

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

BY

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A dissertation submitted in fulfillment of the requirement for
the degree of Doctor of Philosophy (Business
Administration)

Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia

MARCH 2020

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 مسبقاً لتحقيق الربحية التنظيمية والاستدامة. ويعد ولاء الزبائن مصدراً رئيساً للميزة التنافسية حيث يؤدي الزبائن المخلصون إلى رعاية متكررة والالتزام بشركة معينة لفترة أطول من الوقت. تواجه المحلات التجارية العاملة في ماليزيا مضاعفات شديدة بسبب المنافسة الشديدة التي تجري حالياً في قطاع التجزئة الماليزي. في ظل هذه الظروف، أصبح ولاء الزبائن مفتاح البقاء للمحلات التجارية. من المرجح أن تستمر المحلات التجارية القادرة على فهم أهمية ولاء الزبائن والاعتراف بها في الحفاظ على وجودهم على المدى الطويل. لذلك، درست الدراسة الحالية آثار متغيرين مستقلين متعددي الأبعاد، وهما القيمة المدركة وجودة خدمة التجزئة، على ولاء الزبائن من خلال الدور الوسيط لرضا الزبائن وثقتهم. 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. لغرض جمع البيانات، تم تطوير استبيان ذاتي الإدارة وتم جمع مجموعة من 361 استجابة صالحة للاستخدام من زبائن المحلات التجارية الموجودة في منطقة كلانج. بعد ذلك، تم استخدام الأدوات الإحصائية بشكل خاص، عبر الحزمة الإحصائية للعلوم الاجتماعية (SPSS) وتحليل هياكل اللحظات (AMOS) لتحليل البيانات. في المرحلة الأولية، تم إجراء الإحصاءات الوصفية وتحليل عامل الاستكشاف. وفي وقت لاحق، تم تشغيل نمذجة المعادلات الهيكلية (SEM) للتحقق من الإطار المفاهيمي للدراسة. أظهرت النتائج أن القيمة المدركة ورضا الزبائن والثقة لها آثار إيجابية على ولاء الزبائن، في حين أن جودة خدمة التجزئة لا تؤثر بشكل كبير على ولاء الزبائن. علاوة على ذلك، كشفت النتائج أيضاً عن وجود تأثير إيجابي لجودة خدمة البيع بالتجزئة والقيمة المتصورة 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 جودة خدمة البيع بالتجزئة وولاء الزبائن، في حين أن العلاقة بين القيمة المتصورة وولاء الزبائن تتم بوساطة جزئياً عن طريق رضا الزبائن وثقتهم. ومع ذلك، فإن الثقة لا تتوسط في العلاقة بين رضا الزبائن وولاء الزبائن. ستسهل النتائج المستخلصة من الدراسة مديري المحلات التجارية، وخاصة في ماليزيا، في إنشاء استراتيجيات تسويقية فعالة لتعزيز ولاء الزبائن. وستكون النتائج أيضاً ذات قيمة للأكاديميين والباحثين والممارسين. بناءً على نتائج الدراسة، يوصى بضرورة قيام المتاجر الكبرى في ماليزيا بإرضاء الزبائن بشكل مستمر وبناء الثقة لتطوير ولاء الزبائن. نظراً لأن القيمة المتصورة مهمة لتحقيق رضا الزبائن والثقة والولاء، فمن المقترح أن يتم تقديم كل من الأبعاد النفسية والمتعددة القيمة لإنشاء تجربة إيجابية وإقناع الزبائن بإعادة النظر في المحلات التجارية. تعد جودة خدمة البيع بالتجزئة مهمة للحصول على رضا الزبائن والثقة، لذلك من الضروري للمحلات التجارية تقديم برامج تدريبية لتمكين الموظفين من التعامل مع الزبائن بشكل أكثر فعالية. كما يجب تحسين المرافق والسياسات المادية الخاصة للمحلات التجارية الضخمة حسب طلب الزبائن.

APPROVAL PAGE

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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.

