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Cross-border Shopping Behaviour of Bruneians in Limbang, Sarawak: A Preliminary Analysis

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A PRELIMINARY ANALYSIS**

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CROSS-BORDER SHOPPING BEHAVIOUR OF BRUNEIANS IN LIMBANG, SARAWAK: A PRELIMINARY ANALYSIS*

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ABSTRACT

Malaysia is bordered by Thailand, Singapore, Indonesia and Brunei Darussalam. There are many border towns that grew due to cross-border activities. The cross-border activity that is becoming increasingly important is cross-border shopping especially in border-towns. This study aims to look specifically at cross-border shopping behaviour of the Bruneians in Limbang to identify the key factors that drive cross-border movement. The findings of the study suggest the following: First, most of the Bruneian cross-border shoppers are day trippers of the lower income group. Second, there are clear differences in the purchasing behaviour of day trippers from that of short-term visitors. Most day trippers purchase food and beverages whilst short-term visitors are attracted to the services such as the entertainment outlets in Limbang. Third, the factor analysis indicates that the three key reasons for choosing Limbang as the shopping destination include cheaper goods, reliable and competent service providers and easy communication.

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1. INTRODUCTION

Malaysia which is located in the heart of Southeast Asia is a country which borders many other countries. North of Peninsular Malaysia borders Thailand whereas in the south it borders Singapore. East Malaysia borders Brunei Darussalam and Indonesia. Many towns and cities in the borderland displayed tremendous growth due to differences in exchange rate and purchasing power of populations in bordering nations. Bordering towns in the north of Peninsular Malaysia such as Padang Besar, Bukit Kayu Hitam and Rantau Panjang for example displayed tremendous growth due to cross-border shopping¹ and it also contributed to the development of tourism in these border towns. In the south of Peninsular Malaysia, a similar phenomenon can be observed where the arrival of the Singaporean tourists triggered the economic growth of Johor Baharu. Another border town that displayed remarkable economic growth due to cross-border economic activity is Limbang, Sarawak due to the presence of tourists from Brunei Darussalam.

If we carefully examine the growth nexus of these border towns in Malaysia, it is the differences in exchange rates that contribute to the movement of foreign tourists. For example, Singapore and Brunei have higher exchange rates compared to that of Malaysia, causing the goods and services sold in Malaysia to be more attractive. The higher per capita incomes² in both Singapore and Brunei Darussalam also reflect the higher purchasing power of the tourists. The inflow of foreign tourists from both countries thus stimulated economic growth in the Malaysian border towns of Johor Baharu and Limbang as these towns became the shopping havens for the former. During school holidays and festive seasons, thousands of foreign tourist and excursionists flock to these border towns for shopping.

In the south of Peninsular, the higher value of the Singapore dollar and higher purchasing power of Singaporeans caused a massive influx of tourists during weekends and festive seasons to Johor Baharu. This caused the economy of Johor Baharu to grow. In 2003, Malaysia recorded a total arrival of 5,922,306 Singapore tourists making Singapore the largest market for Malaysia from a list of ten countries, namely Singapore, Thailand, Indonesia, China, Brunei, Japan, India, Australia, Taiwan and the United States of America.³

Similarly, the proximity of Limbang to Brunei Darussalam also allows tourists and excursionists from Brunei to take advantage of the lower value of Malaysian ringgit. The higher per capita income of Brunei Darussalam enables tourists from Brunei Darussalam to have a higher purchasing power, and this helped to stimulate the growth of local economy in Limbang, Sarawak. These two factors helped Limbang to grow into an exciting shopping destination for Brunei Darussalam tourists. The number of tourists arrival to Malaysia from Brunei Darussalam in 2003 was 215,634 making Brunei the fifth largest market for Malaysia after Singapore, Thailand, Indonesia, and China.⁴

¹ A subcategory of outshopping, where shoppers travel out of their town to a neighbouring country for shopping of goods, services and leisure (Lau *et al.*, 2005).

² In 2004, Singapore and Brunei with recorded per capita incomes of USD25,207 and USD13,879 respectively, were considered as high income countries in Southeast Asia (<http://www.asean.org>).

³ Tourism Malaysia (2003).

⁴ Tourism Malaysia (2003).

