UNIVERSITI PUTRA MALAYSIA

ANALYZING MALAYSIAN CONSUMERS' DECISION MAKING STYLES DIMENSIONS IN BANKING SERVICES

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By

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This thesis is dedicated to my dearest family, beloved husband, Mohd Adib and our

adorable son, Muhammad Ariff with love.

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Abstract of this thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirements for the degree of Master of Business Administration.

ANALYZING MALAYSIAN CONSUMERS' DECISION MAKING STYLES DIMENSIONS IN BANKING SERVICES

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JANUARY 2002

Supervisor: Dr.

Faculty: Graduate School of Management

The greater globalisation of world trade will force Malaysian bankers to address the issue of how customers perceive them in comparison to their foreign competitors. The general objective for the research is to identify or investigate the decision-making style dimensions for Malaysian in banking services. Therefore, the study attempts to identify the Malaysian consumers' decision-making style dimensions in banking services. Specifically, the objectives of this research are to develop dimensions of Malaysian consumers based on their decision-making styles in banking services and to examine or determine the characteristics of consumers' group from the developed typology.

A total of 545 usable questionnaires were collected and analysed using Statistical Packages For Social Sciences (SPSS) version 10.0. The data analysis processed in four steps i.e. descriptive analysis, inferential analysis, factor analysis and reliability test. The

33 – items were used as input for factor analysis and a ten-factor solution was obtained with 55.464 percent of variance explained. Seven of the ten dimensions have been confirmed by reliability analysis. These seven dimensions are "habitual and quality conscious" consumers, "convenience" conscious consumers, "services' features " conscious consumer, "novelty and quality" conscious consumer, "habitual, brand loyal" consumers, "confused by over choice" consumers and "price equals quality" consumers. The other three decision making dimensions, they are "value for money" consumers, "conventional" consumers and "price" conscious consumers were not included because of their unreliable outcome in alpha test.

The dimensions of decision-making style in banking services in Malaysia were identified and classified. The most crucial is that the new area has been explored in decision-making style for service category. As the study confirmed seven dimensions of consumer decision making styles and added more evidence to this framework that can be used to develop better consumer decision making guidelines in consumers' buying decision.

Abstrak bagi thesis dipersembahkan kepada Undangan Universiti Putra Malaysia bagi memenuhi syarat ijazah Sarjana Pentadbiran Perniagaan.

PENGANALISAAN GAYA PEMBUATAN KEPUTUSAN PARA PENGGUNA MALAYSIA BAGI PERKHIDMATAN PERBANKAN

Oleh

ZAILIN ZAINAL ARIFFIN

JANUARI 2002

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Kehangatan era globalisasi dunia telah memaksa bank-bank di Malaysia mengutarakan isu bagaimana persepsi pelanggan terhadap mereka berbanding pesaing-pesaing asing. Objektif asas bagi penyelidikan ini adalah mengenalpasti atau menyelidik dimensi gaya pembuatan keputusan bagi pelanggan perkhidmatan bank di Malaysia. Oleh yang demikian, penyelidikan ini cuba mengenalpasti gaya membuat keputusan bagi pelanggan perkhidmatan bank di Malaysia. Manakala, objektif khususnya pula adalah untuk membina dimensi bagi pelanggan di Malaysia berdasarkan gaya pembuatan keputusan perkhidmatan bank dan juga menentukan cirri-ciri kumpulan pelanggan dari typologi asal.

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Sejumlah 545 soalselidik yang boleh digunakan telah dikumpulkan dan dianalisa menggunakkan "Statistical Packages For Social Sciences" (SPSS) versi 10.0. Penganalisaan data diteruskan dalam empat langkah mengikut kaedah yang telahpun digunakan oleh Sproles dan Kendall (1986) iaitu analisa-analisa deskriptif, inferensi, faktor and ujian reliability. Kesemua, 33 soalan di dalam soalselidik telahpun digunakan sebagai input dalam analisis faktor. Sepuluh faktor telah dikenalpasti dan dijelaskan sebanyak 55.464 peratus variasi. Berdasarkan analisa reliabiliti, hanya tujuh daripada sepuluh faktor boleh dipercayai. Kesemua dimensi tersebut adalah pelanggan "habitual and quality conscious", "convenience" conscious, "services' features ", "novelty and quality", "habitual, brand loyal", "confused by over choice" dan "price equals quality". Manakala, tiga faktor gaya menbuat keputusan iaitu pelanggan "value for money", "conventional" dan "price" tidak diambilkira kerana keputusan realibitinya yang tidak menyakinkan.

