

## Customer Satisfaction as an Antecedent of Customer Loyalty in Malaysian Retail Marketing

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### ABSTRACT

The study focuses on measuring customers' loyalty through satisfaction towards retail marketing strategy in Malaysian hypermarkets perspective. In this study, Vroom's 'Expectancy Theory' is exploited for theoretical model and discussing the findings. Data was collected by distributing self-administered questionnaire from Malaysian hypermarket's customers through convenience sampling method. A total of 260 valid cases are selected for data analysis by using PLS based structural equation modeling technique. The results determine that pricing, quality service and quality product have significant relationship with customer satisfaction, and customer satisfaction has direct positive impact on customer loyalty. Nonetheless, the findings also revealed that pricing has direct significant relationship with customer loyalty while quality product does not found direct significant relationship with customer loyalty. Importantly, location has moderating effect between customer satisfaction and loyalty. However, it is hoped that this study could facilitate improving customer loyalty through customer satisfaction in Malaysian hypermarkets.

**KEYWORDS:** Retail marketing, Strategy, Hypermarkets, Customer satisfaction, Customer loyalty, Malaysia

### 1. INTRODUCTION

Malaysia is a country where the hypermarket industry is growing rapidly. Marko was the first to operate this genre of hypermarket which is doing business since 1993 (Sade & Rahman, 2013). In hypermarket business, customer loyalty is something that obtains over time by providing superior customer service for getting long term profit. Hypermarkets trade in a highly competitive market place where competitors know each other about their position (Codrington, 2002). Malaysian hypermarkets are growing drastically in the past decades (Heng, Yeong, Siong, Shi, & Kuan, 2011). The prominent foreign based retailers are attracting Malaysian consumers in different types of retail outlets of different sizes (Abu & Roslin, 2008). Loyal customers are shopping frequently in their chosen hypermarkets. In fact, loyal customers repeat and increase their purchase that helps to increase sales revenue of business organizations (Li & Green, 2010). Therefore, customers' satisfaction and loyalty is the feedback of a successful retail marketing strategy in a competitive market that creates value for money for customers. Now, modern hypermarkets and traditional outlets have successfully coexisted in Malaysia without any discrimination from the customers (Abu & Roslin, 2008). Household income influences customers to be attracted in different types of outlets (Zain & Rejab, 1989). In Malaysia, traditional retail stores are always attracting the low and middle level income consumers. Modern retail formats are attracting the upper and middle income shoppers but at present it is fast changing as improved consumer lifestyles, changing consumer's preferences and changing educational level of population (Abu & Roslin, 2008). In 1992, grocery retail sectors were operated by many foreign business firms (Abu & Roslin, 2008). Now, Malaysia is attracting other foreign names such as United Kingdom's Tesco, France's Carrefour, and Hong Kong based DFI which operates the Giant hypermarkets. There are so many hypermarkets and supermarkets in Malaysia. The following major hypermarkets and supermarkets are as shown in Table 1.

Table 1: Major hypermarkets or superstores in Malaysia

Store Name	Property	Retail formats	No. of Stores
Giant	Dairy Farm International (DFI) Hong Kong	40 (Hypermarkets/Super Stores/ Total Giant stores)	100
Tesco	Tesco plc (70%) and Sime Darby Bhd (70%)	Hypermarkets	35
Carrefour	CNBV Holdings (70%) Negeri Sembilan royalty (30%)	Hypermarkets	23
Eonsave	Eonsave	Supermarkets/Hypermarkets	38
Mydin	The Mydin family	4 Hypermarkets Total Mydin stores	55
Jaya Jusco	Aeon Group Co. Ltd (51%) Aberdin Asset Management, plc (7.4%)	Superstore chain and shopping center operation	18

Source: Ganesan, 2010

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Next, this study reviews the Malaysian hypermarkets customer satisfaction and customer loyalty literature, and Vroom's expectancy motivational theory guided to develop theoretical model and discussing the findings. The methodology section, which follows the literature review, design the study, explains the sampling method and subsequent self-administered questionnaires to respondents. The survey questionnaires by using PLS-SEM with data analysis results and discussion precede the concluding remarks.

## 2. LITERATURE REVIEW

### 2.1 Pricing as a Retail Customer Satisfaction and Loyalty

According to Zeithaml (1988) price is something that consumers sacrifice for obtaining a product or service. Retail pricing is one of the most critical decisions in the retail business sector (Grewal & Levy, 2007). Many researches have been conducted on the advantages of developing and maintaining a loyal customer database (Bolton, Warlop, & Alba, 2003; Reichheld, & Sasser, 1990; Rust, & Zahorik, 1993). The level of satisfaction is always more when customers pay less but receive more in return. Monroe, (1990) argue that a customer's perceptions towards its price depend on the trade-off between quality of the benefits they receive and they pay for a product while they buy it. Price transparency is another important factor of satisfying customers which is represented by the overview of company's quoted prices (Matzler, Wurtele, & Renzl, 2006). Price has heavy influence where there is a consistency between price and performance. On the other hand, price transparency effects on the reverse way in case of inconsistency in price and performance of the product or service. It means price-quality ratio can enhance customers' satisfaction (Lam, Shankar, Erramilli, and Murthy, 2004) and thus brings loyalty for the company (Bolton, and Drew, 1991; Sirdeshmukh *et al.*, 2002). Customers also look for the relative competitive price when market is highly dense. Undoubtedly, the price is an important indicator in aspect of its quality, relative price, price confidence and price transparency which has strong impact on satisfaction and ultimately on loyalty (Matzler, Wurtele, & Renzl, 2006). Negative consumer responses occur when customers feel that a company is practicing unfair price for them. If there is a change in price, the customers should be well informed in order to build trust and keeping long term relationships which results customers' loyalty. Studies found that customers' perception is negative towards demand based price, such as dynamic pricing, which is harmful for building trust (Garbarino, and Lee, 2003). Based on this the following hypothesis are proposed:

H1: Pricing is positively related with customer satisfaction in measuring customer's satisfaction and customer's loyalty in retail marketing strategy in Malaysian hypermarkets setting.

