



Malaysian Consumer Empowerment Study 2019-2020



Prepared for
Ministry of Domestic Trade and Consumer Affairs
By Ipsos Strategy3

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EXECUTIVE SUMMARY

The Consumer Empowerment Index (CEI) study is an effort by KPDNHEP to develop an index for Malaysia with the objective of measuring the level of empowerment among Malaysian consumers and making 2020 as the base year of measurement.

The importance of consumer empowerment has been recognized in the National Consumer Policy (NCP) 2002. An empowered consumer is, by definition, able to make better decisions using the limited resources available, consequently maximizing his or her welfare and quality of life. Empowered consumers also have catalytic effects on the economy – better consumer decision-making promotes and intensifies the right type of competition by rewarding businesses who focus on delivering quality in their products and services.

Hence, an empowered consumer optimizes the benefits and outcomes from economic development, and therefore complements many of Malaysia's national goals. This research instrument was designed to provide a quantitative measure of consumer empowerment to aid government policymaking.

Through the process of benchmarking, stakeholder consultation and a pilot study, the research instrument finalized into two parts:

1. Consumer Empowerment Index – measuring the level of individual consumer empowerment;
2. Consumer Environment – providing insights on sentiments on the external purchasing conditions outside of the individual consumer's control.

A nationwide fieldwork covering 130 districts within 16 states and federal territories was launched in March 2020. A total of 12,482 respondents from both rural and urban districts participated in the study.

The study concludes by making recommendations on how the results can be used to address gaps in consumer empowerment.

Consumer Empowerment Index

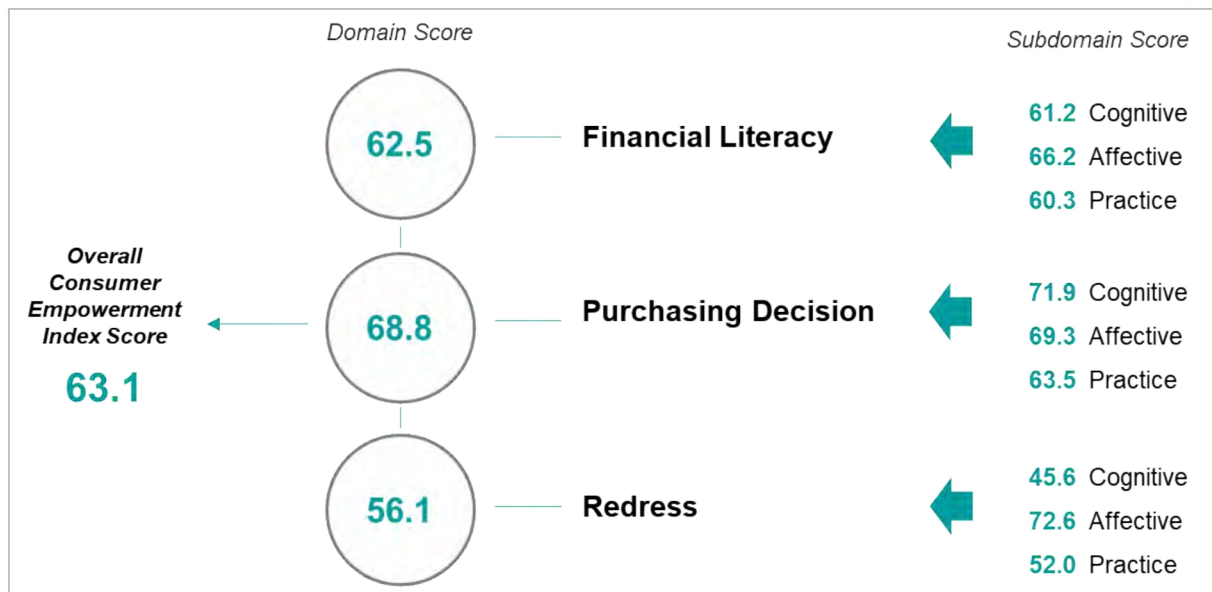
The Consumer Empowerment Index instrument consists of 80 questions divided into three domains: Financial Literacy, Purchasing Decision and Redress. Each domain is further broken down into Cognitive, Affective and Practice to examine the level of consumer empowerment of the respondents.