Dimensi gaya membuat keputusan bagi perkhidmatan perbankan di Malaysia telahpun dikenalpasti. Satu bidang baru iaitu pembuatan keputusan bagi sektor perkhidmatan telahpun diterokai. Penyelidikan ini telah mengesahkan tujuh dimensi dalam gaya pembuatan keputusan dan seterusnya menambahkan ilmu dalam bidang ini.

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My gratitude also goes to Dr. Murali who has helped me in my quantitative analysis. He has contributed so much to the successful completion of this thesis.

I would like to express my thanks to my dearest family for their constant support. Special thanks to my beloved husband, Mohd Adib Ibrahim who shared my burden fully.

DECLARATION

I hereby declare that the thesis is based on my original work except for quotation and citations, which have been duly acknowledgement. I also declare that it has not been previously or concurrently submitted for any other degree at Universiti Putra Malaysia or other institutions.

Signed

Candidate

Name:

Date:

TABLE OF CONTENT

CHAPTER 1

RESEARCH REVIEW

1.0   Introduction

This chapter will outline an overview of the whole research. It attempts to cover Malaysian banking industries, the general concept of consumer behavior and the consumer decision-making theories. Based on the discussion above, the background, problem statement, objectives of the study and the brief organization of the thesis will be stated in the chapter.

1.1   Background of The Study

Decision making in selecting bank services is more complex and even more important for consumer today than in the past. Besieged by advertising, news articles and direct mailing that provide an abundance of banking services information, much of it with mixed messages. It has broadened the sphere for consumer choice and has complicated decision-making (Hafstrom et. al. 1992).

Although, many factors influence consumer decision making, consumers are thought to approach the market with certain basic decision making styles. For example, consumers have been characterized as quality, novelty-fashion, price comparison shoppers, information seekers and habitual or brand loyal consumers (Thorelli et. al. 1975; Mayners, 1976; Jacoby and Chestnut, 1978; Bettman, 1979; Miller, 1981; Sproles 1983).

Identifying the basic characteristics of decision-making styles is central to consumer interest studies. This identification helps to profile an individual's consumer styles, educate consumers about their specific decision making characteristics and counsel families on financial management (Sproles and Kendall, 1986).

Similarly, it is expected that decision making pattern in banking services industry is expected not to be much different from the products. However, in this study the Consumer Decision Making Dimensions is being modified to suit the banking services industry. This decision-making research would increase with expansion in the quantity of information and number of consumer choices in banking services, which has not been available in the future.

1.2   Malaysian Banking Industry

Banking in Malaysia is more than 140 years old. The first commercial bank established in the country was a branch of Chartered Mercantile Bank of India, London and China in Penang in 1859. It resulted in rapid expansion of the economy and foreign trade in Malaysia. Another foreign bank followed suit with a branch in Penang in 1875 and subsequently with the branches in Taiping and Kuala Lumpur in 1888.

In the early days, commercial banks are commonly known as "exchange banks" in view of the fact that their business was predominantly confined to financing of external trade by way of overdraft, packing credit, various forms of trade bills and foreign exchange.

By the 1950s, commodities continued to be exported to meet world demand. With an increasing expansion of economy and exports, living standards and conditions of the populace continued to improve. The population of consumers has been growing further up to 22.2 million in year 2000 from 17.1 million in 1991 (Department of Statistics Malaysia).

The banking sector has entered the Malaysia Seventh Plan period (1996-2000) on a sound footing with adequate capitalization levels and good asset quality. In particular, the continuing efforts by the Government to develop the financial system and implement policies to promote a robust and resilient financial system as well as reduce the potential for financial instability. The banking sector in particular was able to remain sound and intact despite the severe consequences of the recession following with the Asian crisis.

During the Seventh Plan period, the banking sector expanded at an average rate of 7.3 per cent per annum in spite of a contraction in 1998 arising from the Asian financial crisis. In terms of contribution to the Gross domestic Product (GDP), its share increased from 10.4 per cent in 1995 to 11.6 per cent in 2000 (Department of Statistic).