H1a: Pricing strategy has direct effect on customer loyalty.

### 2.2 Quality Service as a Retail Customer Satisfaction and Loyalty

The main function of the retail marketing strategy is delivery of better and satisfactory services. The retailers should perform delivery of quality service to their potential customers besides their regular customers. Service quality is an important dimension of customers' loyalty through customers' satisfaction in the retail industry. It is a subjective, complex and abstract concept that means different people have different views of product perspectives and concepts. According to Parasuraman *et al.* (1985) and Grönroos (1984), service quality is the assessment made by the consumers' perceptions and expectations of received services as these factors comprise corporate image and functional quality. Service quality is the consumers' perception of particular dimensions of products or services, such as, reliability, assurance, tangibility, courteousness, personalization, communication and responsiveness all of which have to be incorporated into the company's strategic policy which in itself rationally affects the consumers' satisfaction by providing excellent services including personal factors, situational factors and product quality. Parasuraman *et al.* (1985) and many researchers have developed the SERVQUAL scale which is very important for measuring the customers' service quality. There were ten dimensions of service quality, but later these were reduced to five dimensions which included tangibility, reliability, assurance, responsiveness and empathy. Service quality has a tangible link to customers' satisfaction, as in fact, the consumers' satisfaction is represented by the service quality in one way or another. Hence, service quality is an antecedent to customers' satisfaction and loyalty (Su, 2004; Jamali, 2007). Service quality is a cognitive assessment which may invariably influence the customers' satisfaction (Oh, 1999). In this literature, the customers' loyalty through satisfaction is the outcome of the proper enforcement of the service quality in the retail marketing strategy. Thus, the study examines the following hypothesis:

H2: Quality service has a positive impact on customer satisfaction in Malaysian hypermarkets context.

### 2.3 Quality Product as a Retail Customer Satisfaction and Loyalty

In this study, five most important elements have been considered to measure the dimensions of a product quality for the customers' satisfaction and loyalty such as product durability, product variety, product freshness, product attractiveness and brand equity. All these attributes are important to be used for measuring the

customers' satisfaction and loyalty (Yuen & Chan, 2010), but most other relevant elements are also useful for improving the customers' satisfaction and loyalty (Garvin, 1987). Product variety is important for the retailers to serve the customers' buying behavior, because different customers have different preferences of product quality (Dhar et al., 2001). Mosa & Omar (2011) demonstrated that the business firms had begun to develop the customers' satisfaction and loyalty by offering good quality products and services. According to Bolten, Kennerknecht, & Spiller (2006) posited that the main determinants of customer satisfaction and loyalty are the service and product quality. The study by Minguela (2011) and Minguela et al. (2006) point out that product quality is a key component through which retailers or business firms can differentiate themselves from their competitors and they can gain competitive business advantages. Based on this the following hypothesis are tested:

H3: Quality product has positive impact on customer satisfaction towards retail marketing strategy.

H3a: Quality product has direct impact to customer loyalty.

#### **2.4 Customer Satisfaction as an Antecedent Tool of Retail Customers Loyalty**

Retailers and manufacturers argue that Customers' satisfaction is a necessary predecessor to customers' loyalty. According to Sivadas & Baker-Prewitt (2000) who cited in Abdullah et al. (2012), academicians and practitioners are agreed that customers' satisfaction is an important precursor to customers' loyalty. Bennett & Rundle-Thiele (2004) assumed that customers are likely to increase their loyalty but it should not be only business goal oriented by the business organizations, as it also should also fulfill the customers' actual perceived values on the products and services offered. The study by Srinivasana et al. (2002) formulated that customers' satisfaction is deeply associated with the brand loyalty and service quality. Therefore, customers' satisfaction is defined as matters that concern the post purchase of a particular product or service. Hoq & Amin (2010) posited that Customer satisfaction was the emotional behavior or cognitive attitudes towards the buying of products and services. In retail strategy, the customer is the key element, because the customer's satisfaction is the nature of the relationship between the consumers and the service providers of the manufacturing goods and services. Product and service quality are both prerequisite dimensions for customers' satisfaction of particular products (Hoq & Amin, 2010). Sivadas & Baker-Prewitt (2000) indicated that the customer's satisfaction is the customer's response to determine the repeat buying of goods or services. Satisfied customers are the loyal customers (Rowley, 2005) as this has been examined by many researchers that there is a significant relationship between the customers' satisfaction and customers' loyalty (Kandampully & Suhartanto, 2000; Szymanski & Henard, 2001; Abdullah et al., 2012). Customers are satisfied by achieving expected perceived values of goods and services. As Singh (2006) explained that customers' satisfaction could occur when a company could be able to provide better product and service than the customer's expectation. Each business firm has a positive and a negative impact on a relation with the customers. Thus, the following hypothesis is developed:

H4: Customer satisfaction has direct relationship on customer loyalty towards retail marketing strategy in Malaysian hypermarkets perspectives.

