PERCEPTION OF HOUSE OWNERS IN KUCHING: A CASE STUDY FOR LOW COST HOUSES, MEDIUM COST HOUSES AND HIGH END HOUSES

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PERCEPTION OF HOUSE OWNERS IN KUCHING: A CASE STUDY FOR LOW COST HOUSES, MEDIUM COST HOUSES & HIGH END HOUSES

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A dissertation submitted in partial fulfillment of the requirements for the degree of Corporate Master in Business Administration

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I certified that I have supervised and read this study and 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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STATEMENT OF ORIGINALITY

The work described in this Research Paper, entitled
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is to the best of the author’s knowledge that of the author except

where due reference is made.

Date 10.9.2012

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ABSTRACT

PERCEPTION OF HOUSE OWNERS IN KUCHING:

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MEDIUM COST HOUSES & HIGH END HOUSES

By

ALICEKON

Housing provision for all in any country is very crucial in order to ensure social- economic stability and to promote national development. This study focuses on the perception of the current house owners of low cost, medium cost & high end houses in Kuching city, Sarawak. The need to examine and identify the perceptions of house buyers towards the houses which they bought will shed light on what a house buyer looks for when deciding to purchase a house. For this purpose, the study will look into the intended improvements which are lacking in a house and which also are wanted by house owners.
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CHAPTER I

INTRODUCTION

1.0 Introduction

Our country Malaysia has considered housing as a basic need and also one of the main sectors in the national economy. The reason is that, housing provision is not only to meet people’s need but also contributing to the national growth (Ismail, 2002). In this sense, the housing industry in Malaysia in 1994 has contributed to 12 percent of the national income producing more than RM 7 billion in outputs (Azhar, 2000) as well as it forms part the productive economic sector and contributes to Gross Domestic Product (GDP).

Housing developments has played an important part in Malaysia. It has been in the Malaysian government’s social policy since independence. With the five-year plans, the government has focused on various housing programmes in the state of Sarawak.

The government has invited the private sector to become involve in providing housing for all income groups and in doing so has made the private sector a key player in the housing development industry (Mohamad, 2005).

House buyers are the customers for the private housing developers. Customers have all sorts of expectations and needs that are required to be met by organizations before even
considering a purchase (Woodruffe, 1995). Previous research on service management have focused on the perspective of customers’ perception towards sales persons (Holmlund & Strandvik, 1999) especially the nature of consumer expectations (Bebko, 2000) and relationship quality (Holmlund & Strandvik, 1999). It is claimed that for service firms the challenge is identifying the critical factors that determine customer satisfaction and loyalty (McDougall & Leveque, 2000). Researches on consumer behavior, customer satisfaction, customer expectations and customer loyalty are among the most common researches conducted (Woodruffe, 1995; Hackley & Kitchen, 1998; Holmlund & Strandvik, 1999; Bebko, 2000; Limehouse, 1999).

However, there are a lot of different customers with all types of different attitudes, characters and behaviors (Payne, 1999). Therefore, it is neither possible to change or influence customers nor to fulfill all their expectations and needs. Businesses may have to look into variables that they can control such as the work force and equipment. It is easier for an organization to improve quality of service by effective managing staff especially sales personnel (Heskett, Sasser & Hart, 1990).

This research aims to address the perception of house buyers (customers) with particular reference to affordable house, medium-cost cost and high-cost house owners in Kuching using the application of consumer perception and factor analysis. This research will examine these frameworks since the housing development in Kuching is ever on the rise and thus requiring an examination of market perception on the types of houses built.
1.1 Problem Statement

This research intends to examine and investigate the house owners’ perception towards their current houses and also the improvements towards their own houses, if given the opportunity to do so.

Initially, no proper survey has been done to identify the perception of the current housing developments and the improvements that can be done. This study should prove valuable in providing a better understanding of the topic and thereby further contribute to the literature in relation to the competitive house building industry in Malaysia. Secondly, this study should be able to produce insights and recommendations of the house buyers to private housing developers and architects for residential developments. Lastly, further research can be done for which type of house that is more viable to be built in relation to the market and consumer demand.

1.2 Brief Literature Review and Conceptual Framework

The theoretical framework used for this research is the C-A-B Paradigm (Holbrook, 1986). This paradigm explains the causal flow of consumer behavior from cognition to affect to behavior. This basic theoretical framework has been modified and extended by many researchers. Amongst the many descriptions proposed for this chain of relationships are from beliefs to feelings or disposition to selection (Andreasen, 1965), from Field One to Field Two to Field Three (Nicosia, 1996), from information processing to alternative evaluation to
purchasing outcomes (Engel, Kollat, Blackwell, 1973), from information search to evaluation to purchasing processes (Loudon & Della Bitta, 1979) and from perception of stimuli to brand evaluation to intention to buy (Assael, 1981).