1.3 Consumer Decision Making Styles

A consumer decision-making style is defined as a mental orientation characterizing a consumer's approach to making choices (Sproles and Kendall, 1986). The consumer literature suggested three ways to characterize consumer styles.

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They are:

1) **Psychographics or Lifestyle Approach** (Lastovicka, 1982, Wells, 1974)

   It identifies over 100 characteristics relevant to consumer behavior.

2) **Consumer Typology Approach** (Darden and Ashton, 1974-75; Moschis, 1976; Stephenson and Willett, 1969; Stone, 1954)

   This approach attempts to define general consumer "types".

3) **Consumer Characteristics Approach** (Sproles, 1985; Sproles and Kendall, 1986)

   It focuses on cognitive and affective orientations specifically related to consumer decision-making. It deals with a basic consumer personality, analogous to the concept of personality in psychology.

The Consumer Characteristics Approach, however, is one of the most promising and explanatory as it deals with the mental orientation of consumers in making decisions and, therefore, focuses on the cognitive and affective orientations in consumer decision making. It is valuable to consumer affair specialist because it provides a measurement system for standardized testing of consumer decision-making styles for practical application such as counseling consumers (Durvasula and Lysonski 1993).

1.4   Problem Statement

Liberalization of international market effectively on the year 2005 gives an indirect and direct effect to the Malaysia's market. Only those commercial banks that is best able to apply effective marketing resources within changing environment will grow

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and prosper (Shook and Hassan, 1988). Exploring the bank selection criteria will help banks to identify the appropriate marketing strategies needed to attract new customers and retain existing ones (Kaynak and Kucukemiroglu, 1992).

The greater globalization of world trade will force Malaysian bankers to address the issue of how customers perceive them in comparison to their foreign competitors. The need for more consumer–oriented policies in the banking industry has, however, been increased since the last decade or so. Higher levels of future competition among major established foreign banks is now the major threat. With growing competitiveness in the banking industry (Grandy and Spencer, 1990), and similarity of services offered by banks (Holstius and Kaynak, 1995), it has become increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of banking services.

Understanding and identifying consumer behavior has always been the central theme of the marketing. One aspect focused in relation to the understanding of consumer buying behavior. Specifically, by understanding the consumer decision-making styles will provide marketers with a good basis to implement appropriate marketing strategy.

Researchers have conducted many studies of consumer decision-making styles based on the consumer characteristics approach in 80's and 90's. Most recent studies have been termed as decision-making styles (Salleh, 2000; Durvasula et al, 1993; Hafstrom et al, 1992; Sproles and Kendall, 1986; Sproles 1985). However, this type of research on banks services has not been formally conducted in Malaysia yet.

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Therefore, the generalization of the model remained unknown. On the other hand, all the previous studies researched on general products, except Salleh (2000) whose study investigated the relationship between consumer decision-making style dimensions and product intangibility. However in the previous studies, the focuses were more on consumer purchase behavior for general products.

The Consumers' Decision Making Style Dimensions adopted in the study have been modified to suit the banks services by replacing the recreational, shopping consumer and impulsive, careless consumer dimensions with two new dimensions, which are features and convenience and time saving dimensions. There are few, if any, studies done in between this pole. As such, this research also aims to find out if there is a different decision-making style between different products and services categories.

In short, the research attempt to answer the following questions:

1) What are the unique decision-making style dimensions of Malaysians in banking services?

2) Is there any form of relationship between the natures of the bank services with the dimensions of decision-making style?

3) Will consumers approach the market with different decision-making styles when dealing with banking services as compared to product category in Malaysia?

1.5   The Importance of Consumer Decision Making Style in Banking Services

As mentioned in the problem statement, the greater globalization of world trade will force Malaysian bankers to address the issue of how customers perceive them in comparison to their foreign competitors. Higher levels of future competition among major established foreign banks is now the major threat. It will somehow enforce the

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researchers to conduct rigorous sets of research on decision-making styles in banking services.

Referring to the past literatures, factors influencing the banking selection have been done. A number of researchers focusing their attention on the key factors but neglected the exact decision making style of the consumers. The detailed findings of the studies conducted will be discussed in chapter two.

1.6   Research Objectives

Based on the discussion above, the general objective for this research is to identify or investigate the decision-making style dimensions of Malaysians in banking services. Specifically, the objectives of this research are:

1) To develop dimensions of Malaysian consumers based on their decision-making styles in banking services.

