Customer Satisfaction and Retention Towards Retail Store In Malaysia

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Abstract—Business success in today’s competitive markets requires a great understanding and respect of the customer. The important issue among today’s retailers are the needs to understand how customer satisfaction and customer retention can be developing in sustaining competitive advantage against online shopping. Customer’s satisfaction and customer retention are important elements for a retail store in Malaysia. Studies about customer satisfaction and customer retention had been done previously but continue to remain scarce in Malaysia. In order to obtain clear understanding, this paper will discuss more on the factors influencing customer satisfaction and customer retention towards retail stores in Malaysia. Therefore, few factors such as promotional mix, service quality, psychological and product quality take into consideration. Kano model and Maslow’s Hierarchy of Needs theory is focused in this study to provide clear understanding about this research. Quantitative methods are used in this research. A common survey questionnaire is used as the primary data collection method. The development of questionnaire includes stages such as designing the questions and examining the reliability of the measurement used. A common questionnaire distributed to the university students and SPSS are used as an instrument to identify and examine the information based on the questionnaire responded by all the respondents, N=X. This study concludes with the research indication of the conceptual model. Ethical manners and practices takes into consideration during this research survey as all collected data and information are private and confidential.

Keywords—Consumer satisfaction; customer retention; promotional mix; store image; retail store

I. INTRODUCTION

In a progressively competitive market environment today, retail stores must be customer oriented and customer satisfaction represents a modern approach for quality in business life and serves the advancement of a purely customer-oriented culture and management [1]. This research basically discusses about the factors influencing customer satisfaction and customer retention towards retail stores in Malaysia. Retail is the process of merchandise to the end clients, not for resale, but for utilization by the purchaser. Retail includes the deal of stock from a single point of buy straightforwardly to customers who are serious to consume that item. The single point of buy could be a brick-and-mortar retail store, a Web shopping site, a catalogue, or indeed a portable phone. Retailers are the final link in the supply chain between manufactures and shoppers. Retailing is vital since it permits manufactures to centre on creating products without having to be diverted by the enormous amount of effort that it takes to associate with the end-user customers who need to buy that merchandise [2].

Business success in today’s competitive markets requires a great understanding and respect of the customer. Customers are
requesting, have more cash to spend and have a wide collection of goods and services to select from. Customer satisfaction can be experienced in different situations and associated to both products and services. It is a highly individual assessment that is incredibly influenced by customer desires. Satisfaction moreover is based on the customer’s encounter of both contacts with the organization and personal results [3]. A few researchers characterize a satisfied customer within the private segment as “one who gets critical added value” to his/her bottom line—as this understanding may apply to the public services [1]. According to Deepika and Ravi, various types of retail store have different effect on customer satisfaction as shown in Figure 1 below.

<table>
<thead>
<tr>
<th>Formats</th>
<th>Attributes</th>
<th>Why Consumers Prefer?</th>
<th>Demographic Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malls</td>
<td>Collection of shops, wide variety, amalgamation of products, service and entertainment, all at one place</td>
<td>Due to quality, variety of brands and merchandise at one place, along with entertainment</td>
<td>Younger generation with higher income.</td>
</tr>
<tr>
<td>Specialty Stores</td>
<td>Carry a single product line, customers have wide variety to choose due to specialization in particular product like music stores, apparel stores, book stores, sporting goods stores etc.</td>
<td>Large assortment of merchandise in single product line and improved quality management.</td>
<td>Younger and middle generation with higher income.</td>
</tr>
<tr>
<td>Supermarkets/Supermarkets</td>
<td>Large self-service outlets carry wide product range food and grocery, home-wares, appliances, clothing, furniture, sports etc.</td>
<td>Due to changing lifestyle, better environment of the stores, better products at normal prices</td>
<td>Middle and older generation with mid-class income group.</td>
</tr>
</tbody>
</table>

Fig.1. Customer’s Satisfaction Factors for Different Types of Retail Stores

A. Research Problem
Retail store today plays an imperative role in the growth and development of Malaysian economy. Retailing value sales continued to develop in Malaysia in 2017, driven by development in both store-based and non-store based retailing. It is critical for a retail store to take effort to improve customer satisfaction and customer retention which will help them boost their sales revenue [4]. Retail store remains the most common shopping channel for customer and can’t currently be equal by online when it comes to customer experience. Having a retail store is a remarkable way to express a vision for your brand, offer an experience to your customers and reach modern markets [5].

