

## DETERMINANTS OF MALL LOYALTY BY OUT-OF-TOWN SHOPPERS

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### Abstract

*This paper contributes to the understanding of shopping mall visitors' loyalty by exploring the loyalty motivations of out-of-town shoppers. Many locals, tourists and out-of-town residents meet up or hang out in the malls not only for shopping but also for leisure, food and entertainment. As the administrative and cultural capital of Malaysia, Kuala Lumpur and the surrounding Klang Valley is densely populated and as such has the most number of shopping malls in the country. As a result, there is an intense competition for visitors. Thus, visitor mall loyalty is an important area of research. However, there is scarce research on the mall loyalty by out-of-town shoppers which is an important market segment for malls located in city centers. Previous research on customer loyalty did not consider the influence of 'other' visitors or shoppers. The findings show that out-of-town shoppers' loyalty towards shopping malls are positively related to the factors of other visitors, convenience, mall image, mall environment, aesthetic, variety and entertainment. This research contributes to an understanding of the needs and wants of mall patrons.*

**Keywords:** Shopping mall, Malaysia, Customer loyalty.

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### 1. Introduction

With over 60 percent of Malaysia's GDP contributed by domestic consumption, the Economic Transformation Programme (ETP) has included the Wholesale and Retail sector as one of the National Key Economic Areas (NKEA) to boost the country's total GNI by RM156 billion and create 454,190 new jobs by 2020. Initiatives were established under the Entry Point Projects (EPPs) with EPP 1's target of increasing the number of malls resulting in Malaysia being named the second best shopping city in Asia Pacific by Global Shopper Index, 2013. Another reason for the growth of malls is that developers are shifting from building residential

properties to property investment by building malls and incorporating them into their Real Estate Investment Trust (REIT) funds.

However, the proliferation of shopping malls resulted in an intense competition for visitors. Coupled with factors like the imposition of the Goods and Services Act, 2015 (GST), the economic slowdown and the weakening ringgit has led to lower sales and margins. Consequently, the Malaysia Retail Chain Association (MRCA) has asked the government to put a temporary freeze on licenses for new shopping malls to curb retail space oversupply. As the administrative and cultural capital of Malaysia, Kuala Lumpur and the surrounding Klang Valley is densely populated and as such has the most number of shopping malls in the country. Of the 150 million square feet of retail space in Malaysia, 50 percent of it is in K.L. and Selangor. However only 30 percent of Malaysia's population lives there. Ultimately, malls need to attract visitors to remain relevant. The growth of wealth and education levels have changed the life style of Malaysia people with shopping becoming a common leisure and supplementary activity (Wong, Osman & Chan, 2011). The term shopping mall is a misnomer for visitors not only shop, but patronage malls for food, entertainment and to meet friends. As such other factors in addition to shopping attract patrons to malls. In order to retain mall customers, shopping malls must understand what visitors need and cater to their needs. In the current retail environment, relationship marketing is an important and useful strategy to manage and develop the relationship between retailers and customers (Clark et al., 1995). Therefore, good relationships with customers are needed to ensure customer loyalty. This study therefore investigates the factors that attract customers to malls.

## 2. Literature Review

A review of selected literature has revealed the following factors that encourage patronage of malls;

**Visitor loyalty:** Visitor loyalty is the probability of former visitors revisiting a particular mall. Visitor loyalty implies that the visitors are committed to purchasing goods or dining at a particular mall location therefore making the mall their preferred choice (Berman & Evans, 2006). Loyalty also implies a desire to return. Thus loyalty is a kind of behavior that shows continuous purchases (Molina & Saura, 2008; Manana, 2009). Mall loyalty indicates a “repeat patronage behavior” of a specific mall and the issue of customer patronage has been conducted in many academic research (Rahman and Jalil, (2014),. Reynolds and Arnold (2000)). Molina and Saura (2008) has suggested that mall loyalty involves a spiritual decision and valuation method that causes a commitment to the mall.

