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Examining the Association Between Consumer Satisfaction, Complain Handling and Loyalty Programs with Consumer Loyalty Towards Hypermarket in Batu Pahat, Johor, Malaysia

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Abstract

The objective of this study is to investigate the association between complain handling, loyalty program and consumer satisfaction with consumer loyalty. This study employed a cross-sectional design and used a self-administered questionnaire and collected quantitative data from 100 AEON BIG consumers from Batu Pahat, Johor, Malaysia. Findings of this study noted that product complain handling, loyalty program and consumer satisfaction have a significant positive association with consumer loyalty. In order to reach its full potential and gain competitive advantages, hypermarkets in Malaysia should therefor focus on developing a proper complain handling system and promote loyalty program in order to build consumer loyalty, which eventually lead to higher sales and profit for the hypermarkets.

Key words: Satisfaction; Complain handling; Loyalty programs;Consumer loyalty; Hypermarket; Malaysia

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INTRODUCTION

To survive in today's competitive business environment, organization across various industries shifting towards loyalty marketing. This is because most of the earlier studies noted a positive impact of consumer loyalty on sales and profit.Eshghi *et al*. (2007) and Heskett and Sasser (2010) noted consumer loyalty is one of the most frequently discussed subjects in the marketing and service literature.Loyalty is more than simply liking one retailer over another. Loyalty means that consumer will be reluctant to patronize competitive retailers. For example, Lovelock (1996) describe loyalty as willingness of a consumer to continue patronizing a firm's product and services over a long period of time and on a repeated and preferably exclusive basis, and voluntarily recommending the firm's goods to friends and associates. Consumer loyalty is consumer repeating purchase intention to some specific products on services in the future. Consumer loyalty helps enlarge premium price sales, market share (Chaudhuri & Holbrook, 2001) and profitable for the business (Chiou & Droge, 2006). Therefore consumer loyalty is regarded as necessary for successful competition in all types of business, manufacturers, services and retailers.This is consistent with customer relationship management (CRM) theory which noted that organizations objective should be focused the attraction and retention of their consumers, as the loyal consumers will buy more and pay a premium for doing business with those they trust and like (Peppers & Rogers, 2004).

Consumer loyalty is one of the most important factors contributing to the hypermarket success. In light with the enormous challenges facing by trading organizations like hypermarkets in Malaysia, this study focused on examining the strength of the relationship between buyer and seller, between the hypermarket and its consumer. Loyal consumers are those who are getting the products and services they desire. A deep understanding of consumer needs and expectations is essential to develop new products and services. Consumer loyalty therefor support business operation by providing return business and long-term buying commitments, which mean that the businesses spend less time, and money. Consumerloyalty also determined by the integrity and the honesty of the business where the consumer can feel confident in dealing with the business. Consumers return to the hypermarket because they have been treated fairly and with respect and decency. The consumer becomes loyal to the hypermarket as long as the hypermarket returns that respect to the consumer.

Therefore, it is important for the hypermarket to improve their knowledge and understandings on which factors contributing consumer loyalty and how. This study therefore designed to examine how selected factors associated with consumer loyalty among the consumers of the hypermarkets inBatuPahat, Johor, Malaysia.

Study Context: Hypermarket in Batu Pahat

BatuPahat is located at Johor that has a population about 400 000 local resident. The main hypermarket in BatuPahat is AEON BIG (M) SDN BHD that is formerly known as Magnificient Diagraph SdnBhd and here in after referred to as "AEON BIG". AEON Co. Ltd. from Japan has recently taken over AEON BIG on the 1st of November 2010. Following from the said takeover, AEON BIG is currently managing and operating 27 stores, which comprise of hypermarkets and supermarkets in Malaysia. All the aforesaid stores (formerly under the trademark of "CARREFOUR") are currently undergoing the rebranding exercise under the new management.AEON BIG has a wealth of hypermarket know-how inherited from "CARREFOUR" which started as the pioneer developer of the "hypermarket" concept in Malaysia in 1994 and "CARREFOUR" is one of the world's most successful hypermarket chains with more than 9,500 stores in 32 countries around the world.AEON Co. Ltd is now steering the growth of the hypermarkets and supermarkets in Malaysia through AEON BIG. The hypermarket concept of AEON BIG offers one-stop shopping, self-service, customer convenience facilities, free parking (selected store only) and low price on a wide range of fresh produce and non-food categories. It is also one of the hypermarkets to offer 100% refund policy that protects the consumer's right against defective goods.