The value of Malaysian ringgit which is lower compared to Singapore and Brunei Darussalam and the higher purchasing power of tourists from Singapore and Brunei Darussalam brought many benefits to this nation. Two major benefits obtained by these border towns are the growth of businesses and entrepreneurial activities and the growth of the local economy. Firstly, the growth of businesses and entrepreneurial activities in border towns of Malaysia happens due to influx of foreign tourist. Foreign tourists take advantage of the proximity of border towns to get goods and services at cheaper prices. This in turn creates a demand for locally produced goods and services causing businesses and entrepreneurial activities to flourish in border towns. Secondly, the multiplier effect of purchases made by tourists will allow the local economy to grow at a steady and sustainable rate.

Given the importance of cross-border shopping for border located towns, the paper seeks to examine the specific shopping behaviour of Bruneian tourists at the border town of Sarawak, which is Limbang (see Figure 1). The paper has a two-pronged objective: first to identify the nature and type of Bruneians that frequent the Limbang town; second, to identify key factors that drive cross-border movement through the purchasing patterns of Bruneians.

2. RELATED LITERATURE

There are several studies done related to cross-border shopping. The focus of these studies varies. Some focus on purchasing pattern while others focus on the effect of taxes on cross-border purchases and their impact on the local economy. The European Commission (2004) highlighted several characteristics of cross-border shopping. According to them, cross-border purchases are generally made on the spot, chiefly during holidays and to a lesser degree during business trips. Timothy and Butler (1995) agree that for some destinations, shopping is one of the primary elements in tourism. Purchases can also be made during trips explicitly aimed at shopping (European Commission, 2004; Ho-fuk Lau *et.al*, 2005).

According to Rohwedder (1994), cross-border shopping in Europe involves the movement of Germans and Belgians to Luxembourg and Netherlands for lower-priced consumer goods. The same pattern can be observed in the Brunei Darussalam-Limbang context where Bruneians are found to shop in border towns due to cheaper prices of goods and services (The Brunei Times, 24th October 2007).

There are many motivating factors that drives cross-border shopping. Some of the reasons for cross-border shopping obviously include the price benefits that are expected (European Commission, 2004; Piron, 2002). Other factors include the original or exclusive nature of the item, the extent of the choice and range available, the quality or the authenticity, as well as the pleasure of shopping (European Commission, 2004).

Cross-border shopping has been of interest because of its significant impact on retail sales of shops on both sides of the border as suggested by Piron (2002), Sullivan and Kang (1997) and Timothy and Butler (1995). Piron (2002) found that every month, there are about 900,000 day trippers from Singapore crossing the border to Johor Baharu for shopping, recreation and food. This huge drainage of retail sales is a serious concern for the Singapore government (Piron, 2002). In Brunei, the decline in retail sales is obvious during festive season as Bruneians flock to the bordering towns of Limbang and Miri (The Brunei Times, 24th October 2007). In the case of Hong Kong, if the total spending of Hong Kong residents

in the neighbouring cities of the Guangdong Province including Shenzhen is counted, then the spending on cross-border shopping may add up to about US\$3.5 billion a year [Hong Kong Census and Statistics Department, 2002 quoted in Ho-fuk Lau *et.al* (2005)]. Cross-border shopping can also have significant effect on a country's revenue (Espland *et.al*, 2005). Purchases made by foreigners in a country represent an export of goods and services which in turn improves a country's balance of payment.

3. METHODOLOGY

The theoretical framework for analyzing cross-border shopping behaviour is adapted from Clark (1994) and Lau *et al.* (2005). Cross-border shopping is influenced both by consumer and market characteristics. Consumer characteristics include socio-economic characteristics and motivational characteristics whilst market characteristics comprise attributes of products and services, attributes related to the shopping environment and physical factors and other related features. Figure 2 caricatures the analytical framework for examining cross-border shopping.

The questionnaire is then designed based on the motivating framework in Figure 2. The questionnaire comprises four sections: socioeconomic characteristics of respondents; cross-border movements; cross-border activities, that is the types of goods and services solicited and amount spent on purchases by both day-trippers and short-term visitors; and factors that drive cross-border purchases of goods and services.

