumer confidence index shows difference when compared between Malaysia and Singapore. Malaysia’s mean score relatively is higher than Singapore. The study provides insights through incorporating consumer confidence index and sales promotion attitude between Malaysia and Singapore based on the attitude formation process, the CAB Paradigm. Hence the study will lead to further expansion in research in the future.
ABSTRAK

1. INTRODUCTION

1.1 Introduction

A number of quantitative investigations have been made about sales promotions (Bawa and Shoemaker, 1987 and 1989; Blattberg and Neslin, 1990; Leone and Srinivasan, 1996; Huff and Alden, 1998). However, many have focused on the promotional tools analysis either from the perspective of brand managers or consumer awareness. There are hardly any studies carried out to evaluate the impact of Consumer Confidence Index (referred to as CCI throughout this document) on consumer attitude towards sales promotion. Nevertheless, consumer confidence is often cited by Federal Reserve Chairman Alan Greenspan as a key determinant of near term economic growth (Ludvigson, 2004). As CCI is an indicator of consumer buying and spending, it is linked to the need for or not of sales promotion activities. When CCI is high, future finance and jobs expectation improves, consumer tends to spend more regardless there is sales promotion or not (Ludvigson, 2004). Conversely, when CCI is low their attitude towards promotion remains positive as they perceive the promotion tool as a way to gain more value (Chun, 2002). Despite CCI may be a significant factor that influences consumers’ attitude towards sales promotion, no studies has been carried out about Malaysia’s consumer responses towards sales promotion strategies and none has been investigated from the perspective of CCI influences.
Consider Singapore as Malaysia’s best neighbor country which possesses similar norms and cultural background, despite its fast rapid growth retail trade, there is also lack of studies about Singaporean CCI influences and its customers’ attitude towards sales promotion. Furthermore, bulk of the extant literature till date retains the Western perspectives (Ndubisi and Chew, 2006). Thus, this study attempts to fill the gap in by testing a model and includes dimensions of Malaysia and Singapore CCI on attitude towards sales promotion.

Be it geographically and culturally close, Malaysian and Singaporean may have different attitude towards sales promotion when CCI is high, moderate or low. Malaysians are expected to be more responsive to the CCI than Singaporeans as they are more conservative and favour value for money price-oriented promotions (Wan Omar, M., Mohd Ali, M. N., Hussin, Z. & Abdul Rahim, H., 2009). When the economy is slow, Malaysian consumer’s becomes permissive and conservative, this cause many banks to waive credit card annual fees because consumer not willing to spend, invest, or take loans. Subsequently the market is down and it affects the overall economic activities (Chang, 2005). This reveals sales promotion may be a good tool to encourage consumer to spend when CCI is low. Based on a Travel and tourism industries study conducted by Digital research agency, Pulse Group PLC, 81% of 1000 Malaysians are taking conservative approach when the prime minister announce to implement subsidy restructuring scheme and if they have to fly they would choose Air Asia due to its price oriented sales promotion strategy (Liew, 2008). In Sproles &
Sproles (1986) study about consumer decision-making styles, these price-conscious consumers are particularly conscious of sale prices and lower prices in general and more importantly, are concerned with getting the best value for their money. These consumers are likely to be comparison shoppers. As such, when CCI is high, they favor sales promotions because of increment of purchase power. Hence, given a little incentive or encouragement may provoke more sales. When CCI is low, such consumers become more responsive to CCI and hence sales promotions offered by retailers because of lack of confidence in the economic conditions for the next six months. They will then purchase things that have sales promotion in order to save. This assumption is based on Campbell and Diamond (1989) study which indicates that price-oriented promotions as a way to reduce losses in achieving short term result.