1. LITERATURE REVIEW

Consumer loyalty is the forefront area of international research of marketing theory. In simple terms, consumer loyalty can be defined as consumer's intention or predisposition to repurchase from the same firm again. Patterson and Smith (2003) mentioned thatconsumer maintaining degree measures consumer loyalty from the two dimensions of time and frequency of purchase, and the consumer appropriation rate is the budget percentage rate that consumers spend to this company. As Anderson and Jacobsen (2000) noted,consumer loyalty is the result of an organization's creating a benefit for a consumer's so that they will maintain and increasingly repeat business with the organization. Loyalty is used to describe the willingness of a consumer to continue patronizing a firm's goods and services over a long period of time and on a repeated and preferably exclusive basis, and voluntarily recommending the firm's products to friends and associates (Lovelock, 1996). Consumer loyalty is a notion to describe the end result of a relationship between the company and the consumer. The company can provide incentives that will increase the value for the consumers and in that manner create buying fidelity among them.

1.1 Complaint Handling and Consumer Loyalty

Complaint resolution is one of the important elements of the company's consumer retention strategy. When the product or services does not work out, complain handling can be as powerful as meeting the need that motivates the initial purchase. Homburg and Furst (2005) stated that consumer loyalty after the complaint as the degree to which a consumer has continued the relationship with a company after the complaint and the degree to which or she intends to do so in future. According Gee et al. (2008), the effective consumer complaint handling becomes imperative. Gomez et al. (2004) mention this is due to the fact that a single unsatisfactory experience may influence a consumer to shift stores almost immediately. Earlier studies noted that complaint offers an opportunity not only to retain a consumer but also to garner valuable feedback. According Kau and Loh (2006), when complaints are handled effectively, it can affect consumer satisfaction, loyalty and positive word of mouth communication, and future repurchases.

1.2 Loyalty Programs and Consumer Loyalty

Loyalty programs aim to create a win-win situation for the initiating company and its consumers. This strategy encourage consumers to return to retailer in order to save money, receive special offers or extras, or earn additional products or services in appreciation for their loyalty Bolton *et al.* (2004). According to Yi and Jeon (2003), loyalty program is a marketing action of a firm that is designed to provide reward incentives for profitable consumers who are deemed to be loyal to the local firm. Previous studies noted that loyalty program should be designed in such a way that consumer would perceive them positively, and create attitudinally loyal consumer who would allocate a higher share of their wallets to the focal firm relative to other competitors in their future (Furinto *et al.*, 2009). Consumer loyalty program is a useful marketing tool designed to increase loyalty by providing incentives to consumers through added benefits (Yi & Jeon, 2003). According Meyer-Waarden (2007), successful loyalty schemes increase consumer loyalty-lifetime duration. Finally, as noted by Magi (2003), the retail loyalty programs had a high degree of influence on consumer's share of purchase and share of visits.

There are a big variety of different kinds of consumer loyalty programs that are usually adapted to and dependent on the nature of the business the company finds itself in. However, a majority of the loyalty programs can be divided into two main categories. In the first one, the programs have the intention to offer increased value, for example extra service or faster service. The second category of consumer loyalty programs is based on price discounts, bonuses, rebates and special offers. In both cases, the objective is to keep the consumer in the company, but with different methods. There are few loyalty programs that completely belong to one category; rather they are usually a mix of both types. One of the disadvantages of entirely relying on monetary benefits is that the company may be successful in attracting new consumers, but does not gain sustainable advantage (Blomqvist *et al*., 2000).

1.3 Consumer Satisfaction and Consumer Loyalty

Consumer satisfaction is the degree of overall pleasure or contentment felt by the consumer, resulting from the ability of the service to fulfill the consumer's desires, expectations and needs in relation to the service. As mentioned by Homurg and Giering (2001), the strong focus on consumer satisfaction is based on the implicit assumption that there is a strong positive relationship between consumer satisfaction and loyalty. Consumer satisfaction is very central to a business success because satisfied consumers are most likely to be loyal and to make repeat orders and to use a wide range of services offered by a business. Consumer satisfaction is an asset that should be monitored and managed just like any physical asset. Consumer satisfaction also can view as an attitude towards something and can be defined as a consumer's generic judgment of a certain object.

As stated by Kau and Loh (2006), consumer satisfaction is crucial to the survival of any business organization in the way that a consumer must be satisfied with a store to keep visiting it. Otherwise he or she would change to another store and spread negative word of mouth communication. Luo and Homburg (2007) described that consumer satisfaction positively affects business profitability. Satisfaction is an overall attitude towards a product provider or an emotional reaction to the difference between what consumers except and what they actually receive regarding the fulfillment of a need.

2. RESEARCH METHODOLOGY

This study focuses on assessing the association between complain handling, loyalty program and consumer satisfaction with consumer loyalty towards hypermarket in BatuPahat, Johor, Malaysia. This study employed a cross-sectional design and self-administrated questionnaire to collect data from the consumers of the AEON BIG hypermarket. Questionnaire was distributed to the walk in customers (age 18 and above only) in the AEON BIG hypermarket and complete data was collected from 100 customers.