**Convenience:** Convenience is being able to proceed with something without difficulty. It also means easy to access to what is desired. Bodkin and Lord (1997) determined that the key factor for choosing a mall is convenience. People perceive shopping malls as convenient because they can get a variety of goods and services for example dining, banking, postal etc in a single

building. Kelley (1958) stated that convenience can influence consumer patronage. Kures and Ryan (2002) indicated ease of access to a mall is important whereby customers need not travel a long distance as it can reduce the apparent cost related to particular shopping trip and provides convenient shopping (Pan & Zinkhan, 2006). As shopping malls nowadays are in planned centers where include such facilities like parking, air condition, retail and dining shops, they resemble earlier market places, which served as social centers as well as business centers.

**Aesthetic:** Aesthetic refers to beauty or the appreciation of beauty. It is concern with the physical appearance of an entity. According to Bell (1999) in Ahmad (2012), there are five common aesthetic items which are ambience, color, decor, music and layout. Wakefield and Baker (1998) commented that physical environment elements like interior design, lighting, fragrances, hygiene (cleanliness) and security influence customers to stay in the shopping mall (Kent, 2007).

**Tenant mix:** Previous evidence has shown that mall tenant mix or variety is believed to influence consumer's mall selection Bellenger et al., (1977), shopping regularity Stoltman, et al, (1991), and mall image, Finn and Louviere, (1996). Tenant variety has been connected with a sense of activity in a mall (Cockerham, 1995). According to Wakefield and Baker (1998), the variety of stores choices has a big influence on shopper excitement and desire to stay in the mall. Tenant variety is likely to attract more customers because it provides a one-stop shopping experience for consumers to make them shop conveniently and compare product offerings (Berman and Evans, 1995). Tenant variety will result to product variety. A study conducted by Shashikala and Suresh (2013) stated that there is a positive relationship with customer loyalty and product variety. Another study by Ahmed et al, (2007) concluded that the variety of products has a significant influence on shoppers' satisfaction in shopping malls

**Other visitors:** Another factor that influence mall patronage is the presence of other visitors. Wakefield and Baker (1998) indicated that shopping involvement will have a re-patronage intentions and stimulate their loyalty towards particular mall. Bellenger et al. (1977) indicated that involvement with shopping will have a positive effect on desire to stay at the mall. A survey in India shows that when there is a higher desire for socialization, the motivation of customer to visit a mall will be higher. Therefore, other visitors are expected to influence the visitors' loyalty to a mall.

**Events:** According to El-Adly (2007), events held in malls are in the form of product promotions and entertainment. Nicholls et al. (2002) found that American consumers visited mall mainly for entertainment. In the study Bloch et al. (1994) concluded that many customers viewed shopping malls as places for entertainment in addition to shopping. The study in Frasquest et al. (2001), described the entertainment as "events, exhibitions, and attractive leisure offers". On the other hand, Sit, Merriless & Birch (2003) found that entertainment is essential to shopping centres because it can arouse a sensational and joyful shopping experience for customers and hence attract consumer patronage. Therefore, the literature suggests that entertainment has a positive and significant effect on shopper satisfaction and re-patronage.

**Excitement:** Excitement is a hedonic value (Allard, Babin, & Chebat, 2009) consisting of a few factors. According to Wakefield and Baker (1998), shopping malls have several factors that influence customer loyalty, of which one is excitement. Graham, (1988) concluded that the dominant reason people visit malls is because of the excitement that result from shopping experience. Similarly, Roy (1994) described that the frequency of visits to shopping mall is positively connected with the degree of consumers' recreational shopping motivations. As such excitement result in a desire to stay at the mall. And, if consumers love to stay at the mall, it is indicated that they are probably incline to re-patronize, re-visit and spend time at the mall in the future. Hence, the findings shows that the desire to stay at the mall will result in mall re-patronage intentions which is mall loyalty (Wakefield & Baker, 1998).

This review of literature examined the influence of the factors of convenience, aesthetic environment, offer variety, other visitors, events and excitement towards visitor loyalty to shopping malls in Malaysia.