Singapore has an exclusive well known national social attitude namely Kiasuism. Anonymous (2001) explains it as “the fear of losing out” by wanting the best for oneself, to be a “winner” in every situation at the expense of others. Hence, this competitive mindset makes Singaporean do not want to miss out on good deals, for instance Great Singapore Sale yearly and there was once Mc Donald Happy Meals free Hello Kitty Dolls promotion which attracted kiasu Singaporean queuing early and quarrel publicly fought for it (Chua & Junaid, 2008). This unique national culture may lead to sensitiveness or significance attitude towards sales promotion based on different level of CCI.
On the other hand, Singapore is an economy rapid growth nation with higher level income per capita. According to Singapore Department of Statistics, Singapore’s Purchasing Power Parity (PPP) based per capita GDP at US$41,479 is also amongst the highest in the world and comparable to the United States. Within the Asia Pacific region, Singapore’s per capita GDP at PPP was ranked second, behind Brunei (US$47,465). Meanwhile Per Capita Actual Final Consumption of Households (AFCH) of Singapore, a measurement to count the amount of goods and services consumed by households shown Singapore was the third largest among high-income Asia Pacific economies (i.e. Brunei, Macao, Hong Kong and Taiwan). Usually high-income economies have higher per capita AFCH (Wong, 2008).

In addition, Singaporean generally possess higher education and self esteem, as such whether the CCI is high or low they will not bother sales promotion because they only buy according to their personal values and product involvement. According to Sproles & Sproles (1986) studies about consumer decision-making styles, this undesirable decision-making styles customer is labeled as impulsive consumers who tend to buy on the spur of the moment and to appear unconcerned about how much they spend or about getting best buys. In view of the differences attitude of both nations on CCI towards sales promotion and also different level of CCI could lead to different attitude towards sales promotion, a few hypothesis is therefore created to verify assumption made above.
1.2 Problem Statement

The global economic meltdown ever since 2007 has greatly impacted Malaysia and its neighboring country’s, Singapore consumers, bringing about major changes in attitude as people tend to adjust their disposable income spending to cope with the fall-out that has shaken the CCI. The Nielsen Global Consumer Confidence Index (conducted in 28 markets in June 2009) indicated that globally the top two concerns in the consumer confident index still remain - job security and economic expectancy. The survey shows that Malaysia and Singapore experienced consecutive decline from its all time high of 114 points recorded in late 2006 (Malaysia) and 2007 (Singapore) to 81 points and 80 points in first quarter 2009 (Nielsen, 2009).

The above indicator demonstrates that economic recession causes consecutive low CCI since 2006 in Malaysia and 2007 in Singapore. This may affect consumer attitude towards particular sales promotion practiced by regional businesses. However, there is lack of research on how the CCI influences consumer attitude towards the use of sales promotions. This is crucial because without clearly knowing the impact by the CCI on attitude towards sales promotion, business practitioners would have wasted the high cost of sales promotions without meeting their marketing objective.

The measurements used to examine the influence of CCI are categorized into high, medium or low level. Whereas, a distinction can be drawn between the prevailing
positive and negative consumer attitudes towards the sales promotion that are deployed in Singapore and Malaysia.

1.3 Objective

1.3.1 General

The study aims to examine the CCI influence on the attitude of the customer towards sales promotion in Malaysia and Singapore.

1.3.2 Specific

i. The study examines the difference of both nations' consumer attitude towards sales promotion based on CCI.

ii. The study examines the different level of CCI and its impacts on attitude towards sales promotion in Malaysia.

iii. The study also examines the different level of CCI and its impacts on attitude towards sales promotion in Singapore.

1.4 Rationale the of Study

Many studies only covers customer spending trend either be positive during good time of economy or tend to be permissive and rather keep their cash in hand during economy recession (Ludvigson, 2004). There are no studies that have discussed about how customer would change their purchase intention when the market offers sales promotion
in the different conditions of CCI. Therefore the primary significance of this study is to fill the gap of this issue. Through this study, difference of CCI with consumer attitude towards sales promotion in Malaysia and Singapore and the comparison between the two countries also can be determined. Hence, this study is that it will serve as a future reference for researchers on CCI related topics involving consumer attitudes and sales promotion.