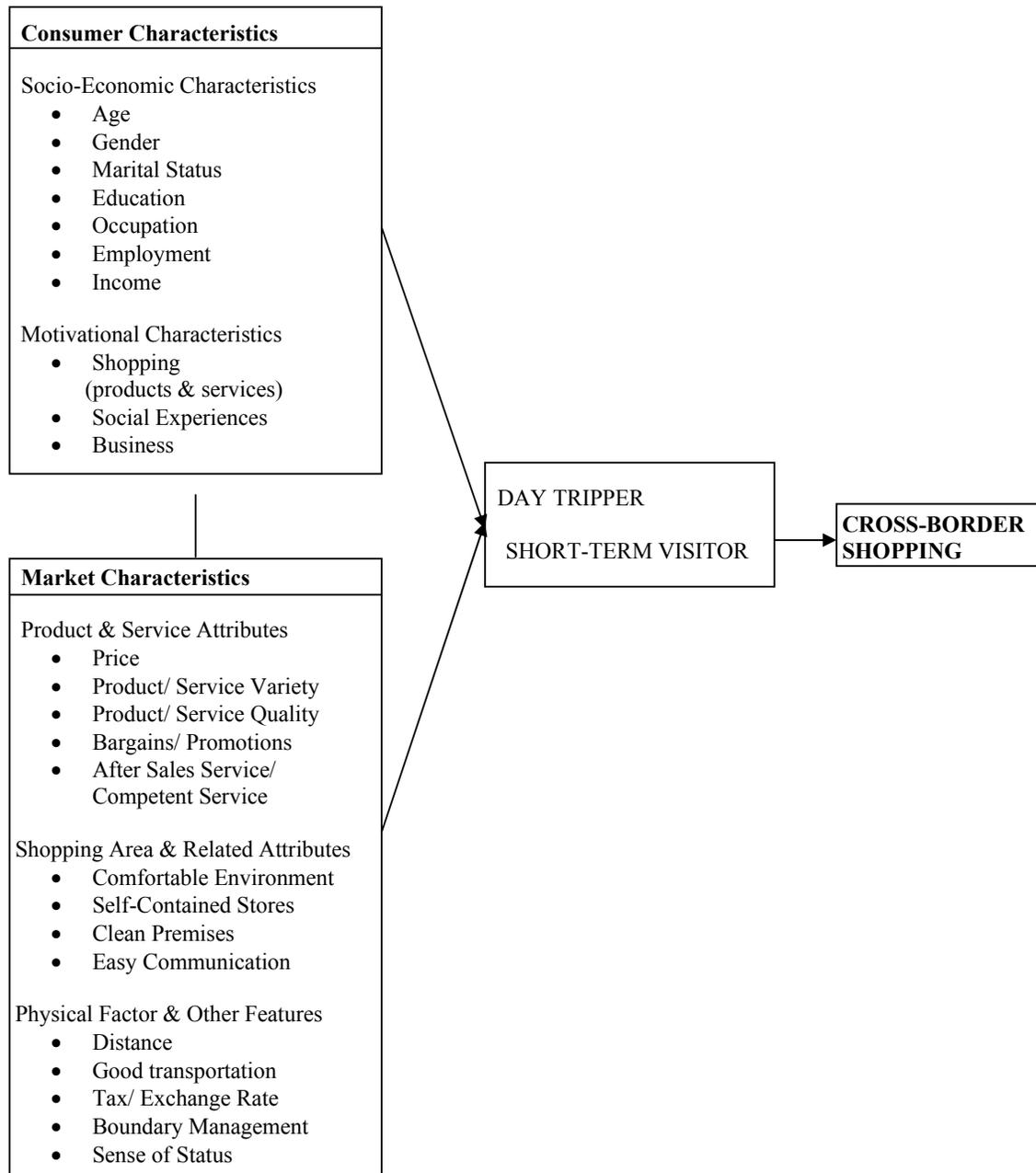
A pilot study was conducted in Limbang, Sarawak, over a period of about a week. Direct observations were made on the inflows of Bruneian visitors at the check-point in Tedungan, Limbang (see Figures 3, 4, 5 and 6), particularly during the weekends. Questionnaires were then fielded to the Bruneian tourists that entered the Limbang town (see Figure 7). These tourists were identified based on their car registration.

