PERCEIVED VALUE, RETAIL SERVICE QUALITY, MEDIATING TRUST AND CUSTOMER SATISFACTION ON CUSTOMER LOYALTY TOWARDS HYPERMARKETS IN KLANG VALLEY, MALAYSIA

BY

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ABSTRACT

Hypermarkets operating in Malaysia are encountering extreme complications due to intense competition in the retail sector. Hypermarkets that are able to comprehend and acknowledge the significance of customer loyalty are more likely to survive and sustain their presence in the long run. Therefore, the present study examined the effects of two multidimensional independent variables, namely retail service quality and perceived value, on customer loyalty through the mediating role of trust and customer satisfaction. For the purpose of data collection, a self-administered questionnaire was developed and a total of 361 usable responses were gathered from customers of hypermarkets located in Klang Valley. Afterwards, statistical tools particularly, Statistical Package for Social Science (SPSS) and Analysis of Moment Structures (AMOS) were used for analysing the data. Structural Equation Modelling (SEM) was run for verifying the conceptual framework of the study. Findings showed that perceived value, customer satisfaction and trust carry positive effects on customer loyalty whereas, retail service quality does not have a significant effect on customer loyalty. Furthermore, findings also disclosed that there is a positive effect of retail service quality and perceived value on customer satisfaction and trust. However, satisfaction does not have a significant effect on trust. In terms of the mediating relationships, the findings demonstrated that customer satisfaction and trust fully mediate the relationship between retail service quality and customer loyalty whereas, the relationship between perceived value and customer loyalty is partially mediated by customer satisfaction and trust. The findings derived from the study will facilitate managers of hypermarkets, particularly in Malaysia, in creating effective marketing strategies for enhancing customer loyalty. The findings will also be valuable for academics, researchers and practitioners. Based on the findings of the study, it is recommended that hypermarkets in Malaysia should continuously satisfy customers and build trust by ensuring quality retail service in order to get customer loyalty. As perceived value is important for attaining customer satisfaction, trust and loyalty, it is suggested that both utilitarian and hedonic dimensions of value should be offered to create positive experience and persuade customers to revisit hypermarkets. It is vital for hypermarkets to offer training programs to enable employees to deal with customers more effectively. Physical facilities and policies of hypermarkets should also be improved as per customers’ demand.
خلاصة البحث

في المشهد التجاري التنافسي اليوم، برز ولاء الزبائن شرطاً مسيباً لتحقيق الربحية التنظيمية والاستدامة. ويعد ولاء الزبائن مصدراً رئيسياً للميزة التنافسية حيث يؤدي الزبائن المخلصون إلى زيادة الولاء والاعتراف بها في الحفاظ على وجودهم على المدى الطويل. لذلك، درست الدراسة الحالية آثار متغيرين مستقلين متعددين الأبعاد، وهما القيمة المدرجة وخدمة التجزئة، على ولاء الزبائن من خلال الدور الوسيط لرضا الزبائن وثقته.

من أجل تحقيق الأهداف البحثية، تم إجراء دراسة كمية من خلال استخدام طريقة توظيف العينات المريحة عن طريق اختيار عدد المستجيبين بالتناسب على أساس تخصيص السكان. ورغم جمع البيانات، تم تطوير استبيان ذاتي الإدارة وجمع مجموعة من 361 استجابة صالحة للاستخدام من زبائن المحلات التجارية الموجودة في منطقة كلاينج. بعد ذلك، تم استخدام الأدوات الإحصائية، مثل SPSS وتحليل هيبل (AMOS) للتحقيق من الإطار المفاهيمي للدراسة. أظهرت النتائج أن القيمة المدرجة ورضا الزبائن والثقة لها آثار إيجابية على ولاء الزبائن، في حين أن خدمة التجزئة لا تؤثر بشكل كبير على ولاء الزبائن.

علاوة على ذلك، كشفت النتائج أيضًا عن وجد تأثير إيجابي لجودة خدمة البيع بالتجزئة على رضا الزبائن، وثقتهم. ومع ذلك، ليس للرضا تأثير كبير على الثقة. من حيث العلاقات الوسيطة، أظهرت النتائج أن رضا الزبائن والثقة يتوسطان تمامًا في العلاقة بين خدمة البيع بالتجزئة وولاء الزبائن.

