SHOPPING MOTIVATION AND ITS IMPORTANT ON CUSTOMER LOYALTY

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Statement of Originality

The work described in this Final Year Project, entitled “Shopping Motivation and Its Important on Customer Loyalty” is to the best of the author’s knowledge, that of the author except where due references are made.

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ABSTRACT

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By

Lim Yen Sia

The main purpose of this research is to investigate the relationship between shopping motivation and customer loyalty. Shopping motivation will be measured by five dimensions that are shopping experience, merchandise, shopping mall attribute, after sale services, and social cue. Besides that, employee services will examine as moderator that influence relationship between shopping motivation and customer loyalty. The total of 200 questionnaires will be distributed throughout Malaysia in order to analyze consumer perception toward the current market. The research methodology will be conducting using SPSS version 17 and Partial Least Square 2.0 (PLS) to analyze data collected from respondents. The main limitations are that the sample size of this research may not generalize population in Malaysia and the process of data collection will limit by time and cost as well. The finding of this study can help managers to understand which elements are considered important by consumers. It is believed that customer loyalty will increase if the malls they visit frequently had met their needs and wants. In addition, managers that able to implement niche strategies in mall based on consumer-orientation is able to create sustainable competitive advantages compare to their competitors.
ABSTRAK

BELANJA MOTIVASI DAN KEPENTINGANNYA KEPADA PELANGGAN

Oleh

Lim Yen Sia

ACKNOWLEDGMENTS

I would like to take this opportunity to thanks those people who help me along the journey to complete this study. This study would not have been possible without those numerous of people who stood behind and supported me.

First of all, I would like to owe my deepest gratitude to my supervisor, Dr. Lo May Chiun to spend much of her valuable time to this study through her discussion and advice. Her knowledge, guidance, review, and greatest care during the process had efficiently leaded me to complete this study. I would have never completed this study alone without her encouragement, support, and feedback. I am very grateful and lucky to have Dr. Lo as my supervisor, and I will always appreciate her commitment and expended to my academic success. I would like to say ‘thank you’ to Dr. Lo for everything she done for me.

Furthermore, I would like to thank my family for their understanding and tolerant and great love along the way for me to complete this study. Without their support, encouragement, and motivation, I would never able to collect my data throughout Malaysia for this study.

Lastly, I am very grateful to have all my friends especially Miss Lex Xiao Sze and Miss Lau Kim Nim for their willingness to share their experience with me for this study. It is very kindness for them to cheer me up during my down motivate and always willing to help when I facing problems along my way. I would like to thank them for being my friends and I would very much appreciate the friendship with them.
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CHAPTER ONE
INTRODUCTION

1.1 Background

Every shopping mall needs to adopt the right blend of strategies to attract and retain customers where survival and success are challenging in the present day’s vulnerable and rapidly changing business environment. The malls ask themselves the following questions: what values have we provided to our customers in their previous encounters with us? Is it sufficient to retain the customers? What kind of services they are going to add to give maximum satisfaction to customers? (Potluri and Hawariat, 2010).

Shopping malls play a major role in consumers’ lifestyle. The stores, food courts, restaurants, cinemas, children’s play areas, interactive entertainment, social use areas, relaxation spaces and promotional areas are now major components of any mall (Terblanche, 1999). The malls have become not only a centre for shopping but also a community centre for social and recreational activities (Ng, 2003).

Shoppers tend to be more selective with the growing number of malls. They are more likely to visit the malls that are more attractive and have a wide variety of stores and merchandise that match their preferences. However, mall attributes that are attractive for some shoppers are not necessarily attractive for others (El-Adly, 2006). Therefore, it is essential for mall managers to know the extent to which their malls are attractive to their shoppers (Wong, G., Yu L. and Yuan L., 2001). The shoppers are not only concerned with the quality and price of products but also the quality of supermarkets. They often visit several retail outlets before making
purchase decisions (Nguyen, D. Nguyen and J. Barrett, 2007). Besides, shoppers also view a mall as a place not only for shopping but also for other activities such as socializing with friends or browsing without purchasing products (Bloch P., Ridgway N. and Dawson S., 1994).