#### **2.5 Location has moderating effect between Customer Satisfaction and loyalty**

Location is one of the key factors for getting retail customers loyalty through satisfaction in hypermarket. If any hypermarket wants to get customer satisfaction, first, they should ensure accessible and convenient location, meaning hypermarket location must be near to residential area, entrance of the city and heart of the city. Second, availability of transportation facility is very important for a store location otherwise consumers cannot visit the store easily; therefore, the sale margin will collapse. Additionally, consumers also prefer to have a routine shopping experience that is simple and efficient in a convenient place (Hassan & Rahman 2012). Third, hypermarket location must be in urban and semi urban areas, because it is obvious that in rural areas the density of population is less than city. Besides, the affordability of city people is much higher as they earn more. Apart from these three (mentioned above) preferences regarding the location of a hypermarket, there are other factors as well, which will inevitably affect this business and customer's loyalty. The first thing to consider is the availability of maximum number of products of various kinds. In the city area, people are too busy that is why they prefer to shop in a place where everything is available. As Hassan & Rahman (2012) stated that due to urban lifestyle pressure, shoppers will always look for convenience where everything can be done at one particular place with minimum hassle (2012). Service is an instrument that can be used to establish customer loyalty in the long term and customers always expects a good location of shopping place whereas they can easily park their car (Swoboda & Schramm-Klein, 2007). Car parking facility has a weighty impact to develop loyal customer, as a result we see that all hypermarkets provide free parking for consumers as a basic service (Hassan, Sade & Rahman 2013). Every hypermarket is providing car parking facility but in some location people are facing hassle to park their car because of insufficient parking area. Nowadays, people are not likely to carry cash so that they seek which hypermarket has the more convenient ATM or Bank services. Malaysian people enjoy to shop in a location where they do their shopping and are able to entertain themselves. For those

shoppers who have children, a playground or indoor play-land may become an attraction to spend time together with family members. A covered parking area is highly suitable for Malaysian weather to reduce heat from the sun or provide shelter against rain, which makes it convenient for the shopper to push the shopping trolley. A food and beverage area, such as a food court, restaurant or kiosk, is a suitable place for shoppers who would like to have a short break while shopping (Hassan & Rahman 2012).

H5: Location has moderating impact between customer satisfaction and customer loyalty in retail marketing strategy in Malaysian hypermarkets context.

## 2.6 Retail Customer Loyalty

Customers' loyalty means the customers are committed to buying goods or services at a particular retailer's locations (Berman & Evans, 2006: 144). Retailers think that the customers' loyalty is secured by developing brand strategy and creating emotional attitudes towards the purchase behavior of goods and services through loyalty programs. Customers have individual loyalty concept (Saili *et al.*, 2012) to specific product, stores and companies (Kotler *et al.*, 2009: 136). Customers' loyalty is defined as customers are committed, either emotionally or sensibly, to repurchase (Szwarc, 2005) the preferred goods and services in the particular retailer's market (Levy & Weitz, 2004) which is also considered as a firm's long term survival goal and objectives (Mandhachitara & Poolthong, 2011). It is not only the basis for developing business plan, but it also becomes sustainable in a competitive marketing strategy (Dick & Basu, 1994; Mandhachitara & Poolthong, 2011). Jacoby & Chestnut (1978) stated that customers' loyalty was held by the consumers who frequently did shopping of goods or services at particular outlets. Consumers' attributes on repeat purchase of goods are generated by the degree of enhancement of the service quality and store attributes in the retail business strategy. Customers' frequent buying intentions towards goods or services from particular outlets are the key dimensions that produce customers' loyalty in the retail strategy. Saili (2012) has referred to Reynolds & Arnold's (2000) statement, and posited that customers' loyalty was driven from shopping behaviours and loyalty attitudes which were recognized based on the service quality and product quality (Gonring, 2008; Abdullah, 2012).

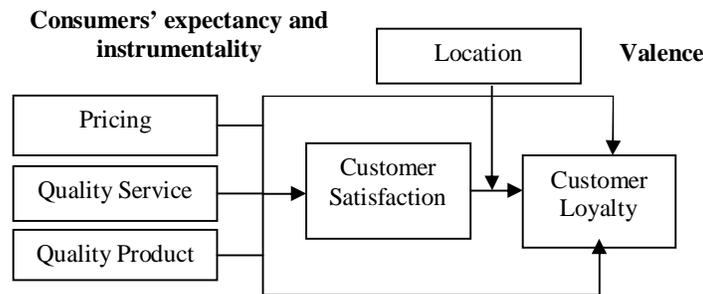
## 2.7 Theoretical Foundation

This research is explicitly grounded in a theoretical foundation encompassing Vroom's (1964) expectancy theory. It provides an explanation of why hypermarkets consumers choose one behavioral option over others. "The fundamental concept of this theory is to focus customers will be motivated because they believe that their decision will lead to their desired outcome" (Redmond, 2010). Expectancy theory proposes that consumers' motivation is depend upon the perceived value of predicted outcomes (Ilgen, Nebeker, & Pritchard, 1981). This has positive benefit improving consumers' motivation towards satisfaction as well as loyalty since it may help hypermarkets industry and managers developing customers' attributes towards loyalty through satisfaction in hypermarkets. This theory builds upon the idea that motivation drives from a consumer believing they will get what they expectation in the form of perceived value and satisfaction (Eerde & Thierry, 1996). This theory is not all inclusive of different influencing factors but it provides industry managers or policy makers or organizational leaders with a foundation on which to improve a better decision making and understanding of ways to motivate consumers through their expectation. Basically, expectancy theory is a process theory of motivation since it emphasizes different perceptions of the environment and subsequent interactions arising as a consequence of consumers' expectation. Lawler, Porter, & Vroom (2009) found that effort (expectancy) or and performance (instrumentality) are positively correlated and favorable performance will result in a desirable reward (valence) or value of expected outcome to the individual (Miller, 2013).

