

CONSUMERS' BEHAVIOUR TOWARDS MODERN AND
TRADITIONAL RETAILING IN KUCHING CITY

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**CONSUMERS' BEHAVIOUR TOWARDS MODERN AND
TRADITIONAL RETAILING IN KUCHING CITY**

AWANG YUSOP BIN AWANG ADOM

A Thesis Submitted to the School of Management
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Requirement for the Degree of
Doctor of Business
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Abstract

The retailing market in Kuching city has undergone dynamic changes. New modern retail chains' entering the Kuching retail industry is creating intense competition among all the large and small players active in the market. However, some portion shares of the market are still in the hands of small traditional retail owners. The main issue and problem of this study is the consumers' preference of shopping choice and satisfaction of retail formats and a question of continuous growth and sustainability of modern retailers despite of the continuous existence of traditional retailers.

The purpose of this study is to identify the important factors that affect consumer shopping behaviour of Kuching city customers toward modern and traditional retailers. The study focuses to find factors that lead to the shopping choice and satisfaction and which specific type of retail formats are of better customers' preferences. Based on the literature review, a theoretical model was proposed and six hypotheses were developed. The model investigates the effect of several independent variables on store attributes: product, price, promotion, store atmosphere, location convenience and services.

A survey of 209 respondents of Kuching city consumers are the sample representing Kuching city population customers responded to survey questionnaire based on a non-probability sampling approach of convenience sampling. Several techniques were used with the help of Statistical Package for Social Sciences (SPSS) to analyze the data, such as frequency, mean, Pearson's correlation, linear regression analysis and SEM equation analysis. The finding shows that products, prices, promotions, store atmosphere, locations, and services have significant impact on shopping choice of both modern and traditional retail formats. The most important variables are services and store atmosphere that influence Kuching city customers to shop at modern retailers. The prices and promotions are the most important variables that influence Kuching city customers to shop at traditional retailers. The three types of retail format: hypermarket, supermarket and traditional markets are relevant to Kuching city customers. The most preferred retail format of Kuching city customers is supermarket followed by traditional markets and hypermarket is least preferred.

Key words: Consumer Behaviour, Retailing, Traditional Store, Modern Store, Linear Regression, Products, Prices, Promotions, Store Atmosphere, Location and Services.

Approval Page

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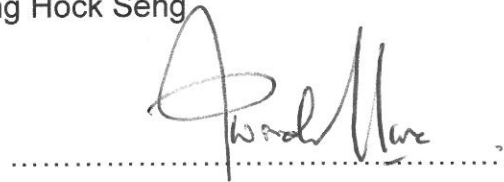
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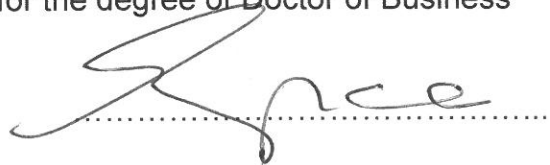
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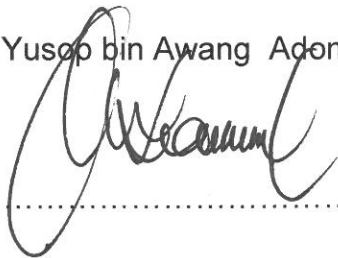
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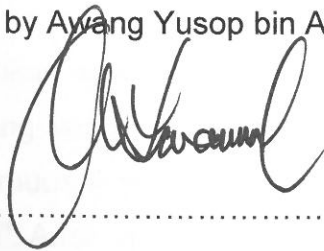
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CONSUMERS' BEHAVIOUR TOWARDS MODERN AND TRADITIONAL RETAILING IN KUCHING CITY

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LIST ABBREVIATIONS

ANOVA	Analysis of Variances
PCA	Principal Component Analysis
CFA	Component Factor Analysis
KMO	Kaiser-Meyer-Olkin
VIF	Variance Inflation Factor
β	Beta
SPSS	Statistical Package for the Social Sciences
<i>p</i>-value	<i>p</i> -value is the probability of obtaining a test statistic
<i>df</i>	degree of freedom
sig.	significance
Ho	null hypothesis
Ha	alternative hypothesis
n	number
PAD	Pleasure – Displeasure, Arousal-Non Arousal and Dominance-submissiveness
SERVQUAL	Service Quality
CCTV	Closed –Circuit Television
MSA	Measure of Sampling Adequacy
(<i>r</i>)	Correlation coefficient
SEM	Structural Equation Model
AMOS	Advanced Mortar System
MM	Measurement Model

MIM	Metric Invariance Model
CIM	Configurable Invariance Model
SIM	Scalar Invariance Model
RMSEA	Root Mean Square Error of Approximation
GFI	Goodness of Fit Index
AGFI	Adjusted Goodness of Fit Index
CFI	Comparative Fit Index

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CONSUMERS' BEHAVIOUR TOWARDS MODERN AND TRADITIONAL RETAILING IN KUCHING CITY

CHAPTER 1

Introduction

This chapter introduces the background information of Kuching retailing industry that includes the modern retail outlets and traditional retail outlets. The discussion is followed by the problem formulation and research questions. The next part focuses on the purpose and scope of the study. Finally, the final part discusses the definition of the existing types of outlets in Kuching city.