The important issues among today’s retailers are the needs to understand how customer satisfaction and customer retention can be developing in sustaining competitive advantage against online shopping. Customer satisfaction is understood as an overall judgment based on the total expenditure and utilization experience with the good or service over time. The product and its quality, capacities, reliability, sales and promotion and customer support are the most imperative elements required to meet or exceed the satisfaction of the clients. Satisfied clients ordinarily rebound and buy more [6]. On the other hand, customer retention defined as the activities and actions retail store and organizations take to decrease the number of customer defections. It is vital to keep in mind that customer retention starts with the first contact a customer has with a retail store and proceeds throughout the entire lifetime of the relationship [7].

In this research, factors such as promotional mix, service quality, psychological factor and product quality will be considered in order to study their effect on customer satisfaction and customer retention towards retail stores in Malaysia. This research will help retail stores in Malaysia to be more competitive against online shopping and attract more customers. Besides, this research will help retail stores in Malaysia to increase customer lifetime value and customer retention.

B. Research Objective
The research objective of this study is derived from the problem statement as mentioned in the above sections. As discussed in the previous parts, the primary objective of this research is on factors influencing customer satisfaction and customer retention towards retail stores in Malaysia. As a result, this study attempts to answer the research objectives as stated below:
1. To analyze the relationship between customer satisfaction towards retail store in Malaysia and factors such as promotional mix, service quality, psychological factor, and product quality.
2. To analyze the relationship between customer retention towards retail store in Malaysia and factors such as promotional mix, service quality, psychological factor, and product quality.
C. Theories Related To Research

1) Kano Model Theory

The theory that discussed in this research is based on Kano Model Theory anticipated by Noriaki Kano. The Kano Model of customer satisfaction was proposed by Professor Noriaki Kano of Tokyo Rika University and several associate from Japan in the late 1970s. They suggested a two-way model on quality based on customers’ awareness and experience, and created a very effective graph for illustrating customer needs [8].

The Kano Model of customer satisfaction (Figure 2) separates product properties into three main groups: basic needs, performance needs, and excitement needs.

![Kano Model](image)

A competitive product meets fundamental attributes, maximizes performances attributes, and comprise as numerous “excitement” attributes as probable. Kano’s model was applied by different researchers and academician to numerous regions like four service oriented stores such as banks, laundries, restaurant, retail stores and modern product advancement [9]. Kano Model gives a valuable tool in order to discover customer expectation and needs and a useful approach for classifying these customer exceptions and needs into various kinds, because they are essential to expand consumer satisfaction [10]. Professor Noriaki Kano discovered this model to decide customer satisfaction based on three identifiers. The identifiers are Must-be or Basic Expectations attributes, Performance or One-Dimensional attributes, and Attractive, Exciters or Delighters attributes.

In this research, One-dimensional attributes (O) are linear and balance as it eagerly required by the customer - as the results in customer satisfactions when all the needs and demand from the respective customer are effectively fulfilled. When the requirement from customer not fulfilled the customer tend to be very dissatisfied. This type of attribute encourages customer retention and loyalty. On the other hand, The Must-be (M) attributes explained that satisfied taken granted or simply by the customer. However, if the products or the service does not meet the Must-be (M) attributes, the customer tend to be extremely dissatisfied.

In the case of Attractive (A) attributes, if a retail store failed to fulfill this attributes customer will not be dissatisfied. However, if this attributes is present the customer will be more delighted. These are the true excitement. All the stated attributes above can be effectively used to measure customer satisfaction of products and services. This attributes are organized according to importance in the ascending order as M (Must be) > O (One-dimensional) > A (Attractive) [11].

The Kano model has been developed into one of the most well-known quality models these days. It has been obtained the consideration of the important marketing professionals and analysts who are included in product or service improvement projects and who are trying to recognize those product/service features that highlights key drivers of customer satisfaction and dissatisfaction. One of the main considerations of the Kano model is that certain product/service qualities (quality features) basically have an effect on making satisfaction, whereas others basically have an effect on creating dissatisfaction [12].