Expectancy theory is more concerned with the reasoning antecedents that go into inspiration and way they relate to each other (Ilgen *et al.*, 1981; Miller, 2013). In fact, expectancy theory is a cognitive process theory of motivation that is based on the concept that people believe there are relationships between the effort (expectancy) they put forth at work, performance or instrumentality achieved from the effort and rewards or outcome received from effort and performance (Lunenburg, 2011). Hypermarkets' consumers will be motivated if they believe that perceived values (expectancy) lead to customer satisfaction (instrumentality) and customers' satisfaction will lead to customer loyalty (valence). Ilgen *et al.* (1981) and Miller (2013) stated that people will be motivated if they believe that strong effort will lead to good performance and good performance will lead to desired rewards. Victor Vroom (1964) was the first to develop an expectancy theory with direct application to work setting, which was later expanded and sophisticated by Porter & Lawler (1968) and others (Pinder, 1984). Vroom's expectancy theory addresses motivation and management (Lunenburg, 2011; Ellingson & McFarland, 2011) whereas it suggests that consumer's perceived view of an outcome will define the level of motivation. It also assumes that the choice being made are to increase satisfaction and decrease dissatisfaction. Individual factors including service quality, product quality, price strategy and store attributes have an impact on customer loyalty through customer satisfaction. Vroom (1964) illustrated that the source of consumer's motivation in expectancy theory is a multiplicative function of valence, instrumentality and expectancy (Stecher & Rosse, 2007). Vroom (1964) stated that consumer consciously selected a particular course of action based upon

perceptions, attitudes and beliefs as a consequence of their desires to enhance loyalty through satisfaction and avoid customer dissatisfaction and pain. The following Figure 1 shows the theoretical model that adapted from Vroom's (1964) expectancy theory.

**Figure 1:** Theoretical model



### 3. METHODOLOGY

#### 3.1 Research Design

The research method is based on the summary of the systematic investigation, procedure, sample selection and analysis which are used in the research (Martin & Guerin, 2006). More importantly, since the main purpose of this study is to measure the customers' perceptions towards retail marketing strategy in Malaysian hypermarkets setting, a self-administered questionnaire was developed to collect the required information from the customers of Malaysian hypermarkets. The survey questionnaire is consisted with 7 (seven) distinct sections which contained relating questions of different part of the research. Data was collected by distributing questionnaires from walk-in consumers and through face to face customers survey at 3 (three) prominent Malaysian hypermarkets (e.g. Giant, Tesco and Carrefour) in Kuala Lumpur, Wangsamaju, Sri Rampai, Batu caves, Puchong and Kota Damansara. The research questionnaires were distributed to 300 respondents but after completed the screening process 260 sample sizes founded valid and useable for data analysis. This represented a success rate of 83% which is considered extremely well in view of time and cost as well as geographical constraints. The survey research makes use of the fundamental information and PLS based Structural Equation Modeling (SEM) approach that carried out to investigate the relationship among the constructs which influence the customers' perception towards retail marketing strategy in Malaysian hypermarkets context. It appropriately gives the best fit and is commonly utilized by marketing researchers (Hakansson & Johnson, 1992).

#### 3.2 Measures

Respondents were asked to evaluate the items of different variables such as service quality, product quality, price strategy, store attributes, customer satisfaction as well as customer loyalty in terms of the customers' perceptions based on 5-point Likert scales that ranges from strongly disagree to strongly agree which are recommend by Cooper & Schindler (2008). The primary data is relevant to this exploratory study and it is systematically distributed and collected through interactions or communications as well as observation methods in which it performed by utilizing a convenience random sampling method as it is the easiest to conduct with large number of population (Hong 2011, Moye 1998 and Ko 1995). The sampling method is adapted from a convenience sampling method that contained some limitations in terms of generalizability as compared to other sampling probability methods. In this study, it is logically assumed that the sample represented the whole population of Malaysian hypermarkets customers. The respondents are selected from the population of the Malaysian hypermarkets adult consumers (above 18 years old) who are living in Kuala Lumpur area. Kuala Lumpur is selected for this survey as it is the economical hub or major global financial center and a large portion of consumers are shopping in the hypermarkets. In this study, the deductive approach is applied on data analysis and results discussion. The study begins with the theoretical and empirical evidence to improving the theory and especially it is an exploratory research which is aimed at measuring the customers' satisfaction and loyalty towards the retail marketing strategy in terms of the hypermarket business setting in Malaysia. Factor analysis has been used to measure the customer satisfaction and loyalty as it is a meaningful transforming statistical data into linear combination of constructs (Hair et al., 1992).