ومع ذلك، ليس للرضا تأثير كبير على الثقة. من حيث العلاقات الوسيطة، أظهرت النتائج أن رضا الزبائن والثقة يتوسطان تمامًا في العلاقة بين خدمة البيع بالتجزئة وولاء الزبائن، في حين أن العلاقة بين القيمة المتصورة وولاء الزبائن تم بوضوح جزئياً عن طريق رضا الزبائن وثقته. ومع ذلك، فإن العلاقة لا تتوسط في العلاقة بين رضا الزبائن وولاء الزبائن. مستقبل النتائج المستخدمة من الدراسة مثير للمحادثة التجارية، وخاصة في ماليزيا، في إنشاء استراتيجيات تسويقية فعالة لتعزيز ولاء الزبائن. ستكون النتائج أيضًا ذات قيمة للاكاديميين والباحثين والممارسين.

في ماليزيا بالتحديد، يمكن الاعتماد على هذه النتائج للبحث في مجالات أخرى لتعزيز ولاء الزبائن، بما في ذلك تعزيز الولاء للمست合理ين وبناء الثقة لتطوير ولاء الزبائن. نظرًا لأن القيمة المتصورة مهمة لتحقيق رضا الزبائن والثقة، فإن المشاريع التي تضمن تقديم كل من الأبعاد التنافسية والاعتراف الزبائن بجودة حالات التجزئة في المحلات التجارية.

تعد جودة خدمة البيع بالتجزئة مهمة للحصول على رضا الزبائن والثقة، لذلك يتطلب من السماح للملاك الاقتصادي والممارسين في إتخاذ استراتيجيات تسويقية فعالة لتعزيز ولاء الزبائن، وتكريم الزبائن بشكل متماسك وبناء الثقة لتطوير ولاء الزبائن. نظرًا لأن القيمة المتصورة مهمة لتحقيق رضا الزبائن والثقة، فإن الممارسات التي تضمن تقديم كل من الأبعاد التنافسية والاعتراف الزبائن بجودة حالات التجزئة في المحلات التجارية.

أظهرت النتائج أن جودة خدمة البيع بالتجزئة مهمة للحصول على رضا الزبائن والثقة، لذلك يتطلب من السماح للملاك الاقتصادي والممارسين في إتخاذ استراتيجيات تسويقية فعالة لتعزيز ولاء الزبائن، وتكريم الزبائن بشكل متماسك وبناء الثقة لتطوير ولاء الزبائن. كما يجب تحقيق المرافق والسياسات المالية الخاصة للمحلات التجارية الضخمة حسب طلب الزبائن.
The dissertation of Naila Anwar Chowdhury has been approved by the following:

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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LIST OF ABBREVIATIONS

AMOS Analysis of Moment Structures
ATM Automated Teller Machines
AVE Average Variance Extracted
CFA Confirmatory Factor Analysis
CFI Comparative Fit Index
Chisq/df Chi-Square/Degree of Freedom
CL Customer Loyalty
CRM Customer Relationship Management
CS Customer Satisfaction
EDT Expectation Disconfirmation Theory
EFA Exploratory Factor Analysis
GFI Goodness of Fit Index
GOF Goodness of Fit
HV Hedonic Value
PA Physical Aspect
PI Personal Interaction
PL Policy
PS Problem Solving
PV Perceived Value
RL Reliability
RMSEA Root Mean Square Error of Approximation
RSQ Retail Service Quality
SEM Structural Equation Modeling
SERVQUAL Service Quality
SKU Stock Keeping Units
SPSS Statistical Package for Social Science
ST Social Exchange Theory
TR Trust
UV Utilitarian Value
CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

World economy has greatly revolutionized due to the pressure of current marketing environment coupled with the underlying forces of free market policies (Afzal et al., 2019; Maduka et al., 2017; Koo, 2003). A drastic amelioration in competition is perhaps one of the major aspects that gave birth to such progression (Ismail et al., 2018; Gomaa, 2014; Dimitriades, 2006). Ever increasing competition has restructured the overall appearance of the business world through shrinking industrial and regulatory barriers, diffusing innovation and building a technology driven society (Shi et al., 2019; Essoussi & Merunka, 2007). One of the sectors of the economy that has been extensively impacted through such occurrences is perhaps retailing (Smigielska & Oczkowska, 2017).

Retailer is a company or an organisation involved in making purchases of products from individuals and companies with the ultimate purpose of reselling them to final customers (Juan & Segui, 2019; Ogden & Ogden, 2004). Retailing is the last stage of any economic activity and considered to be the most customer oriented industry, covering a wide spectrum of businesses (Berman et al., 2013; Hassan et al., 2013). It comprises all the various activities directly associated to selling of goods as well as services, through incurring a profit, to end customers for personal consumption along with non-business related usage (Kotler & Keller, 2012).