Table 1: Overview of the CEI instrument

Domain	Subdomain
Financial Literacy: Ability to act as a prudent decision maker in managing household expenses, and in understanding basic financial issues relevant to most consumers.	<ul style="list-style-type: none">➤ Cognitive: knowledge and understanding➤ Affective: willingness to act on the knowledge➤ Practice: action and practice
Purchasing Decision: Understanding and action on how to make an informed decision before and during a purchase.	<ul style="list-style-type: none">➤ Cognitive: knowledge and understanding➤ Affective: willingness to act on the knowledge➤ Practice: action and practice
Redress: Understanding of rights and assertiveness in seeking redress after a bad purchasing experience.	<ul style="list-style-type: none">➤ Cognitive: knowledge and understanding➤ Affective: willingness to act on the knowledge➤ Practice: action and practice

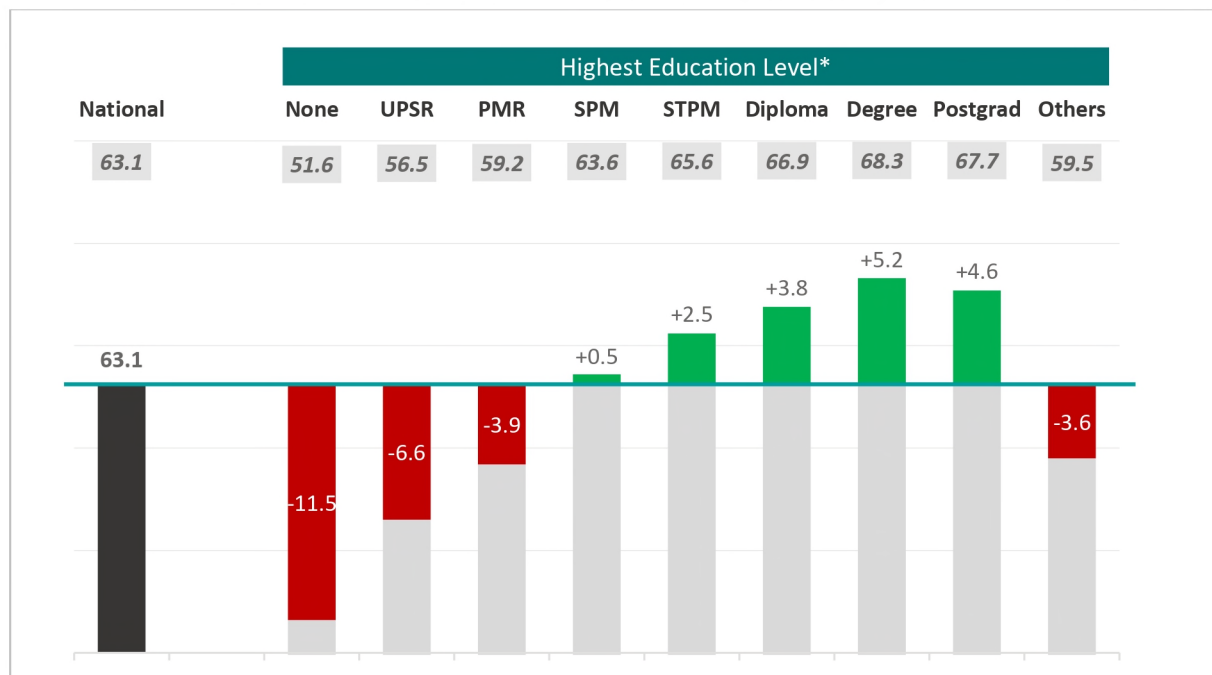
The overall Consumer Empowerment Index score for Malaysia in 2020 is 63.1%, categorized as Moderate. Consumers are most empowered in making Purchasing Decisions, which achieved a score of 68.8%, followed by Financial Literacy at 62.5% and scored lowest in terms of Redress at 56.1%. The results shown are after application of weights based on estimated state, strata and ethnic numbers for Malaysians aged 18 and above provided by the Department of Statistics Malaysia (DOSM).

Figure 1: Overall weighted index scores for all respondents for CEI 2020



The level of consumer empowerment closely tracks the respondents' level of educational attainment. There is a wide gap in score between the lowest scoring group (no formal education) and the highest scoring group (bachelor's degree), which is 16.7%. The gaps are relatively consistent – Financial Literacy has the largest disparity at -17.9%, but Redress and Purchasing Decision are close at -16.8% and -16.6% respectively.