### 4. RESULTS AND DISCUSSION

#### 4.1 Demographic Information

According to descriptive analysis, Table 2 shows the comprised male and female 57% and 43% respectively. In terms of respondents' marital status, 66% was single and 34% was married. The overall 62.3% respondents were age between 20 to 35 years old which followed by 32.7% was 36-49 years old, 2.7% was below 20 years old and 2.3% was above 50 years old. This survey is mainly reflected by the perception and

shopping attitudes of the respondents. In terms of ethnic background, 50.8% respondents were Malay 17.7% were Chinese, Indian and others were 16.5% and 15% respectively. The academic level of the respondents was 54.2% college graduate which followed by 35.8% of SPM/ Diploma degree, 8.1% Master's degree, 1.5% doctoral degree and 0.4% others. The highest percentage of monthly income of the respondents were approximately 58.5% where as they were monthly income less than RM 2000. The second frequent level of monthly income was RM2001 - RM 4000 which composed more than 31% of respondents. However, almost 4% of the respondents were classified as higher level of income group which derived from RM 8001- RM 12000.

**Table 2: Demographic profile**

Description	Frequency	Percentage (%)	Description	Frequency	Percentage (%)
<b>Gender</b>			<b>Marital Status</b>		
Male	148	57	Single	172	66
Female	112	43	Married	88	34
<b>Age</b>			<b>Ethnicity</b>		
Below 20 years old	7	2.7	Malay	132	50.8
20-35 years old	162	62.3	Chinese	43	17.7
36-49 years old	85	32.7	Indian	46	16.5
Above 50 years old	6	2.3	Others	39	15.0
<b>Acad. Qualification</b>			<b>Monthly Income</b>		
SPM/Diploma	93	35.8	≥RM 2000	152	58.5
College Graduate	141	54.2	RM 2001- 4000	81	31.2
Master's Degree	21	8.1	RM 4001-8000	15	5.8
Doctoral Degree	4	1.5	RM 8001- 1200	10	3.8
Others	1	0.4	RM 12000+	2	0.8

#### 4.2 Reliability and Validity

Tests of measurements' reliability and validity conducted before the actual PLS based structural equation modeling analysis in regards to assure the effective use of such measures before using them to test the study's hypotheses (Kline, 2005). Sekaran (2010) posited that the reliability measurement suggests stability and consistency of the mechanism. Consequently, this method indicates reliability through examining the internal consistency of the research questionnaires which are posed in Likert scale (Nor, 2009). The study Nor (2009), Rahman *et al.* (2010) and Hair *et al.* (1992) posited that Cronbach's alpha is very important and commonly used method measuring reliability in which the range of cronbach's alpha should become from 0.0 to 1.0, where higher value pointing higher reliability among the indicators. Generally, all researchers target of high reliability of the question variables or items. In terms of cronbach's alpha test, all scale of reliabilities in Table 5 are seen greater than 0.80 which is deemed to be indicative of higher scale reliability. Cronbachs alpha should be 0.6 for exploratory research and above 0.7 for confirmatory research (Nunnally, 1978; Peter, 1979). The minimum factor loading is required to determine an item in its respective variable. The study by Hair *et al.* (1992) recommended that the minimum factor loading can be considered if its loading is become equal to or greater than 0.30. Factor loading 0.40 is very important but greater than 0.50 is most significant (Hair, Anderson, Tatham, & Black, 1992). In addition, item loadings should be above 0.7 (Thompson, Barclay, & Higgins, 1995; Hair, Anderson, Tanthan, & Black, 1998). However, for this study the higher requirement has been accepted for items which are almost greater than 0.70. Table 5 also indicates the factor loading matrices in which higher loading is very important and it indicates the strong significant of an item in a specific factor. The findings of the result determined that each of the six factors such as service quality, product quality, price strategy, store attributes, customer satisfactions and customer loyalty are loaded to the different factors and they are significantly related to the customers' actual perception.

The validity and reliability of the variables must be measured conducting a latent variables model analysis (Claudia, 2012; Rahman *et al.*, 2010). Lowley (1998) elaborated the basic types of reliability and validity, such as construct validity (theoretical and empirical evidence), convergent validity (two measurement scales on equal concepts), discriminatory validity (different measurement scales) and content or face validity (proposed concept under consideration). Generally, reliability is associated with a clear statement, pretesting and multiple indicators in the survey questionnaires. According to Churchill & Lacobucci (2010) in terms of each research, the consistency of result is found from a measurement instrument which is reliable to the content. The study by Ping (2004) recommended that validity indicates the consistency, reliability and validity. The validity is very crucial to test the hypothesized relationship among the variables. Validity is defined by Malhotra (2007) stated that the extent to which different observed scale score ponder true differences among objects.

#### 4.3 Convergent validity

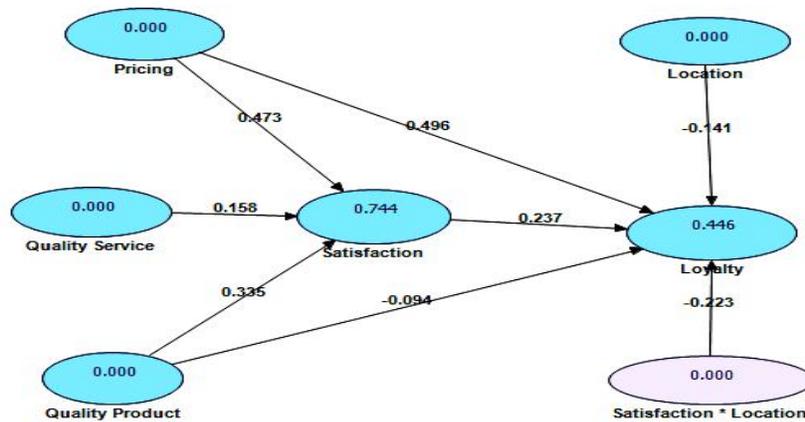
The convergent validity is the point of association between two measurement scales which measure the equal concept (Davis & Cosenza, 1993). According to Hair *et al.* (2006) stated that convergent validity is used through factor loadings, reliability and unidimensionality. Composite reliability (CR) should be 0.70 or higher to