Kano model has an important role that links product and service quality with retail industry performance. According to Kano model, it assumes that uniform service and product attributes shows an asymmetric outcome on overall customer’s satisfaction. On the other hand, changes in service and product performance shows a symmetric effect towards overall customer satisfaction. Product and service factors identified as a crucial attributes because it differ when it comes to
customer satisfaction. Thus, these two factors are important for the retail industry because it tend to affect the overall customer satisfaction and customer retention based on their desire.

2) Maslow Hierarchy of Needs
Maslow’s Hierarchy of Needs (Figure 3) the theory of psychology was proposed by Abraham Maslow in 1943, where this theory clearly explains and makes us understand the need and important of motivation among ourselves (Maslow).

Employee motivation is one’s natural excitement about and drive to complete activities related to work. Motivation is that permanent drive that causes a person to decide to take effort. Motivation throughout the retail industry is still very applicable in present time and majority company directors depend on it and the incentives that come with it to help motivate their employees and customers [14]. The directors execute company motivational practices in order to help them to persuade their employees to fulfil all their customers’ needs and demand [13]. Motivation is exceptionally significant to assist employees and inspire their capability such as the capitals given to assist employees do their work. Proficient employees will show his or her full commitment and engagement in work which can significantly help to satisfy their customer requirements which can result in retaining their loyal customers.

Maslow’s theory exposes the basic drivers and need of human behavior and decision-making. He never notices “brand loyalty” in his writing, but his Hierarchy of Human Needs and theory like self-actualization are way to understanding why customers reliably choose one product or services over another and why they develop solid connections with specific brands. In today’s competitive business environment, a company that successfully fulfill all their customer needs and demand on higher levels of hierarchy, they tend to be merging in the thoughts of their customers [14]. This is the ultimate step by a company towards making customers to stay loyal. Customer satisfaction towards a product or services is not only making customer to repurchase those brands, but to make them belief that our product or services is the finest among other competitors.

In this research the aspect of psychological factor among retail customers is considered as one of the most important element in today’s competitive retailing business environment. Effective businesses understand how to use the diverse variables that impact customer buying behavior to effectively advertise their products and improve sales. The psychological variable that impact an individual’s choice to make a purchase are classified into the individual’s motivations, recognitions, learning and his beliefs and attitudes [15].

D. Research Framework
This part will discuss the conceptual framework (Figure 4) based on the scope of the research. This research framework was developed from the research objectives and questions that were derived from the research problems.

The independent variables identified in this research are the four main factors namely promotional mix, service quality, psychological and product quality. The dependent variable of this study is to examine the relationship between this four factor that influence customer satisfaction and customer retention towards retail stores in Malaysia. Hypothesis from this study aimed to investigate whether these four independent variables contribute to the factors that influence customer satisfaction and customer retention towards retail stores in Malaysia.

In current situation, the customer has to select between the experiences of retail shopping versus the emerging of online shopping [15]. According to the Pareto Rule, 80% of sales in retail market come from 20% of existing consumer [16]. As soon as the customer is in the store the effective pre-
store experience gets enhanced by well knowledge employees and touchable products. A potential value stream in the retail store displayed below, starts with step one. In case a product the customer planned to purchase is out of stock on the rack, an application can send a notification to the retail store staff to fill the rack and once filled the retail store employees can inform the customer of the availability of the product [17]. When customers purchase products from online shopping they do not feel the product in a physical perception. Thus we understand that lot of success is involve while buying an online product whether it will reach us on appropriate time or not is also a concern and also there may emerge a risk of product size or dimensions and colour as it may vary in actual view or sense. Sometimes the product demand is kind of damaged [18]. People’s anxiety of searching the sites and experimenting over them is also a matter of worry. Doing online shopping as it takes a lot of time to even understand the product features its details and this specific action makes them irritated and anxious over any kind of devastating online dealing [18]. Online shopping is laid out for you to read, there is a lot to read and customer may be puzzled when it comes to the legalities. With large or important orders, there is no one you can converse face to face when customer have questions and concerns. Moreover, retail stores allow price negotiations between customer and the retailer. Besides retail store will provide personal attention to customer and help them in obtaining information about the preferred products and goods that they planned to purchase by the customer [19].

