

Reading on
Marketing Theories

A Practical Approach on Case Studies

Ahasanul Haque



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Reading on Marketing Theories: A Practical Approach on Case Studies

Ahasanul Haque, Ph. D
Associate Professor of Marketing

Faculty of Economics & Management Sciences
Department of Business Administration



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Taman Perindustrian Batu Caves
Batu Caves Centre Point
68100 Batu Caves
Selangor Darul Ehsan
Tel: +603-6188 1542 / 44 / 45 Fax: +603-6188 1543
EMAIL: iiumprinting@yahoo.com

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CHAPTER 02

FACTORS INFLUENCING CONSUMER BUYING BEHAVIOR ON ELECTRICAL ITEMS: THE MALAYSIAN PERSPECTIVE

Ahasanul Haque and Farzana Yasmin

INTRODUCTION

Industry Structure

The Malaysian industry is dominated by foreign firms (particularly by Japanese manufacturers) either directly or indirectly through joint ventures and franchising. The largest Japanese manufacturers, Matsushita, Sony, Sanyo Sharp, Aiwa, Toshiba, NEC, Hitachi and Mitsubishi are the major players. These manufacturers are involved in the production of both brown and white goods with the exception of Sony and Aiwa.

Berjaya Singer, the active locally owned company is believed to have a 5% market share. The other active locally owned company is Pensonic and MEC. Its products are targeted mainly for the lower and middle income groups.

Industry Profile

The Electrical Products Industry could be ranked among Malaysia's most successful industries. After a very humble beginning in the 1960's the industry has emerged as one of the largest contributors to the country's manufacturing sector. The electrical products industry started in the early 1960's with import substitutions of dry cell batteries, electrical appliances (assembly of radios and black-and-white TV sets) cables and lamps using technology supplied by foreign companies. Today, Malaysia is a leading exporter of air-conditioners, television sets, audio and video equipment. From domestically oriented beginnings, the industry has developed into a rapidly expanding export-oriented sector. Over the years the industry has grown and diversified, presently manufacturing a wide range of products. The industry's contribution to the Manufacturing Sector output was approximately 18.0% in 2000. Together with electronic components and other electrical machinery, this group has remained the largest foreign exchange earner, contributing about 42% of total manufactured exports in 2000. The electrical products industry contributed about 15% of total exports in manufactured exports in 2000.

The electrical products industry is large and complex one. It is classified into four large products sub sectors:

- Electrical Industrial Equipment (switchgears, transformers, motors etc)
- Electrical Appliances (air-conditioners, refrigerators, fans, irons, television sets, radios videos, rice cookers, etc)
- Dry Cells & Batteries
- Wires and Cables; and
- Electric Lamps, Tubes and Fittings

For the purpose of this report, we are only interested in two of the four sub sector, that is, Electrical Appliances and Batteries and Lamps

Industry Trends

The decline in production in 1997 was mainly due to the gloomy economic situation in the overseas markets as well as the domestic market. Japan, one of the country's major export destination, experienced a severe economic downturn in 1997 causing the exports of these products to decline. Additionally, the shift of production from Malaysian to other countries with a lower cost of production following the impending graduation from the US GSP has affected the industry's overall production. Some existing manufacturers reduced production. For instance in 1997, Matsushita cut the production