For the pilot study, the survey was largely carried out at the largest mall in Limbang town, known as the Limbang Plaza. Structured questionnaires were distributed to the Bruneians who frequented the above-mentioned mall. Convenience sampling is thus employed given that to date there are no official records on Bruneian visitors to Limbang. The selection of units from the population is inherently based on availability and/or accessibility. The trade-off made for ease of sample acquisition is the representativeness of the sample. To survey tourists in Limbang, several of the major attractions are identified since tourists are more likely to be found in these places. Several different types of attractions are included, and the survey was carried out at different times of the day and/or week to reduce bias, but essentially the interviews conducted are determined by what was expedient, not by ensuring randomness. The likelihood of the sample being unrepresentative of the tourism population of the community is thus quite high, since business and convention travellers are likely to be underrepresented⁵.

Data analysis at this stage is confined to percentages, mean, chi-square and factor analysis. Further, the motivational factors for cross-border shopping are identified by using factor analysis. Factor loading is used to identify the surrogate variables.

⁵ <http://www.ryerson.ca/~mjoppe/ResearchProcess/ConvenienceSample.htm>

Figure 2: Cross-Border Shopping Framework



Source: Modified and adapted from Clark (1994) and Lau *et al.* (2005).

4. PRELIMINARY FINDINGS

4.1 Background of Respondents

Table 1 profiles the respondents with respect to age, gender, marital status and highest educational attainment. Most of the respondents fall under the age group of 25-29 years old. Approximately 65 percent of the respondents are male and 86 percent of them are married.

Table 2 highlights the nature of employment of respondents. Most respondents are employed. The respondents are employed mainly in technical/supervisory, followed by professional and managerial categories. However, there is no clear evidence that cross-border Bruneians are generally those who are more-educated given that one-third of the visitors are not listed in any of the four major occupational categories. This is further attested to as most of the respondents surveyed are from the lowest income group, receiving personal incomes of less than B\$3,000 and with monthly household incomes of less than B\$5,000. Cross-border movement in the Brunei-Limbang case may well be relatively popular to the general masses of the Bruneians than the rich elite groups.

Table 1: Profile of Respondents

Items	Percentage
<i>Age (N = 35)</i>	
18-24 years	17.1
25-29 years	25.7
30-34 years	14.3
35-39 years	14.3
40-44 years	8.6
45-49 years	8.6
50 years and above	11.4
<i>Gender (N = 35)</i>	
Male	65.7
Female	34.3
<i>Marital status (N = 35)</i>	
Single	14.3
Married	85.7
<i>Highest educational attainment (N = 35)</i>	
Secondary	68.6
Certificate/ diploma/ degree	31.4

Table 2: Employment of Respondents

Items	Percentage
<i>Occupation (N =35)</i>	
Student	2.9
Employed	71.4
Housewife	11.4
Unemployed	5.7
Retired	5.7
Others	2.9
<i>Employment Category (N = 30)</i>	
Professional and managerial	20.0
Technical/ supervisory	26.7
Clerical occupations	16.7
Production/ operatives	6.7
Others	30.0
<i>Personal income (monthly)(N = 32)</i>	
Less than B\$3,000	93.8
B\$3,000-B\$5,000	3.1
B\$5,001-B\$7,000	3.1
B\$7,001-B\$10,000	-
<i>Household income (monthly) (N = 33)</i>	
Less than B\$5,000	78.8
B\$5,001-B\$10,000	18.2
B\$10,001-B\$15,000	3.0

4.2 Cross-Border Movement

Most of the cross-border tourists are basically day trippers, who are satisfied with the existing procedures for border movement. They also reside quite closely (less than 50km, such as Brunei and Muara) to the border. Further to the distance, transportation costs are not a deterrence to day-trippers given the low costs of fuel in Brunei Darussalam. Of the total number of short-term visitors surveyed, about 57 percent of the respondents cross the border at least once a month.

Shopping (60.0 percent) and recreation/ leisure (20.0 percent) seem to top the list as the main reasons of both day trippers and short-term visitors to Limbang. The reasons cited by the Bruneian tourists are similar to the findings of that of the Singaporean tourists in Johor Bahru (see Piron, 2002). Retailers in Limbang are generally better off than those in the interiors of Sarawak as the former thrive on Bruneian tourists. The proximity of Limbang to the densely populated area in Brunei Darussalam, allows a steady flow of Bruneians that shops in Limbang. As such, retailers in Limbang are housed in Limbang Plaza become one-stop centre for Bruneians.