1.5 Scope of Study

The scope of study is limited to adults, aged from 25 to 45 years, represents greatest purchasing power in society (A.A. Mishra, 2010) across the 13 states of Malaysia and Singapore. There were 250 respondents from Singapore and 550 respondents from Malaysia who participate in this study.
2. LITERATURE REVIEW

2.1 Introduction

The literature review dedicated to explain and understand the key components of the study with reference of ample previous relevant studies. The later discussion and implications of the study is based on literature review earlier in Chapter 2.

2.2 Sales Promotion

In marketing communication world, sales promotion plays an important role as a tool complementing advertisement in retail marketing strategy to facilitate sale in general. Samli (as cited in Omar, 1999) stress the importance of sales promotion as it manipulates the image of an organization and influence the perception of shoppers. The American Marketing Association (as cited in Govoni, Eng and Galper, 1993) defines sales promotion as one of the retail marketing activities, other than personal selling, advertising and public relations, communicating the image of the retail organization and stimulate dealer effectiveness and consumer consumption. Shimp (2003) and The American Association of Advertising Agencies (as cited in Govoni et al., 1993) explains sales promotion as incentives beyond its inherent benefits used by a manufacturer to encourage
trading entities and consumers to choose a brand rather than another or purchase larger quantities. Omar (1999) reveals sales promotion concerns only those activities and devices whose primary function is to invite, persuade, and otherwise encourage and stimulate shopping. Govoni et al. (1993) viewed sales promotion as an integral component of a company’s overall marketing and promotional strategy. Basically, promotion activities may involve point of purchase advertising, contests and sweepstakes, coupons, sampling, consumer deals, premiums, packaging, in store selling, gifts, advertising specialties such as leaflets, catalogues, direct mail, signs, display and exhibitions (Dommermuth, 1988).

Govoni et al. (1993) discussed about the benefits of sales promotion when he suggests it helps in attracting new customers at the same time encouraging repeat purchase, more frequent or multiple purchases which leads to reduce or increase trade inventories. Sales promotion can also be used when there are new or improved products or product uses to be introduced. Other benefits like counter competitive activity, obtaining feature pricing, display or other trade support and capitalizing on seasonal, geographical or creative advantages. They also include inducement trade ups to larger size or longer contract to expand or improve distribution and the motivation of dealers, brokers, sales force, or franchise holders.

Confronting intense competition in retail lines, the management is looking for ways to differentiate their sales promotion from rivals. Thus, effectiveness or success with the use of a particular sales promotion technique is relatively important because it depends on
strategic planning with tailor made sales promotion tools to meet specific needs from store to store’s differing merchandising situation (Omar, 1999). As such, the research suggests that the effort of a properly planned sales promotion technique will lead to repeat sales which imply customer satisfaction with the particular sales building tools.

According to Asian Advertising & Marketing (1998) and Baldwin (1994), Asian retailers are driven by competition and short term pressures that lead to put emphasis on short term results in a bid to gain a larger share and more customer awareness or as argued by Campbell and Diamond (1989) that the brand managers tend to reduce losses rather than gain profit. Therefore, the sales promotion technique used in Malaysia and Singapore are most likely to be price oriented which will include discounts, warehouse sales, clearance sales, coupons, price discounts, bonus package and rebates. Whereas non-price oriented promotions normally used to meet long term objectives building brand image, customer loyalty, create greater competitiveness, enhance brand equity for higher profit and market value through series of activities such as business fair, premiums, lucky draws, contests, free samples and frequent user plans (Chun, 2002).

