

**CUSTOMER SATISFACTION, TRUST AND
REPURCHASE INTENTION TOWARDS
HYPERMARKETS IN KLANG VALLEY, MALAYSIA:
THE MEDIATING EFFECT OF CUSTOMER
LOYALTY.**

NOOR FARHANA BINTI MANGADI

**MASTER OF SCIENCE
(RESOURCE MANAGEMENT)**

UNIVERSITI PERTAHANAN NASIONAL MALAYSIA

2022

NOOR FARHANA MANGADI MASTER OF SCIENCE UPNM 2022
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Thesis submitted to the Centre for Graduate Studies, Universiti Pertahanan Nasional
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(Resource Management)

2022

ABSTRACT

A hypermarket is a modern shop that offers a wide range of items and services under one roof. Since 1993, Malaysia has seen an increase in the number of hypermarkets, particularly in places with large and dense populations. Klang Valley, which comprises of Putrajaya, Kuala Lumpur and Selangor, have the most hypermarkets in Malaysia compared to other states. Customers constant strong push have driven hypermarket retailers to consistently move ahead, compete and sustain in the market through high-intensity competitions. Customers are especially important for competitiveness in businesses which they are heavily involved in decision-making.

In such circumstances, this study seeks to investigate the effect of customer loyalty as a mediating variable on repurchase intentions towards hypermarkets in Klang Valley, Malaysia. Loyal customers will shop at their preferred hypermarket on a frequent basis, and repurchase intentions can develop among these customers. Besides, with the current situation impacting Malaysia and a variety of shopping options for customers, this study can assist hypermarkets in understanding their customers' behaviour. There are few studies that consider repurchase intentions in hypermarkets. As a result, in addition to focusing on customer loyalty and repurchase intention, this study also included two variables: customer satisfaction and trust.

The survey was carried out in three areas, namely Selangor, Kuala Lumpur and Putrajaya. It was conducted by using a self-administrated questionnaire in Google Forms platform. This study also focused on the working age range of 15 to 64 years old because they have an income that influences consumer behaviour. This study

collected a total of 479 questionnaires, however only 474 of them were useful. The acquired data were examined using two software, SPSS and PLS-SEM.

The findings of this investigation indicate that the five hypotheses proposed had significant effects. Customer satisfaction and trust had significant effect on customer loyalty. As for customer loyalty, it had significant effect on repurchase intention. In addition, testing the effect of mediating variable in this study, it was found that customer loyalty has mediated the relationship between independent variables (customer satisfaction and trust) and repurchase intention.

Keywords: hypermarkets, customer satisfaction, trust, customer loyalty, repurchase intention, Social Exchange Theory (SET).

ABSTRAK

Pasar raya besar adalah kedai moden yang menawarkan pelbagai jenis barangan dan perkhidmatan di bawah satu bumbung. Sejak 1993, Malaysia telah menunjukkan peningkatan bilangan pasar raya besar, terutamanya di kawasan yang berpenduduk tinggi dan padat. Lembah Klang yang terdiri daripada Putrajaya, Kuala Lumpur dan Selangor mempunyai banyak pasar raya besar berbanding negeri lain di Malaysia. Dorongan pelanggan yang kuat secara berterusan telah membawa peruncit pasar raya besar untuk terus maju ke hadapan, bersaing dan bertahan dalam pasaran melalui persaingan yang berintensiti tinggi. Pelanggan amat penting untuk daya saing dalam perniagaan di mana mereka banyak terlibat dalam membuat keputusan.

Dalam keadaan sedemikian, kajian ini bertujuan untuk menyiasat kesan kesetiaan pelanggan sebagai pembolehubah pengantara ke atas niat membeli semula terhadap pasar raya besar di Lembah Klang, Malaysia. Pelanggan yang setia akan membeli-belah di pasar raya besar pilihan mereka secara kerap dan niat membeli semula boleh dibentuk dalam kalangan pelanggan ini. Selain itu, dengan situasi semasa yang memberi kesan kepada Malaysia dan pelbagai pilihan membeli-belah untuk pelanggan, kajian ini dapat membantu pasar raya besar dalam memahami gelagat pelanggan mereka. Terdapat sedikit kajian yang mempertimbangkan niat membeli semula di pasar raya besar. Hasilnya, selain memfokuskan kepada kesetiaan pelanggan dan niat membeli semula, kajian ini juga merangkumi dua pembolehubah: kepuasan pelanggan dan kepercayaan.