This study is focused on the store attributes related to customers' shopping behaviour and satisfaction. The importance of customers' satisfaction leading to the success of manufacturers and the retailers has been documented (Mittal and Kamakura, 2001). Customers' satisfaction has been regarded as the primary determining factor of repeat purchase and shopping behaviour. The greater the degree to which consumers' experience with the retailers, the greater the probability the consumer will re-patronage the retailers (Wong and Sohal, 2003). According to Assael (1987), satisfaction reinforces positive attitudes toward the store and leading to greater likelihood of the same store will be visited again. Therefore, it is very interesting and significant topic of this study that examine and figure out which retailers could provide high preferences and customers' satisfaction and which store attributes are very important in providing customers' satisfaction.

The customers' shopping behaviour is a very important issue in retailing industry. The customers' shopping behaviour is widely studied in many countries as to have better understanding of their needs. There were many studies conducted in the past such as on investigation of the relationship between store attributes and purchasing behaviours by Vermeir and Verbeke (1999), shopping values by Sands et al., (2009), store attributes by Hansen et al., (1978), store environment by Baker et al., (2002), product assortment by Briesch et al., (2009) and many more. All these studies were conducted in developed countries such as The United States of America, Europe and United Kingdom.

the store attributes that influence on customers' shopping behaviour and satisfaction is a very interesting aspect to this research study of which the customers' experience shopping at store are influenced by the total sum of the store attributes (Omar, 1999) . By having an in-depth understanding of this issue, retailers can focus and improve their store attributes' variables that can attract customers to shop at the retail outlets. As mentioned earlier, most searches are conducted in developed countries and only a few studies are conducted in developing and emerging markets. Researchers such as Chai and Zhou (2009) .Ho and Tang (2006) .have focused their consumers' behaviour study in China. Sinha and Banerjee, (2004) had conducted study of consumers' behaviour and retailing in India.

Therefore, this study focuses on store attributes that influence customers' satisfaction in developing countries in particular, Kuching, Sarawak, which will provide another interesting insight of the retailing industry especially in Malaysia.

There is no study yet being conducted on retailing industry in Kuching city related to customers' behaviour and satisfaction. This study is with an important reason of finding the most important factors that influence store attributes and customers' satisfaction of retail outlets in Kuching city. Kuching is selected in this study because it is the biggest retailing market in Sarawak, with 741,000 people and 489,000 customers (Sarawak Yearbook, Statistics, 2012). The major races representing the Sarawak population resides in Kuching city and the target sample is a representative of consumers' demographics in Sarawak. Kuching have the most modern shopping centres and the main tourists' destination as compared to other regions in Sarawak.

Similarly, Kuching's retailing industry is in the process of transformation and thus resulted in chaos and very competitive retailing markets. Modern retailers today have to deal with the more dynamic and competitive retailing environments when compared to many years ago. The penetration of strong foreign retail chains from the developed countries made the industry structure become strongly concentrated and competitive (Martinez-Ruiz, 2011). Currently, there are 32 major shopping centers accommodating supermarkets and small retailers throughout Kuching. The retailing industry developments of shopping centers are mostly concentrated in the city center.

is very important that the retailers maintain the long-term relationship with the target customers in order to maintain good performances and profitability for sustaining its survival and growth.

The modern retailers need to identify the key store attributes that influencing the shopping behavior and customers' satisfaction of which it is very critical in retaining customers' satisfaction and loyalty.

Identifying and analyzing the key store attributes of influencing customers' shopping behavior and satisfaction is vital so retailers can make effective strategies to remain competitive (Davis et al., 2008). Uniqueness of the store attributes and sub-store attributes are the most important sources to establish internal capabilities, competencies, differentiation and positioning to maximize customers' satisfaction. It is very important that retailers focus on the customers' needs and wants for fulfillment of customers' satisfaction especially during customers' shopping experiences (Davis et al., 2008).

Long term customers' satisfaction is one of the critical success factors for retailers because of the competitive environment in retailing industry where strengths and margins are becoming limited and small (Martinez-Ruiz et al., 2011). Customers' needs and shopping behaviors change as retailing industry transformed. There is no alternatives for retailers therefore they need to be more concerned about the store attributes in terms of products' quality, assortments, customers attention and awareness using promotional tools, services, store atmosphere, store location, prices to reduce the customers' perception gap (Martinez-Ruiz et al., 2011).

The modern retailing developments and growth are achieved through the efficiency and low prices and these factors result on traditional and independent stores are under pressure to close down their operations. The efficiency and low costs from supply chains of modern retailers enable them to increase its buying power and ability to impose and standardize prices from the supply chains. The rapid expansion of modern retailers in developing countries involves the elements of demand and supply of supermarkets services (Reardon et al., 2003). The demand factors are mainly due to urbanization of women entering into labor market, improvement in standard of living and the rapid growth of per capita income. On the supply side, the factors