In short, sales promotion is value offered to customers to stimulate demand in a short-term. It is a vital tool to boost sales whenever consumer restraint from spending during economy recession, where GDP and the CCI is generally low (Chew & Tsiaplias, 2009). By using sales promotion, it is not only inducing existing customers to buy more yet attracting new customers away from competitors, particularly highly promotion prone consumers (Chandon, et al, 2000).
2.3 Consumer Attitude

Attitude can be defined as a learned tendency or predispositions in mind to respond in a consistently favourable or unfavourable way to an object (Blythe 1997; Schiffman, Bednall, O’Cass, Paladino & Kanuk, 2005). According to Blythe (1997), attitude implies relationship between a person and an object. It is neither instinctive nor behavioural. It is stable yet not neutral. Thus, it has to be inferred from statements or behaviour because of the intangible nature which is difficult to observe. The formation of attitude depends on experience or recommendations (knowledge learning) from others. Blythe (1997) also commented attitude is a perceptual component which is affected by a consumer’s stable characteristic or current mood. Schiffman et.al.(2005) further stated that attitudes have a direction and certain level of intensity and it is transferable which means an attitude or feeling towards one situation can be transferred to another purchase situation. In general, consumer’s behaviour is said to correspond with their attitudes (Schiffman et.al.,2005).

The formation of an attitude involves a few functions which identified by Katz (1960), a psychologist (as cited in Solomon, 2004). There are utilitarian function that helps in developing positive attitude of consumers by emphasizing product benefits; value expressive function which relevant to lifestyles which reflecting the consumer’s central values or self-concept; ego-defensive function which is forming to protect from external threats or internal feelings and knowledge function as the result of need for order, structure or meaning (Solomon, 2004).
After receiving information or exposure, consumers begin to process it to form attitude. There are three major components forming an attitude: cognition (belief), affective (emotional feelings), conation (behavioral intention) (Blythe, 1997; Solomon, 2004). Ajzen & Fishbein (1980) and Holbrooke (1986) (as cited in De Run & Chin, 2007) reveals these three elements are interrelated in explaining the way consumer behavior is affected by cognition and affection. This three attitude dimensions form a model namely CAB Paradigm and this theoretical framework is used in this study. Based on this paradigm, the causal flow of consumer’s attitude (behavior intention) towards sales promotion (affective effect) from different level of CCI influences (cognition) is developed. The way the consumer perceive about the future expectation (CCI as the indicator) affect their emotional feelings (positive or negative) and therefore leads to behavioral intention whether to accept or reject sales promotion.

Nevertheless, CAB Paradigm is a complex interrelationship attitude’s model. Dubois (2000) mentioned that affective or feelings are usually emerge follows cognitive components such as knowledge. Yet Zajonc and Markus (as cited in Blythe, 1997) assert that individual’s affection towards something does not necessary based on rational evaluation, it may cause by ‘gut feel’ without proper cognition process. In addition, Blythe (1997) comment consumer’s attitude towards an object does not necessary incurs an action on that particular attitude. In other words, attitudinal and actual behavioral are two separate entities.
Though attitude is expected to be consistent with physical states or circumstances (Blythe, 1997), yet some argues that it can be a possible factor influencing or intervening the consistency (Krosnick, 1988; Terry, Hogg & McKimmie, 2000; Schiffman et.al, 2005), in this case, the CCI. Schiffman et.al.(2005) further indicated that attitude do change within a situation or events at a certain point in time, such as the need to economise during recession or a due to personal budget restraints. On the other hand, Beh (2007) in his marketing research for FMCG brands reveals up to 70% of purchase decisions are made at the point of sale. This means consumer tends to change their mind after encountered certain factors when making purchase. Beh (2007) further commented that the consumer’s shopping attitude, behavior and satisfaction may influenced by a better price or promotional offer of competitive brands. Besides, consumer’s attitudes, characteristic and behavior also differ from different background or society (Payne, 1999; Solomon, 2004). As such, this study sets to investigate the two nations’ (Malaysia and Singapore) consumer perceptual belief on CCI and their emotional feelings or response towards sales promotion.

2.4 Consumer Confidence Index