Hypothesis 1
There is a significant relationship between customer satisfaction towards retail store in Malaysia and factors such as promotional mix, service quality, psychological factor, and product quality.

Hypothesis 2
There is a significant relationship between customer retention towards retail store in Malaysia and factors such as promotional mix, service quality, psychological factor, and product quality.

II. RESEARCH METHODOLOGY
The sampling method to be used in this research will be simple random sampling. It is a measurable method of drawing representative information by selecting individuals because of the ease of their volunteering or selecting units because of their accessibility or easy access. Simple random sampling is used in this research in order to get accurate data because customers of retail store are large as a population in Malaysia. As a result, this will eventually increase the time frame to complete this research and the cost to conduct this study. Quantitative methods are used throughout this research. Quantitative method regularly starts with information collection based on a hypothesis or theory and it is accompanying with application of descriptive or inferential statistics [20].

The points of interest of this sort of testing are the accessibility and the quickness with which information can be accumulated. The research instrument that will be used in this study is a common measurement tool which is questionnaire survey. Questionnaire is a standard set of questions which will be convey to the chosen respondents. The dependent and independent variables questions of the study were adapted from previous research survey questionnaire. Basically, Likert scale 5 is the measurement that will be used to measure the result of the study. The data collection methods of this research are questionnaire by personal.

The process of information collection is exclusively by questionnaire survey method in hard-copy form and will be distributed randomly regardless of the gender orientation, age, and races the respondents are.
Questionnaires were self-administered to the customers of retail stores in Malaysia. This research will be conducted purely in one state of Malaysia which was Melaka. Melaka with the population of 872,900, Melaka is considered one of the smallest cities in Malaysia. Melaka was chosen due to the uniqueness of the history and culture that was certified as the world heritage city by The United Nations Educational, Scientific and Cultural Organization (UNESCO) on 7th July 2008 [21].

The respondents of this research are mainly focusing on university students. Understandably, a customer is an individual that purchases the services or products produced by a particular business. The reason choosing university students as the target respondents because, nowadays, university students play an important role in helping and contributing to the country’s economy, while the students’ expenditure has been recognized as one of the important element of customer overall spending in Malaysia. University student’s expenditure has been recognizing as an important contributor to the main customer spending in Malaysia [22].

Descriptive analysis basically defines as the scientific method that measures the statistic information of the respondents and later shows information of the respondents in recurrence table outline and outlines with the objective that examines can have a clearer point of view on it. It is crucial and basic to comprehend the respondents’ experience in any investigation and this might offer the examiner little assistance with analyzing the real pattern of specific surprise. The profile of respondents will be discussed based on the frequency & percentage from the questionnaire result.

Cronbach’s alpha is one of common used reliability test statistic to test the reliability of each data set. According to [23] A. Santos, the Cronbach alpha score of 0.70 or greater in the reliability test are acceptable and reliable. Thus, if the Cronbach’s alpha score is at least 70 per cent, it considers reliable of the tested item. Alpha is an imperative concept in the evaluation of analysis and questionnaires. It is required that assessors and researchers should gauge this quantity to add validity and precision to the interpretation of their information [20]. The tests that will be used in this research are normality test, reliability test, Pearson correlation and multiple regressions. In this research study SPSS software make used to identify and examine the information based on the questionnaire responded by all the respondents. Participant’s names and personal data not recorded in order to ensure private and confidential.

### III. EXPECTED FINDINGS

The main objective of this research is to identify factors that influence customer satisfaction and customer retention towards retail store in Malaysia. This research consists of four main factors namely promotional mix, service quality, psychological factor and product quality. These factors identified based on previous studies as it plays an important role in determining customer satisfaction and customer retention.