For this research, C-A-B Paradigm can be further explained as causal flow from experience in encounter to evaluation of house to decision making. Experience in encounter is the house buyers’ perception of the house. Evaluation of product (house) could be positive, negative or neutral. Decision making are in the control of the customers or house buyers.

1.3 Research Questions

- What is the perception of house owners towards their current house?
- What is the improvements house owners want for their house?
CHAPTER II

LITERATURE REVIEW

2.0 Current Issue

Housing developments has been one of the main concerns of the government since its independence in 1957, with a target on housing provision for lower income groups (Azhar, 2000). However, with the rapid growth of the national economy and the population, housing provision in Malaysia has been focused on all income groups. In this context, the government has invited the private sector to actively engage in housing provision and given them the responsibility to construct housing units through the particular Malaysia Plan. Thus the private sector’s contribution in providing housing for people has become the main target and the government allowed more opportunity for the private sector to play a role in housing provision.

In terms of producing housing in Malaysia, the private developers have been allocated with the development area, which is meant for housing development by local authorities. The allocation for housing development by local authority via development plans such as structural or local plans. This means that the local authority has allocated the land supply for housing development in Malaysia and developers initially have to select a site, which has been allocated for housing. Therefore the developer has to study the market before making a decision on any housing development (Lawrence, 2002).
Nevertheless, proper planning and thought has to be input in the initial stage of the house design. Housing developers usually engage an Architect to design the house. Here, the main determinant factor for the plan is usually the cost factor and the type of house to be built. This is where this research is important; to provide further input to the Architects and housing developers to design a house which is of demand to the market and consumer.

2.1 House Category

Housing developments for landed residential properties in Malaysia are classified into many different categories. However, we will only cover three different categories for this research, namely:

a) Affordable House (also known as Low Cost)
b) Medium Cost House
c) High Cost House

Affordable House is priced within the range of RM 42,000 (intermediate units) to RM 100,000 (corner units). Another more familiar term is for this Affordable house is Low-Cost House or Low Cost Plus House. The built up area ranges from 600sq ft to 700sqft. Buyers who are eligible to buy the low cost house are those who have applied to the Ministry of
Housing and are successful in their application. These buyers however do not have a choice to choose the locality of the project site. As for the low cost plus houses, buyers need not apply through the Ministry of Housing.

Medium Cost House ranges from RM 110,000 to RM 350,000. The built up size for such houses ranges from 800sq.ft onwards. The type of houses built for this category is usually single-storey terrace, single-storey semi-detached house or double-storey semi-detached house.

High-end House ranges from RM 350,000 and above. The built up for such type of house starts from a minimum 2000sq.ft and onwards. The type of house built for this category is either double-storey detached house, single-storey detached house or double-storey semi-detached house.

2.2 Perception

Perception is related to “halo” effect. It is either positive or negative and it makes identification of strengths and weaknesses of competing services difficult (Lovelock, 1996). Perception is psychologically link to pattern of expectations. However, there is a difference between perception and expectation (Schneider & Bowen, 1995) of a customer.
In product delivery, perception is studied from two distinct aspects. They are house buyer's perception and housing developer's perception. Research conducted based on customer's point of view is basically focused on perceived service quality (Davis & Heineke, 1998; Bebko, 2000). On the other hand, study on the house buyers' perception is on business relationship quality (Holmund & Strandvik, 1999; Yu & Dean, 2001).

Perception plays a crucial role in service management. House buyer’s perception will determine their satisfaction towards the service provided (Lovelock, 1996). On the other hand, the housing developers own idea’s is always adapted to the perceived needs and feelings of the customers (Payne, 1999). Housing developers modifies their house designs from time to time primarily based on the feedback they received from house buyers or customers. The more accurate the perception is, the more likely the housing developer’s are able to adjust to the customer’s need in order to maximize customer satisfaction (Bitner et al., 1994)

2.3 Cognition Affect Behavior Paradigm

C-A-B Paradigm explains that cognition processes that affect the way consumers behave. Many consumer researchers has borrowed and extended this basic theory and added more factors (Peterson, Hoyer & Wilson, 1986). The additional factors include product characteristics, brand features, attitude towards advertisement, utilitarian affect versus hedonic affect and halo bias (Peterson, Hoyer & Wilson, 1986).
It has been argued that marketing communication is one of the sustainable competitive advantages in the twenty-first century (Hackley & Kitchen, 1998). However, consideration of integrated marketing communication concept is unpromising unless psychological perspective of consumer cognition is grounded within it. Consumer cognitive is one of the interesting topics in consumer behavior. When consumer are cognitively busy, they are less likely to accurately access the product value (Sivaramakrishnan & Manchanda, 2003). Changes in consumer perceptions overtime were found to be related to changes in behavioral intention.