Figure 2: CEI 2020 Score compared to national average: highest education level



*Levels include equivalent qualifications, e.g. PMR includes SCE/SRP, STPM includes STP/HSC/A Levels, etc.

The respondent's household income is also a strong determinant of their total consumer empowerment score. At an intuitive level, more disposal income means more frequent purchasing behaviour, which in turn allows for more use of consumer knowledge and skills.

Figure 3: CEI 2020 score compared to national average: income and ethnicity



*Other Bumiputera, includes Bumiputera Sabah and Bumiputera Sarawak

**B40 group refers to monthly household income less than RM4,000; M40 group refers to monthly household income ranges from RM4,001 to RM10,000; T20 group refers to monthly household income above RM10,001

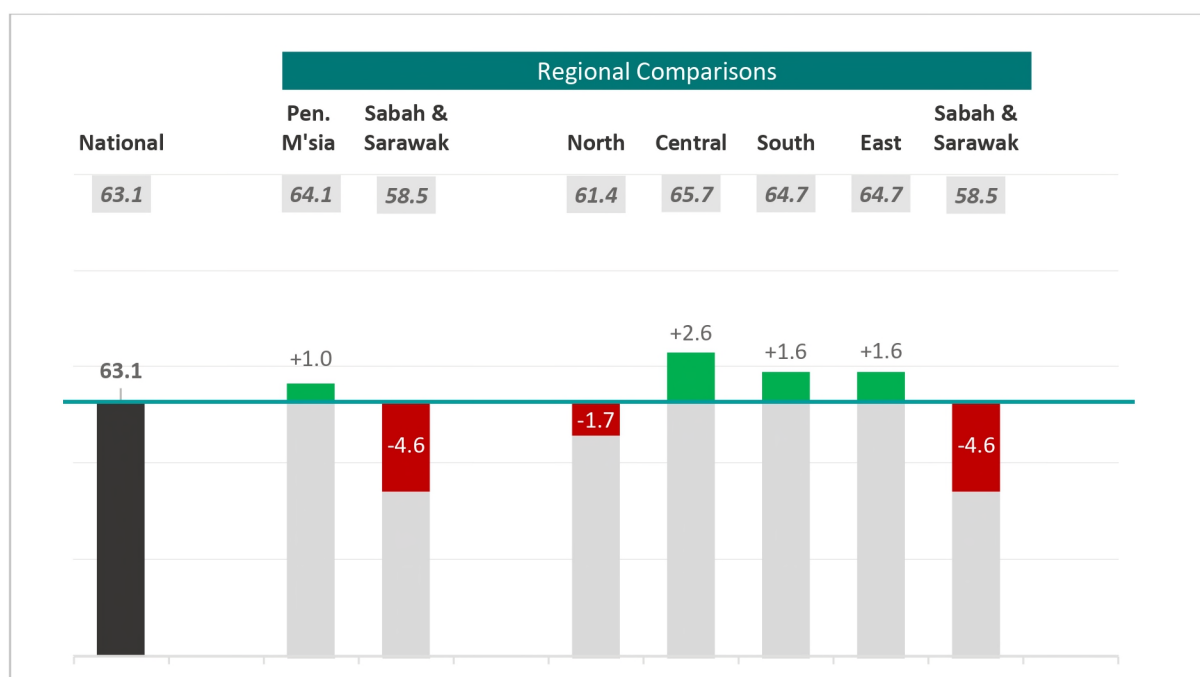
The study also finds the scores to vary across respondent age groups - both index and domain scores peak with respondents in their 30s, before showing an accelerated decline towards older age group.

Figure 4: CEI 2020 score compared to national average: gender and age group



The CEI 2020 results also shows significant discrepancies at the regional level. On average, the disparities in empowerment scores between urban and rural are relatively consistent but are markedly larger in Sabah and Sarawak compared to Peninsular Malaysia.

Figure 5: CEI 2020 score compared to national average by region



Consumer Environment

The Consumer Environment considers the context and circumstances around the individual consumer and adds a complementing perspective to the empowerment scores measured by the index. This separate measure is driven by the understanding that the Consumer Environment can often act as a constraint, where the individual's consumer skills and knowledge are made relevant by market factors.