Table 3 : Cross-Border Activities

Items	Percentage (N=35)
<i>Day tripper</i>	
Yes	88.6
No	11.4
<i>Frequency of border movement</i>	
Once a week	11.4
Once a fortnight	20.0
Once a month	25.7
Once in two months	22.9
Once in six months	17.1
Once a year	2.9
<i>Reasons for crossing the border</i>	
Shopping	60.0
Recreation/ leisure	20.0
Visiting relatives	5.7
Business	5.7
Others	8.6
<i>Place of residence in Brunei Darussalam</i>	
Belait	2.9
Temburong	11.4
Tutong	2.9
Brunei and Muara	82.9
<i>Exit point in Brunei Darussalam</i>	
Kuala Lurah	88.6
Kg. Puni	11.4
<i>Entry point in Malaysia</i>	
Tedungan	94.3
Batu 8	5.8
<i>Distance from residence to nearest exit</i>	
Less than 50km	85.9
50km-100km	11.6
More than 100km	2.9
<i>Legal documents required</i>	
Yes (Passport)	100.0
No	-
<i>Current immigration procedures (cumbersome, lengthy or/and time consuming)</i>	
Yes	42.9
No	57.1

4.3 Spending Patterns

Tables 4 and 5 list the spending patterns for day trippers and short-term visitors respectively. In terms of number of hours of stay per trip to Limbang, most day trippers (54.9 percent) spend approximately 3 to 6 hours. On average, most of the respondents (64.4 percent) are found to spend on average RM100 to RM200 during the visit. As for the short-term visitors, they normally stay at paid accommodation. All respondents interviewed were coincidentally staying at Purnama Hotel in Limbang at the time of the survey. Purnama Hotel is located within the vicinity of Limbang Plaza (the largest mall) and therefore is the accommodation of choice for most short-term visitors.

There are some clear differences in the spending behaviour of day trippers from that of short-term visitors. Most of the day trippers spend mainly on food and beverages. About 55.5 percent of day trippers spent less than RM50 on food and beverages and about 40.8 percent of them spent about RM51-RM100 during every trip they made to Limbang. Expenses on other items such as clothes, shoes/ handbags, books and household goods are found to be of less importance. Unlike that of day-trippers, short-term visitors tend to frequent the entertainment outlets in Limbang. From personal interviews conducted with the short-term visitors⁶, it is found that some restrictions on entertainment that prevail in Brunei has led to the cross-border movement merely to enjoy such services provided in Limbang.

⁶ Caution should be drawn to not take the results as conclusive given the small sample size of short-term visitors. The results will be further refined when the entire survey is completed. However, the results are largely still reflective since short-term visitors are more prone to choose other locations within Sarawak or Sabah as their destination instead of Limbang. It is common knowledge that the day-trippers constitute a fair share of Bruneian tourists to Limbang.

Table 4: Spending Patterns of Day Trippers

Items	Percentage
<i>Food and beverages (non-durables) (N = 27)</i>	
Less than RM50	55.5
RM51-RM100	40.8
More than RM100	3.7
<i>Clothes (N = 4)</i>	
Less than RM100	50.0
RM100-RM150	25.0
More than RM150	25.0
<i>Shoes/ handbags (N = 4)</i>	
Less than RM100	75.0
RM100-RM200	25.0
<i>Books (N = 5)</i>	
Less than RM10	60.0
RM10-RM20	20.0
More than RM20	20.0
<i>Household items (N = 1)</i>	
RM50	100.0
<i>Others goods (N = 7)</i>	
Less than RM30	42.9
RM30-RM60	42.9
More than RM60	14.3
<i>Personalized (beauty or hair salon) (N = 1)</i>	
RM60	100.0
<i>Others services (N = 7)</i>	
Less than RM100	71.4
RM100-RM200	-
More than RM200	28.6
<i>Number of hour spent per trip (N = 31)</i>	
Less than 3 hours	35.5
3-6 hours	54.9
More than 6 hours	9.7
<i>Average spending per visit (N=31)</i>	
Less than RM100	9.7
RM100-RM200	64.4
RM201-RM300	16.1
RM301-RM400	3.2
More than RM400	6.4