identify adequate convergence or internal consistency (Gefen et al., 2000). The internal consistency coefficient should be above 0.7 (Hair, Anderson, Tanthan, & Black, 1998; Thompson, Barclay, & Higgins, 1995). In a validity perspective, briefly it can be defined that the content validity is achieved through careful research design but convergent validity is achieved when multiple indicators functions consistently. Multiple elements are used to measure all the constructs that can lead to accurate convergent validity. Construct validity occurs when data are statistically analyzed, examined, and described. The important factors of the customers' satisfaction and loyalty were in detail and its validity and reliability scale was verified in the analysis. The factors can be considered as significant when they are determined by a factor loading greater than 0.5. The Cronbach's alpha coefficient is also very important to test the reliability of the scale. According to Fornell & Larcker (1981) posited that discriminatory validity is achieved when the ratio of variance removed in each construct exceeds the square of the coefficient which represents the correlation with other constructs. In terms of reliability, the evaluation of an instrument can be made by using the construct validity and internal validity. The Cronbach's alpha coefficient is used to examine the reliability of the scale that is accepted on the lower limit from 0.60 to 0.70 (Hair, Anderson, Tanthan, & Black, 1998).

**4.4 Content validity**

Content validity is a systematic evaluation (Malhotra, 2007). It is related to the accuracy of the measurement or valid scale measure what it is designed for and what it is supposed to measure (Bollen, 1989; Davis & Cosenza, 1993). The content validity is associated with the degree in which the content of the indicator ponders the proposed concept (Parasuraman, Berry, & Zeithaml, 1988; Burns & Bush, 2000). On the other hand, the construct validity is the stage where it achieves theoretical and empirical evidence (Steenkamp & Trijp, 1991). The study by Hair et al (2006) posited that construct validity provides the confidence that represents the accurate score. In this study, a strong content validity in variables was measured based on literature review.

**Figure 2: Structural Model**



**4.5 Path Coefficients**

Turning to the assessment of the hypothetical paths analysis in the statistical structural model, it is important to know that whether the process of the path coefficients is significant in the hypothesized direction. The structural equation model is employed to examine the relationship among the variables. Table 3 shows path coefficient value of the indicators in hypothesis testing and the result indicates that there is significant relationship between the constructs. PLS based structural equation model computes several model fit indices: average path coefficients (APC), average R squared (AR), composite reliability (CR), average variance extraction (AVE) and cronbachs alpha. A model is robust when  $p < 0.05$  for APC and AR (Claudia, 2012; Kock, 2011),  $AVE \geq 0.5$  (Bagozzi & Yi, 1988; Fornell & Larcker, 1981),  $CR \geq 0.7$  (Gefen, Straub, & Boudreau, 2000) and cronbach alpha  $\geq 0.7$  (Nunally, 1978). The fitness indexes assessment for the structural model in according to the Figure 2 which draws the full model of the seven paths hypothesized model in which most of the paths were significant at  $p < 0.05$ . The hypothesized model with items indicating the construct service quality, product quality, pricing and customer satisfaction have strong significant relationship to customer loyalty. R-square value of customer loyalty is 0.446 that indicates 44.6% of variance in customer loyalty can be explained directly and indirectly by quality product, quality service, pricing and customer satisfaction. Furthermore, the R-square value of customer satisfaction is 0.744 proposing that 74.4% of variance can be explained by independent variables. Customers' attention to product quality can change dramatically due to build up experiences, cost of quality and information accumulate (Rahman et al., 2010; Quelch & Hoff, 1986). Pricing has significant ( $\beta$

0.473,  $p < 0.00$ ) impact on customer satisfaction, and direct significant effect on customer loyalty ( $\beta$  0.496,  $p < 0.00$ ), as a result H1 and H1a is accepted. Hellstrand (2010) posited that customers' expectation and loyalty are closely related with the fair price strategy. Quality service has positive relationship ( $\beta = 0.158$ ,  $p < 0.05$ ) to customer satisfaction. Therefore, H2 is supported. Quality product has significant ( $\beta = 0.335$ ,  $p < 0.00$ ) impact on customer satisfaction, whereas H3 is accepted. On the other hand, quality product ( $\beta = -0.094$ ,  $p \geq 0.05$ ) has not direct effect on customer loyalty. Therefore, H3a is not supported. Product quality has a significant impact on customers' satisfaction (Tu et al., 2011) as product quality based on the perception and expectation of customers (Rahman et al., 2010; Wal, Van, & Bond, 2002). For hypothesis (H4), customer satisfaction ( $\beta$  0.237,  $p < 0.05$ ) has direct impact on customer loyalty. Finally, location ( $\beta = -0.141$ ) has moderating effect between customer satisfaction and customer loyalty.