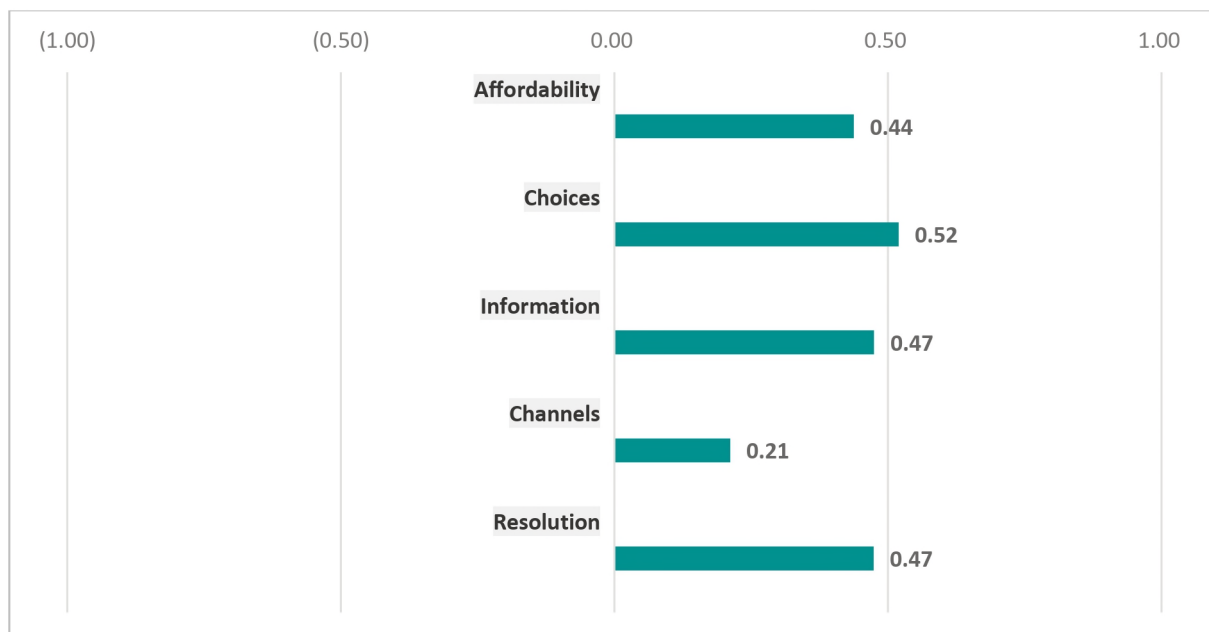
For this study, Consumer Environment is mainly profiled through five lenses, and each respondent is asked to rate their level of agreement towards statements on these five aspects:

- i. **Affordability:** Affordability of basic necessities
- ii. **Choices:** Sufficient product choices for basic necessities
- iii. **Information:** Access to information to make purchasing decisions
- iv. **Channels:** Awareness and accessibility of consumer channels
- v. **Resolution:** Able to resolve issues with purchase

The sentiment is then measure on a scale from -1.0 to +1.0, where values above zero correspond to a net positive sentiment.

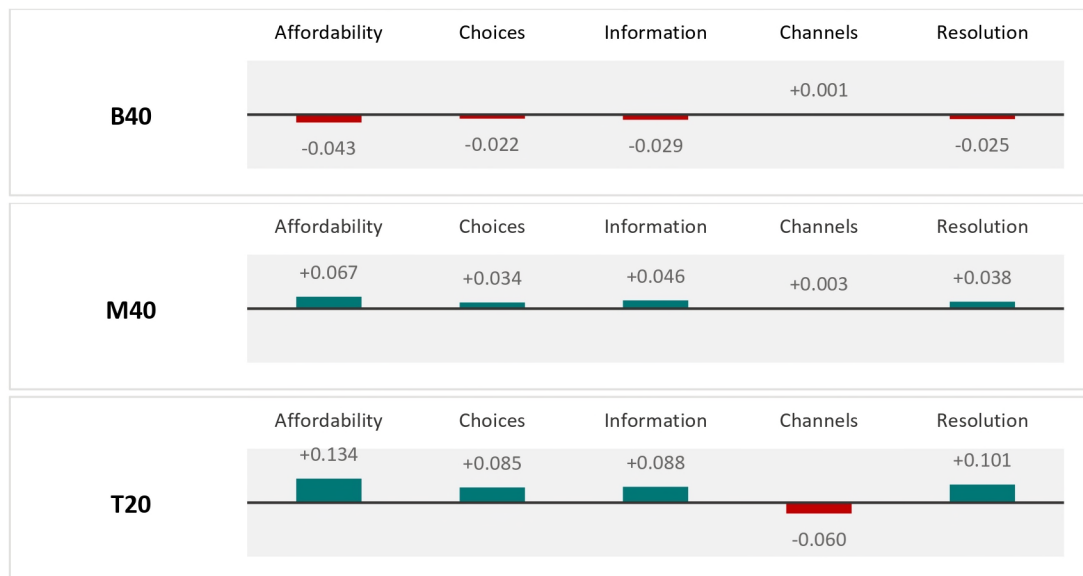
Overall, Malaysian consumers feel that basic necessities are affordable (0.44) and there are sufficient choices (0.52). They are less positive about redress channels (0.21) but generally feel that if they do encounter issue with their purchases, they are able to resolve it (0.47).