For example, two consumers may shop at the same stores for similar reasons such as convenience, courteous help and nice decoration, but one consumer’s attitude to shopping can be totally different from the others. One consumer may find shopping a burden, something to be done quickly with a minimum of effort while another may enjoy shopping, engaging in it as sport by achieving the satisfaction of buying a desired item at a bargain price. Shopping today involves multiple senses such as sight, smell, taste, touch and hearing as the basis for choosing or rejecting brands, products and retail environments (U. Ahmed, Ghingold and Dahari, 2006).

Many various new malls were built and millions of square feet of retail space were added to existing shopping malls each year with the growth of the malls industry (Berman B. and Evans J., 2004). The starting point was that some shoppers were attracted to malls due to purely economic motives; others were attracted due to emotional motives, while multi-purpose shoppers had a combination of these motives (Ruiz, 1999), many academic studies were carried out to cover different aspects of shopping malls (El-Adly, 2006). For examples, Bodkin and Lord (1997) concluded that the most important reasons for selecting malls were convenience, presence of a specific store in the mall, services and prices. Besides that, Bloch et al., (1994) examined the effect of mall physical environment on consumers’ emotional states and found that malls were viewed by consumers as a place not only for shopping, but also for other activities, such as entertainment.
Current shopping experiences involve more than consumer acquisition of goods. They also involve seemingly tangential experiences to acquisition of goods resulting from the broadly defined shopping environment, such as an elaborate store design, educational events, recreation, and entertainment. This experience involves more than merely selecting from the never-ending shelves of products using rational evaluation of product features (Fiore and Kim, 2007).

Besides, after-sales service support entails all activities undertaken by service support providers to ensure that consumers continue to obtain trouble-free use of the product over its life cycle. An after-sales support strategy associated with a product may include elements such as warranty provision, extended service contract provision, availability of repair service and loan availability (Loomba, 1996). In addition, the relative importance of the supplementary services to the core service offered is constantly increasing, making more and more companies to invest heavily in offering additional services under the scope of differentiation and distinctiveness (Rigopoulou, Chaniotakis, Lymeropolous and Siomkos, 2008).

The purpose of this research is to examine how customer loyalty is influenced by customer on shopping experience, merchandise, shopping mall attribute, after sale services and social cue. Besides, this research also investigates whether employees’ service will mediates the relationship between customer on shopping experience, merchandise, shopping mall attribute, after sale services and social cue. Quality is no longer the responsibility of a separate quality assurance department; it is the responsibility of every employee (R. Jackson, 2003) to serve the customers.
1.1.1 The Malaysia Scenario

The rapid expansion of the Malaysian economy over the last ten years (despite the economic crisis in 1997/1998) is combined with external economic and social influences have led to a retail boom in the country. Contemporary shopping malls act as growth poles by stimulating further retail and non-retail commercial activities. The retail performance in the Klang Valley and Malaysian retail chain stores indicate that overall business has improved since the Asian economic crisis in 1997/1998 (U. Ahmed, Ghingold and Dahari, 2007). As a result, retail space has been increasing by more than 20 per cent annually in recent years (Othman and Lim, 1997).

In Malaysia, shopping malls have transcended their initial role as an economic activity to become a community centre for social and recreational activity. There is an increasing trend of Malaysians shopping for pleasure and spending their leisure time in shopping malls (U. Ahmed, Ghingold and Dahari, 2006). The distributive trade in Malaysia experienced a 2.5 percent growth of wholesale and retail businesses in 1999 and a 5.9 percent growth in 2000 (Percetakan Nasional Malaysia Berhad, 2001). The emergence of large scale retailers largely in the form of hypermarkets has altered the structure of the distributive trade in Malaysia in some extent (Roslin and Melewar, 2004).

Malaysian shoppers spend an average 96 minutes (Othman and Lim, 1997) compare to American shoppers that spent about 78 minutes in a mall (Bloch P., Ridgway N. and Dawson S., 1994). This indicates that Malaysia shoppers appear to spend significantly more time in the mall compared to the Western subjects. Besides that, Malaysian shoppers visit a comparable, albeit slightly higher, number of stores
in a typical visit compared to American consumers. In terms of the number of different stores visited during a normal trip to the mall, on average, Malaysian shoppers visited about six stores per trip. By comparison, American shoppers visited about five stores per trip (U. Ahmed, Ghingold and Dahari, 2006).