Table 5 : Spending Patterns of Short-Term Visitors

Items	Percentage
<i>Place of stay (N = 4)</i> Paid accommodation	100.0
<i>Payment per night (N = 4)</i> RM50 RM90	75.0 25.0
<i>Duration of stay in Limbang per visit (N = 4)</i> 2 days	100.0
<i>Food and beverages (N =4)</i> Less than RM50 More than RM50	50.0 50.0
<i>Books (N = 1)</i> RM17	100.0
<i>Other goods (N = 1)</i> RM500	100.0
<i>Entertainment outlets (pubs, karaoke joints, cinema) (N =1)</i> RM100	100.0
<i>Average spending per visit (N = 4)</i> Less than RM500 More than RM500	75.0 25.0

4.4 Factor Dimensions of Spending Behaviour

To ascertain whether factor analysis is viable, the Kaiser-Meyer-Olkin measure of Sampling Adequacy is used. The measure produced a value of 0.512. Factor analysis is therefore found to be a suitable method to analyse the data, given that the value is between 0.5 and 1.0. Cronbach Alpha Coefficient of Reliability yielded a value of 0.826 indicating that the data collected is consistent.

Subsequently, the data is analysed using the factor analysis approach to extract main attributes that attract Bruneian visitors to cross the border for shopping purposes. Table 6 shows the total variance explained. The first four components, explain about 57 percent of the variation. Based on the scree plot shown in Figure 1, eight main factors with an eigenvalue of one and more were extracted.

Table 6: Total Variance Explained

Component	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	5.630	26.811	26.811
2	2.402	11.436	38.247
3	2.121	10.100	48.348
4	1.780	8.475	56.823
5	1.569	7.471	64.294
6	1.249	5.949	70.243
7	1.095	5.215	75.458
8	1.070	5.097	80.555

Figure 1: Scree Plot

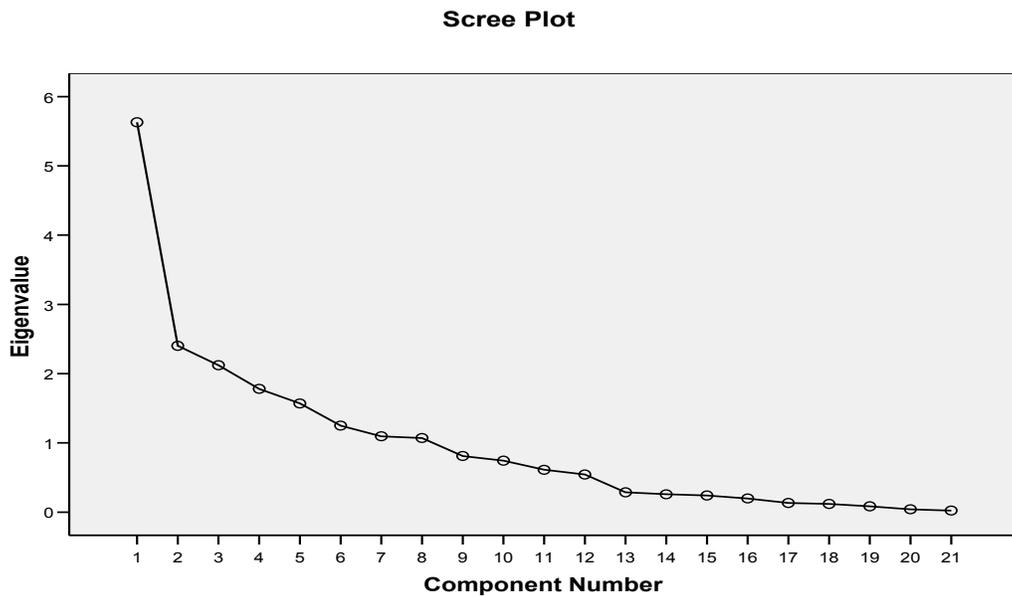


Table 8 ranks the eight main factors that influence the purchasing behaviour of Bruneians in Limbang, by clustering the variables in Table 7. With reference to Table 8, ranked dimensions indicate F1 as the “cheaper goods” dimension, which groups the following variables: ‘lower cost of services’, ‘self-contained store facilities’, ‘value for money’, ‘cheaper goods’ and ‘clean business premises’ (see Table 7). This factor dimension is found to be the major reason influencing the shopping behaviour of Bruneian tourists in Limbang. With an exchange rate of RM2.35 for every Brunei dollar, goods in Limbang is found to be much more affordable and cheaper.