In an earlier research conducted by [24] Terblanche, his studies were to investigate and examine which factors signify the in-store customer shopping experience for the supermarket customers nowadays and what factors have a significant relationship with customer satisfaction and customer retention. Research factors such as merchandise value, internal shop environment, merchandise variety, presence interaction with other customers and in-shop emotions towards customer satisfaction and customer retention was considered. The reliability result of variables of the in-store customer shopping experience model was clearly shown in the Figure 5 (source: Nic S. Terblanche, p.48-59).

![Fig.5. Reliability Result](image)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise assortment</td>
<td>0.949</td>
</tr>
<tr>
<td>Interaction with staff</td>
<td>0.960</td>
</tr>
<tr>
<td>Internal shop environment and customer in-shop emotions</td>
<td>0.963</td>
</tr>
<tr>
<td>Other customers’ presence and interaction</td>
<td>0.921</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>0.940</td>
</tr>
<tr>
<td>Repatronage intentions</td>
<td>0.929</td>
</tr>
</tbody>
</table>

Base on his research result, three identified factors such as interaction with staff, internal shop environment and customer in-shop emotions, and merchandise assortment
of the in-store purchasing environment for super market customer have a significant and direct relationship with customer satisfaction and customer retention. His research can be concluding that, changes of in-store shopping experience and environment in a retail store significantly affect the customer satisfaction and repurchase intention of customers.

As corresponding to the result above, these research findings should conclude that factors such as promotional mix, service quality, psychological factor and product quality have a significant relationship with customer satisfaction and customer retention toward retail store in Malaysia. This research outcome will enable retail stores in Malaysia to sustain their competitive advantage against speedy existing of online shopping. Hence, this will help them to increase their profit and plays their role as an important contributor to Malaysian economy by retaining their loyal customers.

**IV. CONCLUSION**

The main portion of this research study had included the conceptual framework based on the prior literature review about the factors influencing customer satisfaction and customer retention towards retail stores in Malaysia. This research will investigate the factors that been highlighted from the previous study as an important element in determining customer satisfaction and customer retention. This research will help the future researcher to discover more information in the field. Besides, an important indication of this research is that the outcome that same factors can influence customer satisfaction differently when those factors are combined with the other group of factors. The same is true for efficiency. This is important reason that could explain why same factors can yield different kinds of outcome in different research studies. Customer satisfaction is the main aim for any industries in Malaysia to operate and increase their sales revenue. Service quality influence customer satisfaction and the customers define quality. The customer satisfaction studies have to take place on persistent basis, and the results has to be put into practice in the company’s strategies and performance [25].

There are some important limitations that will be identifying during this research study. Firstly, this research will be conducted purely only in one state of Malaysia which was Melaka. Melaka with the population of 872,900, Melaka is considered one of the smallest cities in Malaysia. Melaka was chosen due to the uniqueness of the history and culture that was certified as the UNESCO world heritage city. However, although this study focuses only in Melaka, this limitation does not affect the overall quality and result of this study because Melaka is a well-developed state in Malaysia and ASEAN region. The respondents of this research are mainly focusing on university students. Understandably, a customer is an individual that purchases the services or products produced by a particular business. The reason choosing university students as the target respondents because, nowadays, university students play an important role in helping and contributing to the country’s economy, while the students’ expenditure has been recognized as one of the important element of customer overall spending in Malaysia. University student’s expenditure has been recognizing as an important contributor to the main customer spending in Malaysia [27]. Besides, the respondent’s perception to this research may be distracted due to the time of the respondents answering the survey questions. On the other hand, different perceptions of the retail stores may influence respondent’s thinking on customer satisfaction toward the particular retail stores.

As for recommendations, this research will be conducted purely in Melaka and other cities from Malaysia were not chosen. Future research should consider other cities around Malaysia and different industries to study on factors influencing customer satisfaction and customer retention. In additional, future researcher is advised to examine qualitative methods such as interview and targeted group discussion in order to get better understanding of the factors influencing customer satisfaction and customer retention towards retail stores in Malaysia. On the other hand, this research examines factors such as promotional mix, service quality, psychological and product quality that influence customer satisfaction and customer
retention towards retail stores in Malaysia. However, future studies should examine other possible moderators as well as the independent variables in the conceptual framework model. Hypothesis data that was generated from this research has been collected effectively for further researcher and can be helpful for other researchers in future.

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