Figure 6: Consumer Environment in Malaysia



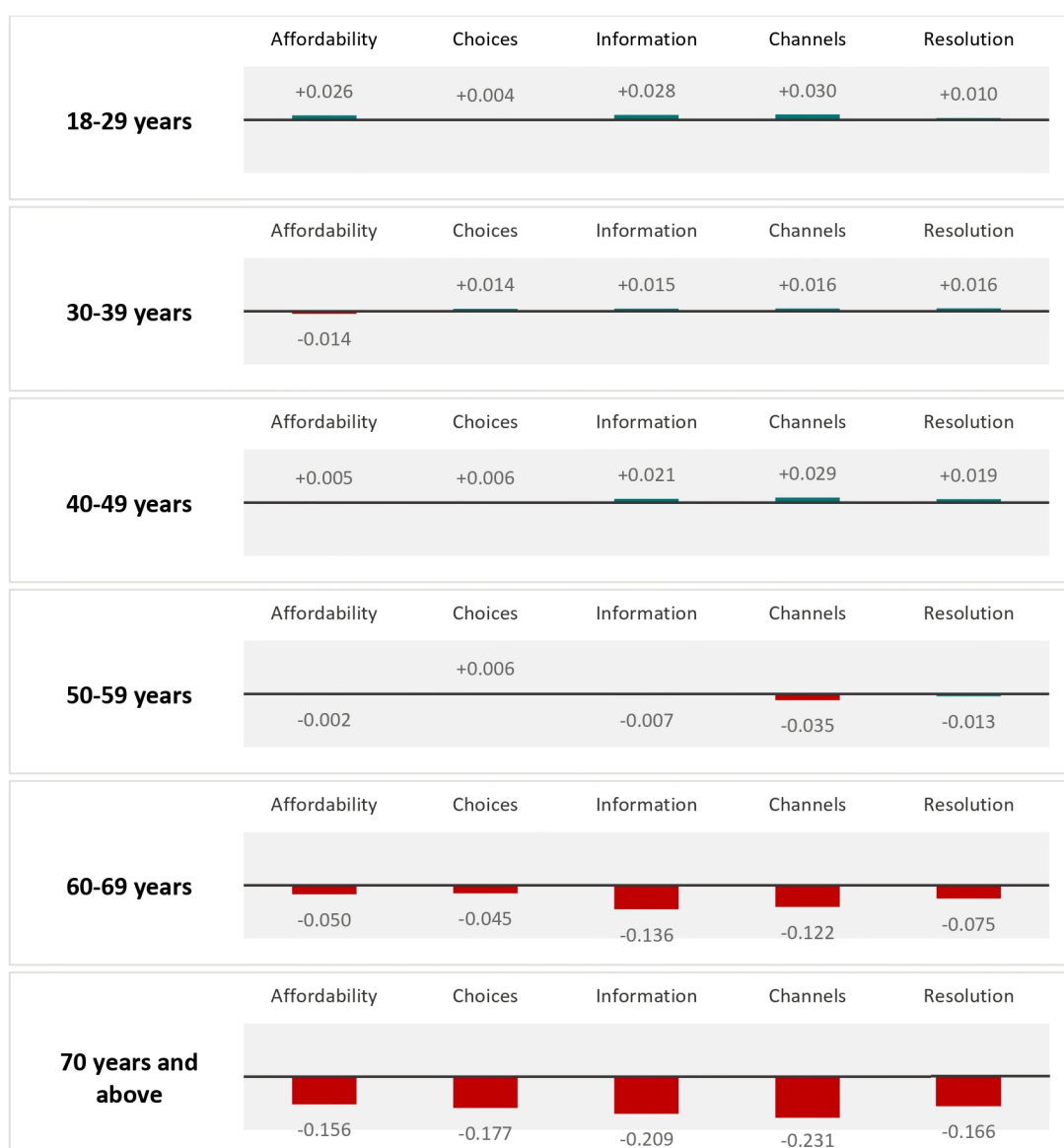
The differences in Consumer Environment scores between groups classified by income group are generally expected, particularly in Affordability and Choices, where higher income households are less likely to have issues. While differences in Channels scores are relatively minor with all three categories achieving relatively close results, T20 households are significantly more confident in resolving issues with their purchases, and likely points to higher level of merchant ethics for higher-end product choices.