Table 3: Hypotheses Testing

Hypothesis	Relationship	Beta	Std. Error	T Statistics	Decision
H1	Price -> Satisfaction	0.4734	0.1092	4.3346**	Supported
H1a	Price -> Loyalty	0.4961	0.1906	2.6028*	Supported
H2	Quality Service -> Satisfaction	0.1577	0.0906	1.7410*	Supported
H3	Quality Product -> Satisfaction	0.3345	0.0804	4.1612**	Supported
H3a	Quality Product -> Loyalty	-0.0941	0.1638	0.5746	Not supported
H4	Satisfaction -> Loyalty	0.2375	0.0998	2.3797*	Supported
H5	Satisfaction * Location -> Loyalty	-0.2228	0.1076	2.3288*	Supported

Note: \*  $p < 0.05$ ; \*\*  $p < 0.00$

#### 4.5.1 Moderating Effect

In this study, the moderating effect between location and customer satisfaction has significant relationship to customer loyalty (Figure 3). The hypermarket with high location is assessed as highly to present customer satisfaction. The hypermarket with low location appears to be less emphasizing customer satisfaction and loyalty.

Figure 3: Assessment of the Moderating Effect



Table 4: Latent Variables correlations and square root of AVE

	Location	Loyalty	Pricing	Quality Product	Quality Service	Satisfaction
<b>Location</b>	<b>0.8196</b>					
<b>Loyalty</b>	0.3323	<b>0.8274</b>				
<b>Pricing</b>	0.6403	0.6135	<b>0.8947</b>			
<b>Quality Product</b>	0.7764	0.3912	0.6750	<b>0.8263</b>		
<b>Quality Service</b>	0.6549	0.445	0.7356	0.5622	<b>0.7671</b>	
<b>Satisfaction</b>	0.7287	0.557	0.8152	0.7427	0.6940	<b>0.8266</b>

The above Table 4 shows Pearson's correlation coefficient for each latent variable employed in the model. The diagonal axis presents the square roots of average variance extracted for each latent construct. In regards to assure discriminant validity, the square root of average variance extracted for each latent variable should be greater than any of the bivariate correlations involving the latent constructs in questions (Fornell & Larcker, 1981).

Table 5: Reliability Analysis

Characteristic	Items	Loadings	AVE	CR
<b>Quality Product (<math>\alpha=0.876</math>)</b>			0.801	0.924
Product durability is important for hypermarket's consumers	QP_3	0.916		
Accurate product information is important to me	QP_4	0.862		
Innovative product offer is important to me	QP_5	0.907		
<b>Quality Service (<math>\alpha=0.845</math>)</b>			0.684	0.896
Product warranty or guaranty is important to me	QS_1	0.853		
Sales personnel's skills is important for quality service	QS_2	0.850		
Price tag on products is important for quality service	QS_3	0.838		
Staff's courteousness is important to me	QS_4	0.765		
<b>Location (<math>\alpha=0.928</math>)</b>			0.911	0.953
Availability of transportation facility is very important for a store location	LO_1	0.769		
Car parking facilities is important to me	LO_2	0.801		
Hypermarket should provide convenient ATM service	LO_3	0.753		
Hypermarket should provide a playground for children	LO_4	0.736		
Hypermarket location must be near to residential area	LO_5	0.778		
<b>Price (<math>\alpha=0.826</math>)</b>			0.589	0.877
Price discount is important to me	PR_1	0.756		
Reasonable price is important to me	PR_2	0.885		
Promotional price on various product is important to me	PR_3	0.836		
Product variety offer at different prices is important to me	PR_4	0.844		
Quantity discount on product purchase is important to me	PR_6	0.808		
<b>Customer Satisfaction (<math>\alpha=0.770</math>)</b>			0.685	0.867
I take right decision to shop hypermarket	CS_1	0.799		
Hypermarkets satisfy customers' needs	CS_2	0.842		
I shop regularly at hypermarket	CS_3	0.842		
<b>Customer Loyalty (<math>\alpha=0.878</math>)</b>			0.672	0.911
Continue shops at hypermarket	CL_1	0.822		
I will Influence other to shop at hypermarket	CL_2	0.840		
I am a loyal customer of hypermarket	CL_3	0.847		
Hypermarket is my first choice	CL_4	0.822		
I willingly buy products from hypermarket	CL_5	0.768		

Convergent validity conducted on the basis of combined loadings and cross-loadings among indicators to test whether indicators load more inside their construct that they do with other constructs (Jewell, 2011). Table 6 shows that all indicators load are very well on their construct and we assumed that measurements have convergent validity (Jewell, 2011).

Table 6: Cross-loadings

Items	CL	CS	QP	PR	LO	QS
CL1	<b>0.8216</b>	0.5563	0.3618	0.5175	0.3784	0.3355
CL2	<b>0.8390</b>	0.5021	0.3237	0.5568	0.3967	0.3241
CL3	<b>0.8464</b>	0.4822	0.3305	0.5066	0.4494	0.3962
CL4	<b>0.8212</b>	0.4332	0.3121	0.5044	0.431	0.3755
CL5	<b>0.7675</b>	0.4956	0.3136	0.4624	0.4392	0.3158
CS1	0.4749	<b>0.7989</b>	0.4105	0.4044	0.3932	0.4307
CS2	0.4862	<b>0.8412</b>	0.412	0.3709	0.2971	0.262
CS3	0.5351	<b>0.8414</b>	0.4081	0.4234	0.353	0.3154
QP3	0.3701	0.4533	<b>0.9156</b>	0.5135	0.4109	0.4575
QP4	0.3291	0.3596	<b>0.8613</b>	0.44	0.3548	0.4498
QP5	0.375	0.5096	<b>0.9063</b>	0.4517	0.3497	0.4008
PR1	0.5404	0.4305	0.3404	<b>0.7556</b>	0.4598	0.4063
PR2	0.5837	0.4092	0.4513	<b>0.8840</b>	0.4646	0.3916
PR3	0.4371	0.3869	0.4624	<b>0.8356</b>	0.4201	0.3601
PR4	0.5214	0.4359	0.4686	<b>0.8437</b>	0.4721	0.3638
PR6	0.4772	0.3309	0.445	<b>0.8072</b>	0.4448	0.4174
LO1	0.3799	0.243	0.3604	0.4439	<b>0.7688</b>	0.3436
LO2	0.4168	0.3559	0.2745	0.4174	<b>0.8001</b>	0.3503
LO3	0.3979	0.2709	0.2432	0.4166	<b>0.7525</b>	0.3083
LO4	0.3441	0.3453	0.3988	0.3594	<b>0.7354</b>	0.3633
LO5	0.4162	0.3843	0.3159	0.4637	<b>0.7774</b>	0.4367
QS1	0.3702	0.3684	0.3732	0.3521	0.4076	<b>0.8528</b>
QS2	0.3972	0.3395	0.405	0.414	0.4297	<b>0.8490</b>
QS3	0.3605	0.3903	0.4632	0.4151	0.3621	<b>0.8370</b>
QS4	0.2677	0.2352	0.3629	0.3697	0.3648	<b>0.7648</b>

