

# Market segmentation of lounge suites in malaysia essay sample

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This report is aimed at developing a market segmentation that profiles different groups of consumers for lounge suites which are commonly known as sofas in Malaysia. Sofas come in a variety of styles and can be made of fabric or leather. Furthermore, there are numerous types of fabrics and patterns that lounge suites can be designed in. Some lounge suites can also be multi-purpose and double as a bed. This essay will be covering the profiling of market segments, identification of a primary target audience and influences on consumer decision making.

### Consumer Analysis

A lounge suite could fulfil the need of completing one's home as an object to sit on in the living space and so is classified as an acquired need and can go on to fulfil one's social, ego and self-actualisation needs (Maslow, 1943).

There are certain influences that determine a consumer's decision to purchase. These influences include internal influences like income and their level of involvement, and external influences like family, social class as well as culture and subculture (Shiffman, et al., 2011; Wind, 1978).

### Demographics – Income

Cicarelli (1974) found that people's consumption increased with their income. The amount of money consumers are willing to pay for a particular product depends largely on their household income. The more affluent would be able to buy sofas that satisfy their whims and fancy whereas a lower-income person will have to choose a sofa that does not exceed his or her budget. However, it was found that the lower income group did not mind paying for an expensive item as long as they can pay in instalments

(Liebermann and Silber, 1993). Many furniture retailers practice this tactic in order to allow lower income groups to purchase expensive furniture. The smaller amount that they are required to pay each month allows them to purchase items that they otherwise will not be able to afford. Although these instalments would add up to a price beyond their means, materialism blinds them and lures them to purchase (Ponchio and Aranha, 2008).

### Involvement

The procurement of a lounge suite would require high involvement from the consumer due to the cost and ego needs involved. Lounge suites are one of the most important investments made when purchasing home furniture because this is where family and friends gather to enjoy each other's company. Furthermore, the owner of the lounge suite is judged based on his or her choice of lounge suite. The fabric and style of the lounge suite indicates the owner's taste, individuality and even wealth (Eger, 2006).

### Family life-cycle

According to Corfman (1991), many decisions made by a family are the reflection of the influence of more than one member of the family. Families act as the most important reference group consumers look up to. Schiffman, O'Cass, Paladino, D'Alessandro, and Bednall (2011), a reference group is a person or group that is used as the point of reference in forming the values, attitudes or behaviour of an individual. An individual is able to better identify with family members than outsiders, hence influencing an individual's consumption behaviour (Childers and Rao, 1992). Besides that, the family life cycle also greatly influences a consumer's purchase of a sofa set.

According to Beatty and Talpade (1994) teenagers have very little influence on the decision to purchase lounge suites because of their perceived lack of knowledge of furniture unlike electronic equipment where they become very influential. On the other hand, single working adults are less influenced by their family because they are financially independent. Moreover they usually require a lounge suite for their own residence and might find the choices of their older family members to be old-fashioned.

### Social Class

Social class is defined as the division of members of a society into a hierarchy of different classes where members of each class have either higher or lower status than the other members of different classes (Schiffman and Kanuk, 2007). In 1970, Slocum and Mathews measured social class as a combination of income, education, occupation and wealth.

Miric and Culine (2006) explained that social class better explained purchasing habits and behaviour with products related to lifestyle like living room furniture, imported liquor and fitness training or gym membership, when compared to income. Income and social class are often interrelated because one of the variables that determines social class is income (Calder, Phillips, and Tybout, 1981).

### Culture and Subculture

According to Schiffman (2011), culture comprises of the learned beliefs, values and customs that regulate the consumer behaviour of a society.

Malaysians are often thought to have low ethnocentrism but Hashim and Razak found that 80% of Malaysians actually displayed high ethnocentrism,

but this does not stop the imported furniture market from thriving. Malaysia being a multi-cultural country has four main subcultures namely, the Malays, Chinese, Indians and Orang Asli. Most races would purchase new lounge suites just before a festive season. This is one reason why, even furniture is on sale during festive seasons like Hari Raya Puasa and Chinese New Year.

Furthermore, Malaysia as many other countries is divided by the 'youth culture' and the 'older culture'. The 'youth culture' have quite distinct values and purchasing characteristics from the older generation. The younger culture is more open to new ideas and concepts whereas the older generation is highly dogmatic (Schiffman, et. al, 2011).

### Market Segmentation

The market for lounge suites were divided into four groups i. e. Single & Available, Just Married, Happy Family and Oldies. The following is the characteristics of each group.

Table 1: Market Segmentation for the purchase of lounge suites | Single & Available | Just Married| Happy Family| Oldies | Demographic/psychographic  
 Family life cycle Lifestyle | Young single Visible achievement| Young married couple without children Something better| Married couple with children Basic needs, conventional family life| Empty nester (s) Fairer deal| Geodemographics Income Age Occupation Location Residence | Below RM4000 21-27 Young /junior executive City Rented / own apartment | RM4000-6000 28-32 Senior executive City Apartment/ house| Above RM6000 33-55 Professionals/ higher managerial position Suburban area, not too far from

workSpacious house for children to run around | Nil/ Pension / Not  
 constant56-70Retired / free-lance consultantSuburban /  
 countrysideComfortable small house| Benefits soughtUsage rate| Social  
 acceptance, looks chic and trendy Light | Prestige, economy, lounge suite  
 that accommodates at least 4-5 friends/relativesMedium| Long-lasting, child-  
 proof, easy to cleanHeavy | Value for money, long-lasting, comfortableHeavy  
 | PsychologicalPersonalityInvolvement| Open to new ideasModerate | Go-  
 getter, enjoys finer things in lifeModerate | Want the best for childrenHigh |  
 Dogmatic, prefers routine life Moderate |  
 SocioculturalCultureSubcultureSocial class| MalaysianMalay, Chinese,  
 IndianLower, middle, upper| | |