Naila Anwar Chowdhury

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*This dissertation is dedicated to my parents, Mohammed Rafiqul Anwar Chowdhury
and Zakia Khanam*

ACKNOWLEDGEMENTS

First and foremost, I am thankful to Almighty Allah (s.w.t); the Most Merciful, the Most Compassionate, the Most Forgiving. There is no one like Him; He is the All-Hearer and All-Seer; I have believed in Him and upon Him I have relied throughout my life and ever more during the undertaking of this study. I am grateful to Allah for bestowing on me the strength, courage, determination and patience for completing this study. Without His Will, I would have never found the right path. I thank Him for all the kindness He has shown towards me, answering my prayers during the most difficult times and opening the door of hope even in the darkest of moments.

I would also like to take this opportunity to convey my heartiest appreciation to all the individuals with whom I have not only shared the best but, also the worst moments of the journey of writing the dissertation. This study would not have been possible without the support and guidance I received from them. I am tremendously indebted to all of them for their help throughout this critical time.

I want to express my sincere gratitude to my supervisor, Professor Dr. A.K.M Ahasanul Haque. I owe him thanks in particular for being so patient, consistently providing me with sound advices and ideas, his invaluable help and efforts for explaining everything to me in simple words. Without his assistance, guidance and supervision completing this dissertation would undoubtedly be next to impossible. I would like to thank him for always steering me towards the right way and continuously motivating me. Throughout the entire process of writing the dissertation, there was not a single time I needed his help and he did not help me. Indeed, I consider myself very fortunate to have him as my supervisor. I can never thank him enough for his kindness and generosity. I would also like to convey my gratitude to my co-supervisor, Dr. Suharni Bt. Maulan, for her guidance and meaningful suggestions that greatly contributed to the outcome of this study.

I would like to express my deepest thanks to my parents, Mohammed Rafiqul Anwar Chowdhury and Zakia Khanam. I thank them for unconditionally supporting me in every way possible and being by my side during the toughest moments of my life. Their support and love are truly the most precious gifts I have ever received. I am grateful to them for the countless sacrifices they have made for providing me a brighter tomorrow. I thank them for not only giving me the opportunity, but also inspiring me to learn and seek knowledge. It is because of their prayers I was able to overcome the obstacles I faced during the entire time of writing the dissertation. They have given me my roots and wings. All that I am today and hope to be in the future, I owe to my parents. I am forever indebted to them for continuously believing in me and motivating me to achieve my goals.

I am thankful to internal examiners, Associate Professor Dr. Kalthom Abdullah and Assistant Professor Dr. Fatin Husna, and external examiners, Professor Dr. Faridah Hj. Hassan and Associate Professor Dr. Mohammad Madi Abdullah for offering constructive suggestions that immensely facilitated to improve the study. I also acknowledge the guidance and valuable advice I received from Professor Dr. Arif

Hassan, Professor Dr. Rafikul Islam and Associate Professor Dr. Zamzulaila Bt. Zakaria during coursework. Their advice and comments, indeed, broadened my understanding and helped me to successfully complete the coursework. I would also like to convey my appreciation to all the faculty members at the Faculty of Economics and Management Sciences for imparting knowledge on various subjects and teaching me so well throughout the course of my Ph.D. journey. I would also like to convey my sincere gratitude to the administrative staff of Postgraduate Unit at the Faculty of Economics and Management Sciences and Center of Postgraduate Studies for assisting me with all the administrative procedures during the entire process of pursuing Ph.D.

I whole-heartedly thank Mamoni for all the comforting words, understanding and support she gave me as I journeyed through this period. I consider myself very fortunate to have an aunt like her. I wish to thank my friends Zariyah and Surayyo for their devoted friendship. I thank them for being there for me whenever I needed them, continuously helping me in every way possible and ascertaining that some friendships do endure a lifetime.

I would like to thank all the respondents who participated in the survey. Without their cooperation, it would be impossible to collect data for the study. Last but not least, I would like to express my gratitude to all the Ph.D. students for their help and suggestions. At the same time, I also convey my thanks to everyone who has in one way or the other left a mark on this dissertation and made it possible. Even though I am unable to thank them all by their names, their help means a lot to me.

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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; Scriosteanu & 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%