Table 7: Factor Loadings

Variables	Component							
	1	2	3	4	5	6	7	8
Lower cost of services	0.824							
Self-contained store facilities	0.824							
Value for money	0.781							
Cheaper goods	0.716							
Clean business premises	0.644							
Reliable and competent service providers		0.886						
Good delivery of services		0.870						
Better quality services		0.650						
Easy communication			0.878					
Friendly sales personnel			0.814					
Comfortable shopping environment			0.641					
Sense of status				0.843				
Low exchange rate				0.804				
Low tax on goods/ services				0.476				
Variety of goods					0.829			
Wide choice of services					0.748			
Good bargains/ promotional offers					0.508			
Good transportation						0.885		
Lax boundary management						0.679		
Good after sale services (product warranty, servicing, etc.)							0.892	
Better quality goods								0.882

The F2 the dimension labeled as “reliable and competent service providers,” which encompasses variables such as ‘reliable and competent service provider’, ‘good delivery of services’ and ‘better quality services,’ is the second factor major factor that determines the purchasing behaviour of Bruneians. The third important reason (F3) that encourages cross-border shopping is labeled as “easy communication” which consists of three variables, ‘easy communication’, ‘friendly sales personnel’ and ‘comfortable shopping environment.’ The same language of communication between Bruneians and local residents in Limbang facilitates communication between both parties. European Commission (2004) also

highlighted that speaking in the same language is an obvious factor in affecting the level of confidence and thus easing up the purchasing process in cross-border shopping. The fourth major reason (F4) for cross-border shopping is due to a “sense of status” which comprises ‘sense of status’, ‘low exchange rate’ and ‘low tax on goods/ services.’ Sense of status arises due to one’s affordability to shop abroad.

Table 8: Ranked Factor Dimension

Factors	Factor Dimension
Factor 1	Cheaper goods
Factor 2	Reliable and competent service providers
Factor 3	Easy communication
Factor 4	Sense of status
Factor 5	Variety of goods and services
Factor 6	Good transportation
Factor 7	Good after sales services
Factor 8	Better quality goods

The F5 or the dimension labeled as “variety of goods and services” consists of ‘wide choice of services’ and ‘good bargains/ promotional offers.’ Limbang offers a good variety of goods and services and this serves as an attraction for purchasers from Brunei to shop in Limbang. The F6 dimension labeled as “good transportation” which comprises two variables, ‘good transportation’ and ‘lax boundary management,’ implies that the good road system that is available from Brunei Darussalam to Limbang shortens the traveling time causing Limbang to become an attraction to day trippers who wish to shop without having to incur other costs such as accommodation costs.

The last two dimensions F7 and F8, labeled as ‘good after sales service’ and ‘better quality goods’ are also found to be important determinants of cross-border shopping behaviour amongst Bruneians in Limbang.

The above analysis clearly points out that Limbang is not known much for its quality or variety of goods/ services but more for its competitive prices. Given that most day trippers are of the low-income group, price of goods and services appear to be the key driving factor for cross-border shopping. This is not surprising since Limbang is generally not an exciting destination for tourists.

5. CONCLUSION

The study brings to the fore the following. First, most of the Bruneian cross-border shoppers are day trippers of the lower income group. Second, there are clear differences in the purchasing behaviour of day trippers from that of short-term visitors. Most day trippers purchase food and beverages whilst short-term visitors are attracted to the services such as the entertainment outlets in Limbang. Third, the major reasons for choosing Limbang as the shopping destination by cross-border tourists from Brunei include cheaper goods, reliable and competent service providers and easy communication.

The findings will be refined by conducting further surveys in Limbang to obtain a larger and more well-balanced sample of day-trippers and short-term visitors. Further, a separate survey will be done to investigate the retailers (in Limbang) perspectives' on their sales and revenue generated from the inflow of cross-border shoppers from Brunei Darussalam. This would complement the analysis on the potentials of cross-border shopping in developing local economy of a border-town like Limbang, which is not a main tourist destination. It would also provide insights into the sustainability of Limbang's growth *via* the promotion of cross-border shopping.

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Figure 2: Map of Brunei



Source: <http://www.geographicguide.net/asia/maps/brunei-map.jpg>

Figure 3: Immigration post at Tedungan, Limbang



Figure 4: Queue at the check-post



Figure 5: Bruneian cars entering Limbang



Figure 6: Bruneian cars exiting Limbang



Figure 7: Limbang town



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