Tinjauan dilakukan di tiga kawasan iaitu Selangor, Kuala Lumpur dan Putrajaya. Ia telah dijalankan dengan menggunakan soal selidik yang ditadbir sendiri dalam platform *Google Forms*. Kajian ini juga tertumpu kepada responden lingkungan umur bekerja daripada 15 hingga 64 tahun kerana mereka mempunyai pendapatan di mana ia mempengaruhi tingkah laku pengguna. Kajian ini telah mengumpul sebanyak 479 soal selidik, namun hanya 474 soal selidik dapat digunakan. Data yang diperoleh telah diuji menggunakan dua perisian, SPSS dan PLS-SEM.

Dapatan kajian ini menunjukkan bahawa lima hipotesis yang dicadangkan mempunyai kesan yang signifikan. Kepuasan pelanggan dan kepercayaan mempunyai kesan yang signifikan terhadap kesetiaan pelanggan. Bagi kesetiaan pelanggan, ia mempunyai kesan yang signifikan ke atas niat membeli semula. Selain itu, dalam menguji kesan pembolehubah pengantara dalam kajian ini, didapati kesetiaan pelanggan telah menjadi pengantara hubungan antara pembolehubah tidak bersandar (kepuasan pelanggan dan kepercayaan) dan niat membeli semula.

Kata kunci: pasar raya besar, kepuasan pelanggan, kepercayaan, kesetiaan pelanggan, niat membeli semula, Teori Pertukaran Sosial (SET).

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APPROVAL

The Examination Committee has met on **21 April 2022** to conduct the final examination of **Noor Farhana binti Mangadi** on his degree thesis entitled '**Customer Satisfaction, Trust and Repurchase Intention towards Hypermarkets in Klang Valley, Malaysia: The Mediating Effect of Customer Loyalty**'.

The committee recommends that the student be awarded the of Master of Science (Resource Management).

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Academic session : July 2022

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LIST OF ABBREVIATIONS

UPNM	-	Universiti Pertahanan Nasional Malaysia
SET	-	Social Exchange Theory
SPSS	-	Statistical Package for the Social Sciences
PLS-SEM	-	Partial Least Square Structural Equation Modelling
CFA	-	Confirmatory Factor Analysis
CCA	-	Confirmatory Composite Analysis
AVE	-	Average Variance Extracted
HTMT	-	Heterotrait-monotrait

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter begins with the description of the background of the study followed by the problems that led to the researcher conducting this study. Each question and objective of the study is constructed by the researcher and listed in the third and fourth section. Next, the scope of the study is discussed in the fifth section. The significance to be derived from this study is described in the sixth chapter.

1.2 Background of Study

In Malaysia, the initial phase of the retail industry started from a traditional sundry store, which then transformed into supermarket and later into hypermarket. Hypermarket refers to mixed types of retailer which is a combination of departmental store and supermarket under one roof. Hypermarket provides convenience, more varieties and more competitive prices targeting low to middle-income customer (Peng et al., 2018). It is becoming increasingly popular around the world including Malaysia as people's living standards and purchasing power rise. The trend of hypermarket in the retail industry in Malaysia has been around since the 1990s, and its growth is in

line with the world's evolvement and progress towards globalisation and liberalisation, as well as Malaysia's fast urbanisation. A report by the Ministry of Domestic Trade and Consumer Affairs stated that there were 117 hypermarkets in operation in 2018, and in 2020, the total number of operating hypermarkets has increased to 138.