In Malaysia, shopping malls have become social and recreational centres where people go for multiple purposes such as shopping, recreational pursuits, entertainment, meeting friends and simply browsing around. Shopping malls that could offer exciting stores with enticing product assortments, multitudinous entertainment and “experiential” opportunities, combined with modern and attractive designs and facilities will be necessary to attract more customers. Furthermore, aesthetic factors were highly valued by Malaysian shoppers. Statements related to interior design of the malls, music, decorations, and lighting were found to have high preference scores. Besides that, exploration, social and convenience dimensions were also preferred by Malaysian shoppers. The shoppers favored a wide assortment of products, one-stop shopping, and an enjoyable place to socialize with friends (U. Ahmed, Ghingold and Dahari, 2006).
1.2 Problem Statement

Both academics and practitioners recognize the importance of loyal customers, because such customers usually spend more, buy more frequently, have more motivation to search for information, are more resistant to competitors’ promotions and are more likely to spread positive word-of-mouth (Dick and Basu, 1994; Bolton, 1998; Rust et al., 1995). The idea that loyalty is simply equivalent to repurchase has been discussed at length in the literature (Bove and Johnson, 2009). Loyalty has defines as a deeply held commitment to repurchase a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999).

In the business world, when firms lose a customer they are not only losing future earnings and incurring the cost of finding new customers, they are also likely losing a loyal customer, which means giving up high margins. Over time, loyal customers increase their expenditure in the firm, and they become less price-sensitive and less costly (Anton, Camerero and Carrero, 2007). Nowadays, firms spend a larger proportion of their marketing budgets on retaining existing customers than on attempting to acquire new ones. Loyal customers are reassured that they are given preferential rates over new customers with respect to the service elements provided (Miranda and Konya, 2007).

For many years customer satisfaction has been a major goal of business organizations, since it has been deemed to affect customer retention and companies’ market share (Hansemann and Albinsson, 2004). Traditionally, satisfied customers have been thought of as less price sensitive, less influenced by competitors, buying
additional products or services and staying loyal longer (Zineldin, 2000). Loyalty of customers is considered to be a function of satisfaction (Fecikova, 2004) and loyal customers contribute to company profitability by spending more on company products and services, via repeat purchasing, and by recommending the organization to other consumers (Bowen and Chen, 2001; Fecikova, 2004). However, the relationship between satisfaction and loyalty in many instances is moderated by other factors (Bennett and Rundle-Thiele, 2004).

By the increasing of competition with tight profit margins, the supermarket’s success depends heavily on its ability to retain customers. Indeed, the longer customers remained with a particular supermarket, the more profitable they became to the supermarket (Reichheld and Sasser, 1990; Lovelock and Wirtz, 2002). Considering the significance of customer retention to the supermarket’s profitability, the supermarket should adapt to the changing needs and preferences of customers. In the research of Katelikov (2008) had examined that a 2 percent increase in customer retention has the same effect on profits as cutting costs by 10 percent. Similarly, a 5 percent reduction in customer defection rate can increase profits by 25-125 percent. In addition, true loyalty customers have a lower search motivation for competitive alternatives (Dick and Basu, 1994; Macintosh, 2002) and provide favorable word-of-mouth concerning the entity (Reinartz and Kumar, 2002). Furthermore, true loyalty is difficult to dislodge once attained, requiring large amounts of counter attitudinal influence (dissatisfaction) (Dick and Basu, 1994; Ennew and Binks, 1996).

In the studies of retail sector, service quality has been found to be the main driver of behavior related to the development of customer loyalty, though other variables do have roles to play (Gurbuz, 2008); a positive quality evaluation as a
construct that maintains behavioral intention (Fullerton, 2005). However, the perceived service quality is a necessary precondition for the development of loyalty, but not a sufficient antecedent in isolation (Aydin and Ozer, 2005). Besides that, customer satisfaction was the sole mediator of the relationship between customers’ perceptions of a store and their loyalty to it (Bloemer and de Ruyter, 1998) but not sufficient condition for the development of a re-buying habit and eventual loyalty (Hong and Goo, 2004).