In the model of attitudes, attitude is viewed as feeling or an evaluative reaction to objects (Lawson, Tidwell, Rainbird, Loudon & Bitta, 1996). Attitude is also define as the overall orientation towards an object (Hawkins, Best & Coney, 1998). The model of attitudes consists of three components namely cognitive, affective and behavioral (Hanna & Wozniak, 2001).

Cognition is defined as the mental processes of interpretation and integration and the thoughts and meanings they produce (Peter & Olson, 1996). Cognitive is claimed to be the perceptual component of attitude as well (Blythe, 1997). There is also definition that cognitive is consumer's beliefs about specific attributes or overall object (Hawkins et al., 1998). These beliefs are acquired through processing of information that is gathered from direct experiences with object or indirect communications about it (Lawson et al., 1996). In other words, beliefs are based on knowledge, opinion, faith or value system (Hanna & Wozniak, 2001).
Affect is basic mode of psychological response that involves a general positive or negative feeling (Peter & Olson, 1996). In other words, affective component is consumer's emotions or feelings about a particular product or brand (Schiffman & Kanuk, 1997). This general feeling of favorability may simply develop without cognitive information or it may also result after several evaluations on the particular product (Hawkins et al., 1998). Thus there are different definitions for affective. It is also claimed to be evaluative component of attitude.

Behavioral is consumer's tendency to respond in a certain manner towards an object or activity (Hawkins et al., 1998). Behavioral intension is also known as conation (Blythe, 1997). It is an expression of the favorable or unfavorable feelings formed earlier (Hanna & Wozniak, 2001). Cognitive is not necessary the likelihood or tendency that consumer will undertake a specific action. It may include the actual behavior itself (Shiffman & Kanuk, 1997).

The mentioned three components are interrelated. Both affective and cognitive system respond independently to stimuli and each of the system can respond to the output of the other system. Affective responses can be referred as emotions, feelings, moods and evaluations. On the other hand, cognitive responses include knowledge, meanings and beliefs. Interpretations from both affective and cognitive system will then determine the decision made (Peter & Olson, 1996). Elaboration like likelihood model explain further on the process of decision-making. Communication is received by consumers in the very beginning. Upon receiving the
information from communication, it will be processed cognitively in order to generate behavior change (Mowen & Minor, 1998). However, behavior change may precede the development of cognition and affect or even occur in contrast to the cognitive and affective components (Hawkins et al., 1998). It will depend on the different situations.
CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

This research is divided into two stages. It develops quantitative and quantitative profile of the house owners towards their own house as well as the factors attributed in house buying decision. The methodology will be based from the aspects of population and sample, instrument, data collection and data analysis.

3.1 Subjects

3.1.1 Population

In this research, the population comprises the different categories of house owners in Kuching, Sarawak. The population is about 100,000 house owners.
3.2 Interview

3.2.1 Sample

Sample comprises of a group of selected respondents from the population from which information needed to be obtained. Sampling is necessary in this research as the research population is quite large.

For each category (affordable house, medium-cost house and high-end house) of house buyers, a minimum of 15 respondents were interviewed.

Therefore a total of 45 respondents were selected for the in-depth interview. 15 respondents for each category of house buyers were selected at random. Telephone interviews were used besides the face-to-face interviews if the respondent cannot meet face to face. However, face to face interviews enabled the researcher to better clarify doubts and ensure responses are properly understood. Besides that, telephone interviews could eliminate discomfort of the respondents (Sekaran, 2003). Only 45 respondents were chosen as they were required to answer open-ended questions during the interview, whereby they are given the chance to provide as many specific words as they wanted in describing their house. There were no set limitations for this.
3.2.2 Instruments

For this research, one of the instruments used, were in-depth interviews. In-depth interviews were conducted to obtain the initial thoughts and perception of the house buyers through word association technique. The Interview method was collecting information from respondents verbally (Sekaran, 2003). For the interviews, each respondent was asked the same sets of questions and these respondent answers to provide the specific words which came to their mind immediately with the terms: their house. The technique employed was word association. The initial thoughts of the respondents were often the most salient and valid one (Stafford & Stafford, 2003).

3.2.3 Procedure for Gathering Data

After a random selection of 15 interviewees for each category of house types, they are interviewed face-to face. The interviewees are contacted beforehand to seek permission for an interview and also to brief them the purpose of the research. The date, time and venue for the interview were set out in accordance with the interviewee’s convenience.

The researcher starts with a light conversation to break the ice and create a relaxed atmosphere during the interview session. After which, the researcher explains the purpose of the research and explains how the interview was to proceed. The duration for all interviews was to be maintained within 30 minutes.