Chronologically, the first hypermarket established in Malaysia was in the year 1993 known as Makro. A year later in 1994, international investors began their presence in Malaysia with the opening of Carrefour hypermarket. Carrefour eventually sold its 26 hypermarkets to AEON Group in November 2012, gradually rebranding it to AEON BIG, which was founded in 1984 and since then, it has been expanding until the present day. The idea of AEON establishment in Malaysia, came from former Prime Minister Tun Dr. Mahathir Mohamad, who believes that modernising the retail industry is critical to the country's economic progress (Mursyidatunnajawa et al., 2020). In addition to the abovementioned hypermarkets, Tesco, another well-known foreign hypermarket in Malaysia, was founded in 2002. Tesco is tied to Sime Darby Berhad, a Malaysian company that owns 30% of the corporation. Due to the acquisition of Tesco's business in Malaysia in 2020, Tesco was rebranded to Lotus's, which owned by the Charoen Pokphand (CP) Group (Singh et al. 2021).

According to Hassan et al. (2015), the five main hypermarkets in Malaysia are Aeon, Eonsave, Giant, Mydin and Tesco (presently known as Lotus's). In terms of distribution, Klang Valley has the most hypermarkets in Malaysia compared to other areas (refer Table 1.1). This is due to the fact that the economy in the area is fast increasing in tandem with the trend of urbanisation, which is supported by robust infrastructure. Furthermore, the population density in the area is higher, as well as their purchasing power (Yee & Burhan, 2021).

Table 1.1 Distribution of Main Hypermarkets in Malaysia

State	Number of Hypermarkets	Percentage (%)
Johor	46	17.62
Malacca	10	3.83
Negeri Sembilan	12	4.60
WP Kuala Lumpur	29	11.11
Selangor	76	29.12
WP Putrajaya	3	1.15
Perak	34	13.03
Penang	22	8.43
Perlis	0	0
Kedah	11	4.21
Kelantan	5	1.92
Terengganu	4	1.53
Pahang	6	2.30
WP Labuan	0	0
Sarawak	2	0.77
Sabah	1	0.38
Total	261	100

Source: Hypermarket websites (Aeon, Econsave, Giant, Mydin and Tesco)

As a developing country, the number of hypermarket outlets is predicted to grow year after year. Therefore, due to the growing number of direct competitors, rivalry between hypermarkets in this country is intense. In such cases, hypermarkets

must adapt quickly with novel solutions and efforts to recent changes in customer behaviour and beats the competitors. One of the main keys for hypermarket operators to sustain their position in market is continuous consumption from customers. In other words, they will need to increase customer repurchase intention among the customers in order to minimise costs and enhance profits (Lin et al., 2017). Repurchase intention is a customer's commitment to utilise a product or service after purchasing and using it (Sarahnadia & M.Si, 2017).

This is consistent with Ismoyo et al. (2017) who stated that repurchase intention may encompass not only the want to buy again the goods or services, but also the desire to suggest it to others. They also mentioned that this behaviour was expressed by loyal customers. Therefore, in parallel to capture the repurchase intention among the customers, hypermarkets must also focus on factors that can create and retain customers loyalty. Without customer loyalty in a retail business, the competitive advantage possessed will not be successful (Puspaningrum, 2018).

1.3 Problem Statements

Hypermarkets have an essential purpose in economies because they provide and distribute basic human needs such as food items, consumer goods and lifestyle products. In Malaysia, hypermarkets have grown significantly faster than other sectors of the economy. Intense competition among hypermarkets in Malaysia enables customers and especially those from the bulging middle class to easily switch between service providers in their quest to satisfy their changing sophisticated preferences and needs (Sern & Mahadevan, 2019). Since consumer needs are dynamic in nature, hypermarkets must incessantly study their customers so as identify their desires and

preferences in order to realign their service strategies to generate repurchase intention among the customers (Toili, 2017).

Repurchase intention is essential for sustainability and profitability of a business. It brings the customers to return to the same company in a short term or long term (Savilla, 2019). Customers who are interested to repurchase in the same company based on past evaluation and experience (Baneerje et al., 2018). According to the Ismoyo et al. (2017), repurchase intention usually expressed by loyal customers who often spent more money time to time and these customers will recommend the products or services to others. However, since the presence of COVID 19, many changes have occurred especially in purchasing pattern, such as many people saving money because they are affected by layoffs in workplace which results in a decrease in buying intention (Hidayat et al., 2021; Vadakkepatt et al., 2021), and their intention to buy in high volume (OECD, 2020).