2.1 Research Instrument

The type of instruments that was used in this research was the five-point Likert scale questionnaires. Likert scale is the easiest way to build based upon the supposition that each statement on the scale has an attitude value, importance or weight in reflecting the attitude towards the issue in question. There are also multiple-choice questions in this questionnaire. The survey questionnaire was divided into two sections. The first part of the questionnaire includes demographic questions based on personal information such as gender, age, ethnicity, income, and education. The second part of the questionnaire tested the independent and dependent variables. The five-point Likert scale of 1 to 5 points (strongly disagree, disagree, neutral, agree, and strongly agree) was used for the independent and dependent variables. Questionnaires were given to the respondents and they answered it based on their own preferences. A total of 20 statements with a five-point ordinal scale were used to measure guests' satisfaction (5 statements) and the selected variables namely perceived quality (4 statements), perceived value (5 statements), and trust (5 statements).

After the data is collected, it will be analyzed and summarized in an easy-to-understand format for interpretations and tabulations. Analysis starts with the descriptive analysis, followed by the reliability analysis and correlation analysis.

3. RESEARCH FINDING

3.1 Respondents Demographic Characteristics

From the data that obtained, out of total 100 respondents, 32 of them reported that they visit AEON BIG hypermarket 1 to 3 times per months, 45 of them visit 4 to 6 times and month and remaining 23 visit more than 7 times per month. The demographic characteristic as reported in Table 1 shows that there are total of 59 of the respondent was female, and 39respondentswere male. As per ethnicity, 54 out of 100 respondents are Malay, 24 of them are Chinese, 18 of them are Indian and remaining 4 are others.

Table 1
Background of Respondents

	N	%		N	%
Gender			*Ethnicity*		
Male	41	41	Malay	54	54
Female	59	59	Chinese	24	24
			Indian	18	18
			Others	04	04
Marital Status			*Level of education*		
Single	39	39	Primary	7	7
Married	61	61	Secondary	53	53
Divorced	0	0	Degree	39	39
			Postgraduate	1	1

To be continued

Continued

	N	%		N	%
Monthly Income			*Age*		
RM1000 and Below	21	21	18-25	32	32
RM1001 – RM2000	38	38	26-35	24	24
RM2001 – RM3000	28	28	36-45	15	15
RM3001 and Above	13	13	46-55	20	20
			55 +	9	9

Among the respondents that answered our question, 32 of them were the age around 18 to 25 and 24 of them are 26 to 36. For category level of education, respondents with secondary level are the highest rate with 53 persons. Followed by 39 respondents completed their Bachelor degree.For category level of income, 38 respondents reported their monthly income betweenRM1000 to RM2000 per month, 28 respondents monthly income between RM2001 to RM3000.

3.2 Reliability Analysis

The interim consistency of the data collected was measured. The result indicates that the Cronbach's alpha of complain handling measure is 0.881, loyalty program measure is 0.770, consumer satisfaction measure is 0.748, and consumer loyalty is 0.7913. Thus, the internal consistency reliability of the measures used in this study can be considered as being in the range of very good.

Table 2
Reliability Analysis

Variable	N of Items	Cronbach's Alpha Based on Standardized Items
Complain Handling	5	0.818
Loyalty Program	5	0.770
Consumer Satisfaction	5	0.748
Consumer Loyalty	5	0.791

3.3 Correlation Analysis

The Pearson Correlation test was employed to examine the association between variables. As noted in Table 3, it shows that all the variables have moderate significant positive correlation with consumer loyalty, which are complain handling (r=0.550), loyalty program, (r=0.429), and consumer satisfaction (r=0.654). All the correlation coefficients are statistically significant at the chosen 5% level of significance.

Table 3
Pearson Correlations Coefficient

		Complain Handling	Loyalty Program	Consumer Satisfaction
Consumer Loyalty	Pearson Correlation	.550**	.429**	.654**
	Sig. (2-tailed)	.000	.000	.000
	N	100	100	100

CONCLUSION

As noted in the analysis, most of the respondents in AEON BIG, Batu Pahat are femaleaged between 18 to 35 years. They majority were married and their education level was mostly as secondary school. Most of them were Malay population and the monthly income was in between RM1001 to RM2000. The average monthly spending was RM501 to RM1000. The frequency of visiting hypermarket (monthly) was 4 to 6 times. Among the factors influencing consumer loyalty, hypermarkets complaint handling system is highly associated with consumer loyalty. Therefore, hypermarkets should have a good complaint handling procedure in order to increase consumer loyalty to the hypermarket. Many organizations have completely missed the fact that an effective and efficient compliant handling has the impact on the loyalty of consumer. As noted by Gee et al. (2008), complaint resolution is thus an important element of the company's consumer retention strategy.The second contributing factor was loyalty program offered by AEON BIG hypermarket that is associated wit consumers' loyalty. This finding shows the effectiveness of current loyalty program implemented by AEON BIG. The third factor, consumer satisfaction also highly correlated with consumer loyalty, as the high level of satisfaction lead to the consumer loyalty. Hypermarkets in Malaysia should therefor focus on developing a proper complain handling system and promote loyalty program in order to build consumer loyalty, which eventually lead to higher sales and profit for the hypermarkets.

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