Retail landscape across various regions of the globe has undergone numerous changes and endured significant expansion (Yeng & Yazdanifard, 2015). The retail sector at large has experienced drastic pace increase when it comes to assortment of
products along with services offered to customers (Vakulenko et al., 2019; Amine & Cadenat, 2003). In order to provide customers one-stop, comprehensive shopping experience, today’s retailers are willing to carry just about anything and everything. To such an extent, it has become difficult to identify a particular line of product not offered by a retailer. Furthermore, many retailers have increased the total number of stocked items to enlarge the store size up to an average of 90 m2/year (~1,000 ft2) (Dedeke & Watson, 2008; Ellickson, 2006).

Retail industry once considered fragmented also begun to significantly concentrate during the past decades (Ruiz et al., 2011). Research, in the context of developed countries such as the UK, demonstrated that three to four key retail players can actually derive as much as 70% of the country’s total retail sales (Smith & Marsden, 2004). Perhaps, the most prominent illustration of retail concentration would be retail giant, Wal-Mart Stores. In accordance to a recent report, it has been indicated that as the largest retailer at a global level with a yearly sale exceeding $481.32 billion, Wal-Mart operates more than eleven thousand stores worldwide (Statista, 2018).

In addition to concentration, retail industry at large has also been substantially impacted through the wave of globalisation (Miao, 2019; Reinartz et al., 2011). Globalisation has transformed the retail industry into a global occurrence and made retailing one of the major business activities in the world (Wrigley & Lowe, 2010). International expansion has become a common occurrence in the retail environment as a wide number of retailers have embraced the strategy of establishing their presence in various regions of the world (Ruiz et al., 2011). Research indicated that two-thirds of the top 250 retailers have operations beyond their national borders. On an average, they operate in more than 10 countries and approximately one-quarter of their composite
retail revenue is generated from international operations (Global Powers of Retailing, 2017).

International presence particularly holds true for retailers from developed nations (Dimitrova et al., 2018; Bianchi, 2013). Ambitious retailers from developed countries, having blanketed their domestic markets, started to set their visions on expanding both within as well as beyond their respective continents (Smigielska & Oczkowska, 2017). They are determined to expand through building their presence in almost every region of the world. They held high hopes towards developing and emerging nations where fast-rising customer spending appear to indicate an extraordinary demand for luminous, new retail outlets complemented with substantial assortments (Phambuka-Nsimbi, 2015). Developing countries have become the most favourite destinations of global retailers, a trend expected to endure in the future as well (Evans et al., 2008).

Such progression reveals that the revolution of the retail industry has been more remarkable compared to any other industry. At times, it is regarded as an automatic development beyond control (Hassan et al., 2013). A substantial number of emergent retailers, both at national as well as international arenas, made this industry highly competitive. However, despite the fact that competition in the retail industry resulted in an enhancement of efficiency at the same time, it has also increased the power of customers (Haque et al., 2017; Barros, 2006). Modern day customers have become more demanding and difficult to satisfy as they have numerous retailers to offer them the same or even better alternatives.

As customers’ needs and demands are becoming more and more sophisticated in this competitive business environment, the concept of loyalty has emerged as a vital issue (Moretta et al., 2019; Scristeanu & Popescu, 2010). Now more than ever before,
the aspect of loyalty has become a strategic business goal as organizations are continuously struggling to create and maintain long term relationships with customers (Myftaraj & Nexhipi, 2014). Under such circumstances, it has become imperative to take a step forward and build stable relationships with valuable customers for the attainment of long term success (Kirmaci, 2012). One of the fundamental drivers of organisational success is fulfilling the needs and wants of customers (Camilleri, 2018). Hence, identifying shoppers’ needs as well as contenting their preferences have become the major objectives of many organizations.

Importance of the old age business mantra, “Customer is King,” is only increasing in current world of business (Haque et al., 2017). In order to survive and win the hearts of customers in the ever competitive marketplace, continuous customer focused behaviour has become a requisite (Jeong, 2014). It is important to go an extra mile for retaining valuable customers through becoming more and more customer-centric. In this modern day, exchange has emerged as a focal point of business strategy and a basic framework for developing customer loyalty (Aziz, 2015). Organizations and individuals need mutually beneficial exchanges in order to remain loyal. The pressure to compete makes it necessary to develop and maintain relationships with customers (Hashem & Ali, 2019; Kanagal, 2009). Therefore, customer relationship building should be emphasized as customer loyalty has become an inevitable feature in today’s business environment.

By literature it is evident that the cost of acquiring new customers is greater compared to the cost of keeping existing customers (Alhaddad, 2015). Businesses should invest their effort and resources more on loyal customers. In fact, the ultimate task of any business today is the maintenance of customer loyalty. Based on a study, it has been revealed that an increase of 5% of customers increases benefits by 25% - 95%