### Single and Available

The Single and Availables (S&A) are young single consumers between the ages of 21 and 27 and live in the city. They have just joined the workforce and wish they were still in college or school. The S&A is a junior executive and earns under RM4000. They are high achievers, are impatient and look for social acceptance. They might have bought or are renting an apartment. If they have bought the apartment they are living in, this is most probably their first property. They want everything they buy to reflect their personality and social standing, and this would include the furniture in their apartment. They want a lounge suite that looks chic, unique and trendy.

Contrary to popular belief that Malaysians exhibit low ethnocentrism, Hashim and Razak (2004) researched the impact of globalisation on the future of domestic products and found that 80% of Malaysians display high

ethnocentrism. And so the S & A people are part of the 20% of Malaysians who display a low sense of ethnocentrism. However, their salary does not allow them to purchase expensive and imported lounge suites. They are considered to be light users with moderate involvement and are open to new things.

### Just Married

The Just Married people are newlyweds without children. This group of people are either moving in to the same residence for the first time or are already living together and might require new furniture. Furthermore, if one spouse is moving in to the other's residence, the one moving in would definitely want to make some changes to their house, especially if it is the wife who is moving in to her husband's house (. The Just marrieds are between the ages of 28-32 and earn about RM4000- RM6000. They hold the position of senior executives in their organisations and live in either an apartment or house in the city. They are go-getters and enjoy finer things in life because their income allows them to do so as they do not have heavy financial responsibilities. Now that they are married, they can expect relatives and friends from both sides to visit and so need a lounge suite that is comfortable and spacious enough to accommodate at least four or five friends or relatives at any one time. However, their usage rate is medium because they will be busy working during weekdays and visitors are usually expected on some weekends.

### Happy Family

The Happy Family are married couples with children. Their age ranges from 33 right up to 55. Both husband and wife may be working or only the husband works and the wife is a home maker. The husband's salary alone would be at least RM6000 and he is a professional or holds a higher managerial position. They live in a suburban area, not too far from the husband's workplace. Their house is spacious enough for the children to run around and play. The Happy Family needs a lounge suite that is comfortable and child-proof because they may have little children. They are heavy users of lounge suites because this is where the family spends a lot of time together. They may be watching television or playing games.

They need a sofa set that is durable and lasts long. The lounge suite must preferably be easy to clean because children from toddlers to teenagers are capable of spills and messes. Now that they have children, they need to save for the future of the children and want to give their children the best of everything. The Happy Family would most probably use their sofa set for at least 4 years, but usually they keep the same lounge suite for a much longer period of time (Lihra and Garf, 2007).

### Oldies

Oldies are empty nesters in the golden age of 56 to seventy years of age. They are either retired or are free-lance consultants. Their source of income is not what it used to be. They could be receiving a pension or their income is not constant or they could have no source of income at all. Some of these Oldies might be depending on their children to give them some money each month. They live in a suburban area or the countryside. They live in a



comfortable house that is not too big. They do not need a huge house at this age because their children have all moved out and visit sometimes.

Oldies are medium users of lounge suites because they do not have much to do around the house or may not be able to move around much. They may watch the television or read on their sofas. They need a lounge suite that is value for money, long lasting and comfortable. They will most probably use their old sofa or purchase a smaller comfortable one that is able to support their back properly. Oldies are dogmatic and not open to new ideas and change. They prefer their routine life that keeps them at ease.

#### Primary Target Market

The target market chosen is the Happy Family because this group of people have the highest usage of a lounge suite. They will most probably buy at least two or three sofa sets from the time they have their first child until their children leave the nest (Norum, Lee and Sharpe, 2002). They are easily assessable because Happy Families usually spend a lot of time together ; they travel, have meals, watch television and play sports together.

This target market is unlikely to shrink any time because future generations will always continue to have families of their own. The happy Family just might be the most profitable group of the four.

#### Recommendations

Appendix 1 shows a Kramfors sofa set from an Ikea catalogue. This page features the sofa, the price as well as the dimensions of the sofa set. This advertisement would greatly appeal to Happy Families low in ethnocentrism

because Ikea is a Swedish company. Ikea often distributes catalogues in residential areas where happy Families live. The advertisement itself has two children playing happily in a living room and gives the impression of a child-proof sofa.. Appendix 2 shows a Courts mammoth page that offers consumers a variety of products and promotions. Courts offers Flexi Credit, a loyalty card called 'homeclub', extended warranty, cleaning services and they guarantee the lowest price. Payments that are in instalments are interest free as well and so will not be a heavy burden to the payer.

This would appeal to Happy Families with many children where the after sales services like cleaning services and extended warranty is a bonus. Fella design is another company offering varieties of sofas from rustic to leather sofas. They have five showrooms in the Klang Valley alone and offer shipping, care and maintenance services of their products. The Happy Family with older children might consider a change of fabric lounge suites. Home24 is a website that is user friendly and allows customers to custom-make their lounge suites. They offer free-shipping and over 50 brands of sofas to choose from. They offer launch promotions for new products and display the price reductions clearly .

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