Figure 7: Difference compared to national average by income group



In terms of age group, consumers between 18-59 years of age have generally positive sentiments about the Consumer Environment compared to the national average. However, sentiment noticeably falls off past 60 years of age, where a sizable gap in numerical scores develop by at least an order of magnitude. This could indicate issues with the Consumer Environment as a combination of information bottlenecks and suitable products for older consumers for these age groups.

Figure 8: Difference compared to national average by age group



Sentiment on the Consumer Environment broadly follows trends in the index score, where Peninsular Malaysia respondents from both urban and rural areas score relatively close to the national average, but respondents in Sabah and Sarawak generally have less positive scores. Rural respondents in Sabah and Sarawak in particular, indicate they have more difficulty affording basic necessities and have less access to choices. Despite sentiment on redress channels close to the average, they are likely to feel less able to access information and less able to resolve a problem with their purchases. These results could underscore the need to improve access to basic necessities for rural communities in Sabah and Sarawak, as well as improve accessibility for resolving disputes.

Figure 9: Difference compared to national average by strata

	Affordability	Choices	Information	Channels	Resolution
Pen. M'sia Urban	+0.022	+0.024	+0.017		+0.020
				-0.000	
Pen. M'sia Rural	+0.003			+0.010	
		-0.007	-0.012		-0.003
Sabah & Sarawak Urban					
	-0.068	-0.083	-0.041	-0.010	-0.050
Sabah & Sarawak Rural					
	-0.143	-0.125	-0.103	-0.011	-0.133

Key Recommendations

Consumer empowerment has always been an important policy goal of the government. As the country continues on its growth trajectory towards a high-income, developed country status, the role of consumer empowerment cannot be understated.

Building on the findings from the consumer empowerment index scores, sentiments on the Consumer Environment and insights from qualitative primary research, the study provide some recommendations to achieve the best policy outcomes and accelerate progress towards achieving an empowered consumer base.

1. Reduce gaps in individual consumer empowerment through targeted initiatives

The level of consumer empowerment in Malaysia is uneven across multiple demographic indicators, where less empowered consumers are also often less well-off economically. The results of the study provide the means for more targeted initiatives to be developed to deliver outcomes to those most in need.

Recommended initiatives:

- i. Develop targeted community programmes to educate vulnerable groups on consumer rights, essential consumer skills and avenues for redress.
- ii. Ensure accessibility of consumer information and redress channels to elderly consumers.
- iii. Increase the awareness of the risks of purchasing through social media channels.

2. Review the role of online market platforms in addressing pervasive consumer issues in e-commerce

Many Malaysians have faced issues with their online purchases, and the situation could worsen as retail continues to shift online and consumer e-commerce volume continues to grow. A significant amount of online retail on e-commerce marketplaces, and in their capacity as facilitators of transactions between merchants and consumers, online marketplaces can play more significant role in addressing these issues.

Recommended initiatives:

- i. Encourage and oversee efforts of e-commerce marketplace platforms to reduce instances of online scams and purchasing issues to build trust in the environment and promote good practices.
- ii. Enlist e-commerce marketplace platforms to provide accessibility to consumer information and redress channels.

3. Strengthen existing efforts to address consumer challenges in Sabah and Sarawak

The study shows large disparities in both consumer empowerment and the external consumer environment between Peninsular Malaysia, Sabah and Sarawak, in particular for rural Sabah and Sarawak. A collaborative approach between the government and NGOs could be well-positioned to address the unique challenges in rural Sabah and Sarawak.

Recommended initiatives:

- i. Strengthen government-NGO collaboration to address consumer challenges in Sabah and Sarawak.
- ii. Reassess the impact of current national policies on the consumer environment in Sabah and Sarawak.