Malaysian consumers are becoming more discreet in their spending and constantly looking out for better value for money from their shopping (Euromonitor International, 2020). Therefore, people have changed their intention to repurchase at physical hypermarkets in high volume as it is not same as ten years ago and they are turning to supermarket or mini-markets for small scale (The Star, 2019). It causes a serious impact on retailing specifically hypermarkets. The Retail Group Malaysia (RGM) stated that during the first quarter of 2020, the retail industry recorded a negative growth rate of 11.4 percent in retail sales (The Edge Markets, 2020). Besides, one of the hypermarkets affected by this pandemic is AEON which is the Japanese mall brand operating in Malaysia that reported the second quarter net loss of US\$2.3 million (Arnold, 2020). Therefore, in order to survive, hypermarkets are now shifting

their strategy by moving to smaller-sized formats, renovating their stores, and prioritising close proximity to consumers (Euromonitor International, 2019).

Moreover, according to the BERNAMA (2020), a survey that involved Malaysian has shown the pandemic COVID-19 and extension of MCO has influenced the customer purchasing behaviour and the way of their shopping, which in turn changed customer demands and needs. Some customers are making the conversion to online shopping after discovering the security and convenience of home deliveries, store pick-up and cashless payment (Eger et al., 2021). It can be seen that in the beginning of April 2020, the value of e-commerce rose to 9.3 percent (Naseri et al., 2021). As digitalization advances, many physical stores are finding it difficult. This increase in e-commerce leads to a decline in consumer loyalty, resulting in a drop in revenue in these physical stores including hypermarkets (Asong, 2021). Be that as it may, “physical retail stores are not going away” (Deloitte Touche Tohmatsu Limited, 2018) because “90% of worldwide retail sales are still done in physical stores” (eMarketer, 2017). Most Malaysians also still shop at physical hypermarkets for essential goods, particularly perishable items. As a result, even though internet services provide an alternative for acquiring similar products, the existence of a physical hypermarket remains relevant (Hassan et al. 2019, Maryati, 2020).

As the survival of hypermarkets in Malaysia are indefinite and the competition between retailers is intensified, many retailer have embraced customer loyalty in their objectives to sustain in their marketing strategy. This strategy is to keep or retain the existing customers rather than attracting new customers which far more expensive (Singh, 2017). They believed that consumers become loyal and repurchase in the hypermarkets as long as the hypermarkets treated fairly with respect and decency to them (Rehman et al., 2014). In study Wantara and Tambrin (2018) and Albakri et al.

(2016) found that customer satisfaction and trust are paramount as both are influence customer loyalty. Furthermore, customer loyalty found significant and positively affect repurchase intention and the role of customer loyalty was succeed as mediator to ensure an increasing levels of repurchase intention (Bulut & Karabulut, 2018).

Since consumers' behavior is varied in different countries or regions, therefore, it is necessary to re-examined the constructs of willingness to repurchase for evaluating consumers' behavior in Malaysia. Several prior studies used the same variables as the current study, but they were researched separately, and only a few focused towards hypermarkets. For instance, previous studies have investigated the customer satisfaction, loyalty and repurchase intention but it focused on food grocery retail (Sa, 2020) and boutique store (Niekerk, 2016). Another previous study by Park (2019) stated a similar relationship between customer loyalty, customer satisfaction, trust and repurchase intention but the study focused on online shopping. Apart from that, Chowdhury (2020) conducted their study on hypermarket in Malaysia but it only focused on customer satisfaction. In addition, trust and loyalty effect repurchase intention, most of the studies appear to confirm this relationship during a normal situation. However, during a crisis like the COVID-19 pandemic, the situation might change. Therefore, due to the certain gaps between this study and the prior study, the author would like to look further and conduct this study by applying the previous research's theories.