2) To examine or determine the characteristics of consumers groups' from the developed typology.

1.7   Significance of the Research

All the hard work and resources towards this research will not be wasted if the findings of the research are useful and relevant to the potential users. Some of the findings can be shared with the potential groups outlined as follows.

1.7.1   Contribution to Academicians and Researchers

The research will contribute additional research findings to the currently available information. None of such study, if any, has been found published in the literature. In other words, this study is trying to explore the service industry effect into the method

of studying consumers' decision-making style dimensions in customers' banks selection criteria.

As such, researchers are encouraged to develop a more robust decision-making style inventory to account for the banking services globally. The administration of the Consumer Style Inventory to the banking services in Malaysia could help indicate the similarities and differences with product industry. Besides, it is a platform to many other studies to repeat the research in order to estimate its validity and investigate into details. In addition, it is recommended that the Consumer Style Inventory be administered to different service classes in order to establish generality of services industry.

1.7.2   To the Managers and Policy Makers

Knowledge of the sustainability and reliability of the consumers' decision-making style dimensions in banking services can also beneficial to marketers to use as input to develop better marketing strategy formulation. More importantly, this knowledge can increase the marketers' confidence in the application of psychographics profiles, such as the consumers' decision making style dimensions, as a tool in their decision making process.

1.8   Organization of the Thesis

The thesis will be presented in five chapters. The content of each chapter is briefly discussed as follows:

1.8.1   Chapter One

Chapter 1 will discuss on the overall research in order to give the reader a basic understanding of the whole thesis.

1.8.2   Chapter Two

Second chapter will consist of literature review of the study. The bases dimensions involved in the research will be discussed in detail in the chapter later.

1.8.3   Chapter Three

The research methodology that will be used for the data collection in the study will be thoroughly discussed in the chapter to answer the research objectives stated in chapter one. A guide line to data collecting method, questionnaire construction, measurement, data analysis and relevant statistics will be included.

1.8.4   Chapter Four

This chapter will mainly concentrate on the result and analysis of the research. This includes examines data processing, analysis and interpretation of the data obtained from the survey. The result or outputs of computer computation are compiled, summarized and presented in tabular format. In short, this chapter will narrow down to the result into statistical test.

1.8.5   Chapter Five

The findings of this study will be synthesized in this chapter. The conclusion of the whole research summarized all the research important findings. The theoretical, managerial and policymakers implications that can be derived from the findings of

this study will also be discussed. The recommendation formulated for the possible marketing strategies that marketers need to implement based upon the research findings and analysis obtained. The study will then be concluded with a discussion of the limitations and suggestion for possible future research.

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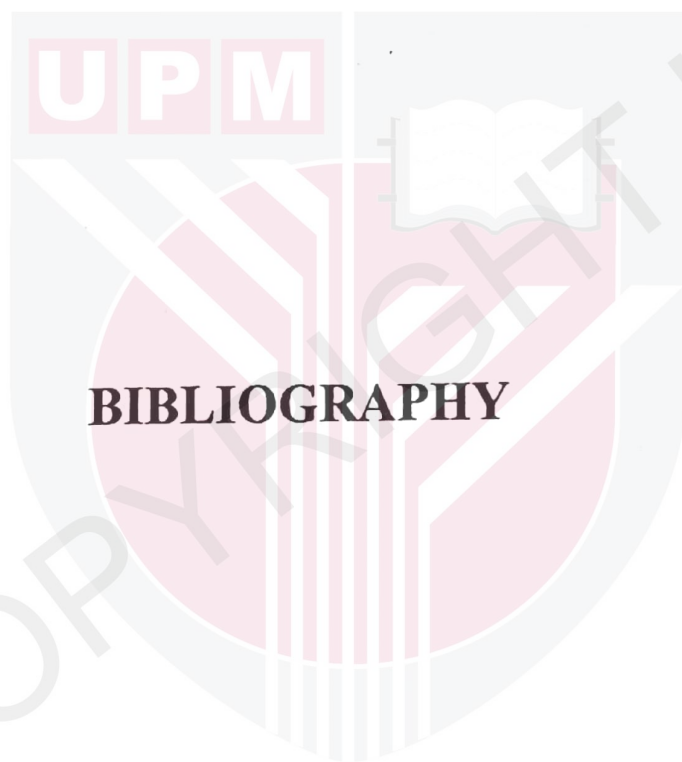
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