Latent loyalty occurs when a consumer has a high relative attitude towards the company or brand, but this is not evident in terms of their purchase behavior. This is probably as a result of situational influences including inconvenient store locations, out-of-stock situations or the influence of other people (O’Malley, 1998). In Malaysia, the malls’ managers should identify what factors were the customer consider most important and how well the supermarket is performing relative to its competitors (Min, 2008). It is very important for a manager to examine which factors are the most attractive in increasing customers’ loyalty rate before they switch to the competitors.
1.3 Research objective

The research topic is going to examine if:

(a) Shopping experience has a positive impact on customer loyalty.
(b) Merchandise has a positive impact on customer loyalty.
(c) Shopping mall attribute has a positive impact on customer loyalty.
(d) After sale service has a positive impact on customer loyalty.
(e) Social cue has a positive impact on customer loyalty.

Besides, this research is going to investigate if:

(f) Employees service will moderate the relationship between shopping experience, merchandise, shopping mall attribute, after sale service, social cue and customer loyalty.

1.4 Research Questions

(a) Is shopping experience that perceived by the customer in the mall positively related to customer loyalty?
(b) Is merchandise that perceived by the customer in the mall positively related to customer loyalty?
(c) Is shopping mall attribute that perceived by the customer in the mall is positively related to customer loyalty?
(d) Is service that perceived by the customer in the mall positively related to customer loyalty?
(e) Is social cue that perceived by the customer in the mall positively related to customer loyalty?
(f) Is employee service that perceived by the customer in the mall positively related to customer loyalty?
1.5 Definition of Key Term

1.5.1 Shopping Motivation

Shopping motivation can be defined as “the drivers of behavior that bring consumers to the marketplace to satisfy their internal needs” (Jin and Kim, 2003). Therefore, it is essential for the mall to analysis customer’s shopping motive as an important base to recognize consumers’ needs and desired.

1.5.2 Shopping Experiences

Shopping experiences can be defined as “consumer processes and responses affect by aspect of the shopping environment, situation and consumer characteristics” (Fiore and Kim, 2007).

1.5.3 Merchandise in the Shopping Mall

Merchandise can be referring to the products and brands variety and availability (Koo, 2003).

1.5.4 Shopping Mall Attribute

Shopping mall attribute can be defined as “summation of all attributes of a mall as perceived by the customers through their experience of that mall” (Omar, 1999)
1.5.5 After Sale Services

After sale services can be defined as “services that are provided to the customer after the products have been delivered” (Vitasek, 2005). Besides, after sale services can be refer as all activities that provided by the mall to support the product-centric transaction (Lele, M.M and Karmarkar, 1983).

1.5.6 Social Cue

Social cue in a mall environment can be described as “demographic and lifestyle characteristics of the patron, patterns of exhibited and expected social interactions among actors, such as customers, waiters and hostesses” (Akhter, Reardon and Andrews, 1987). Furthermore, social has included “social experiences outside the home, communication with others having similar interest, peer group attractions, status and authority, and pleasure of bargaining” (Tauber and E.M, 1972).

1.5.7 Employee Service

Employee service can be defined as “the quality of services provided by a supermarket’s employees” (Koo, 2003; Lindquist, 1974-1975). “The employees are responsible to transform the services into a concrete offer and therefore the employees are called bearers of the services as services itself is intangible” (Gronroos C., 1984).
1.5.8 Customer Loyalty

Customer loyalty can be defined as “the biased behavioral response such as revisit, expressed over time, by some decision-making unit with respect to one store out of a set of stores, which is a function of psychological (decision making) processes resulting in brand commitment” (Jacoby and Chestnut, 1978). In simply words, loyal can be defined as “those customers who hold favorable attitudes toward a mall, recommend the mall to other consumers and exhibit repurchase behavior” (Dimitriades, 2006).

1.5.9 Large Scale Shopping Mall

In this research, shopping malls not only a centre for shopping but also a community centre for social and recreational activities (Ng, 2003). The major components of a mall are included stores, food courts, restaurants, cinemas, children’s play area, interactive entertainment, social use areas, relaxation spaces and promotional areas (Terblanche, 1999).