Footnote: QP= Quality Product, QS= Quality Service, PR= Pricing, LO= Location, CS= Customer Satisfaction, CL= Customer Loyalty

## 5. CONCLUSION AND IMPLEMENTATION

The study focused on the customers' satisfaction through loyalty of Malaysian hypermarkets from customers' behavioral perception. Generally, customers' perception is widely varied, which mostly associated with service quality, pricing (Rahman *et al.*, 2010), and quality product of retail industry. This research is also identified the overall customer satisfaction has strong significant relationship with customer loyalty. Customer is the king of a business organization. Customer satisfaction and loyalty is deeply interrelated with customers' purchase behavior. Indeed, customer satisfaction is very important, since the finding of the research is examined that service quality, product quality and price strategy have significant impact on customer satisfaction and overall customer satisfaction has direct impact on customer loyalty. Therefore, customer satisfaction is an antecedent to the customers' loyalty in hypermarkets context and it is recommended by Dahesh *et al.* (2012) stated that customer satisfaction is the key and real determinant to the customers' loyalty to a particular industry. The author also point out that managerial strategy is an important indicator to the customers' loyalty in every business firm. To investigate the customer satisfaction in Malaysian hypermarkets, the research provides exploratory study by distributing research questionnaires among Malaysian hypermarkets (Giant, Tesco and Carrefour) consumers involving professionals, students, practitioners and other consumers of hypermarket industry. Customer loyalty can be sustained through developing customer satisfaction. In this study, the result found that customer satisfaction is the mediator construct that has direct relationship to customer loyalty. Abdullah (2012) recommended that the higher customers' satisfaction level will result in a higher customers' loyalty. Location is an important component in hypermarket setting. In this study, location has moderating impact between customer satisfaction and customer loyalty.

According to literature review, there was illustrated a vast of customer satisfaction and customer loyalty dimensions under the different constructs. In this study, four constructs (service quality, product quality and price strategy) are verified to important for developing customer satisfaction. Under the construct of service quality, four dimensions are most important for customer satisfaction such as staff's courteousness, product warranty or guaranty, sales personnel's skills, and price tag on products are the important dimensions. In terms of product quality, three dimensions are most important for customer satisfaction including product durability, accurate product information and innovative product offer. Consequently, price discount, reasonable price, promotional price on various product, product variety offer at different prices, quantity discount on product purchase are the important dimensions for developing customer satisfaction and customer loyalty. Finally, location is also important construct that is verified to significant relationship between customer satisfaction and customer loyalty. The result found the five dimensions that are transportation, car parking facilities, convenient ATM service, residential area and playground for children are the most important for developing customer satisfaction and building customer loyalty in the retail business industry in Malaysian hypermarket context.

## 6. LIMITATION AND DIRECTION FOR FUTURE RESEARCH

The limitation of the study is encountered on the total process of this research. The sample size of this survey may not demonstrate total population owing to limited financial resources and time consuming. In addition, two hundred and ninety two (260) samples from Kuala Lumpur area may not enough to illustrate properly total Malaysian hypermarkets' consumers who are aged below 20 years. This limitation does not affect the overall result of this study because Kuala Lumpur areas such as Batu cave, Wangsamaju, Sri Rampai, Kota Damasara and Puchong are the highest number of outlets in Malaysia. However, the findings of the study are constructive, for further verification and implementation by the practitioners of hypermarkets organization. In terms of future research, this is beneficial and practical as well as discussion relating to the limitation of the research. The researchers are encouraged to conduct for future study especially throughout the whole Malaysia. The research should be conducted nationally that covered entirely all area of Malaysia to clarify the customer satisfaction and customer loyalty. The results of this study from different customers' background can aid to generalize the overall population as well as developing intensive research. For further research, researchers should look into other construct like managerial strategy, value of products, needs of customers and others. Particularly, Malaysian hypermarket industry should emphasis and implements properly the customer service sector, product quality, price strategy and store attributes, as these are verified to significance relationship with customer's satisfaction and loyalty in Malaysian hypermarkets. In addition, diversity research is very important and it will provide more accurate information as well as solution of the problem to Malaysian hypermarkets for implementing the effective marketing strategy to develop customer satisfaction and customer loyalty. Furthermore, different types of languages (Tamil and Malay) are necessary for constructing the questionnaires for future researcher.

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