### 3. Methodology

A questionnaire survey consisting of a non-probability convenience sample of rural residents in Malaysia was conducted to obtain the data for this study. Six factors that affect customer loyalty towards city shopping malls were measured in the questionnaire. All items were measured based on a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). Standard measures were used to collect the respondent's demographic information such as gender, age, marital status, education level and occupation which will be included in the questionnaire. A six-page questionnaire was developed which consist of 9 sections. The first part is general questions about shopping behaviour of respondents. The second part is convenience of the shopping mall. The third part is aesthetic of the shopping mall. The fourth part is tenant variety in the shopping mall. The fifth part is the people in the mall. The sixth part is event in the mall. The seventh part is about excitement of the shopping mall. The eighth part is refer to commitment and loyalty to the mall and the last part is demographic information of respondents. Mall convenience was measured by 5 items and adapt from Zahari and Esa (2012) and El-Adly (2006). Aesthetic/ physical environment of the mall was captured by 8 items adapted from Wakefield and Baker (1998) and Zahari and Esa (2012). Tenant variety of the mall was measured by 9 items and adapt from Wakefield and Baker (1998) too and Allard, Babin and Chebat (2009). The people in shopping mall have 4 items that adapt from Peter (2013) and Tiwari and Abraham (2010). The event of the mall is measured by 2 items that adapted from Ed-Adly (2006). And, the excitement of the mall is measured by 5 items and adapted from Wakefield and Baker (1998) and Allard et al. (2009). Lastly, the mall loyalty is captured by 6 items that adapted from Zahari and Esa (2012) and Wakefield and Baker (1998).

### 4. Findings

Data was collected from 30 respondents who were mainly working adults aged above 26 years, living in Bahau, a rural town that normally requires a six-hour drive to and fro Kuala Lumpur. Using Cronbach's Alpha reliability test, the variables were tested for reliability as shown in

Table 1. The results for all variables were more than 0.7, indicating that the measurement scales of the variables were stable and consistent. The results showed the acceptable value for both dependent and independent variables, indicating that this study is reliable and feasible.

**Table 1: Reliability and Correlation Tests**

Variables	No. of items	Cronbach's Alpha	Relationship with loyalty	Pearson's correlation, <i>r</i>	Sig.* (1-tailed)
People	4	0.909	Medium positive	0.554	0.001
Convenience	5	0.791	Strong positive	0.744	0.000
Aesthetic	8	0.933	Medium positive	0.567	0.001
Tenant variety	9	0.934	Medium positive	0.530	0.001
Event	2	0.946	Medium positive	0.573	0.000
Excitement	5	0.944	Medium positive	0.602	0.000
Loyalty	6	0.844			

The Pearson Correlation test was performed to determine the relationship between dependent variable (loyalty) and independent variables (convenience, aesthetic, tenant variety, people, event, and excitement). As shown in Table 1, it can be seen that the correlation coefficient, *r* for all factors is more than 0.5, indicating a moderate strong relationship at  $p = 0.05$  significant level. The results show that the examined factors of convenience, aesthetic, tenant variety, people, event, and excitement are positively related to visitor loyalty.

**Table 2: Results of Multiple Regression Analysis in this research**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.925	0.749		1.235	0.229
	Convenience	0.540	0.205	0.530	2.631	0.015
	Aesthetic	0.121	0.190	0.127	0.635	0.532
	Tenant	0.001	0.205	0.002	0.007	0.995
	People	0.131	0.115	0.208	1.133	0.269
	Event	0.051	0.137	0.073	0.377	0.710
	Excitement	-0.010	0.174	-0.012	-0.056	0.956
Dependent Variable: Loyalty		$R^2 = 0.619, Adj. R^2 = 0.519$		$F = 6.224, p < 0.01$		

Multiple linear regression analysis was carried out to analyze the relationship between dependent variable (loyalty) and independent variables (convenience, aesthetic, tenant variety, people, event, and excitement). *R* Square was used to measure the strength of the relationship between the set of independent variables and the dependent variable. An *F* test in ANOVA was used to decide whether relationship of each hypothesis is normally distributed with the population. A *t*-test of coefficient was used to evaluate the individual relationship between each independent variable and the dependent variable. The results showed around 62 percent of the variance (*R*-square) in customer loyalty. This is moderately significant as indicated by the *F*-value of 6.224. The larger the *F*-value, the better for you to find a “significant” outcome for the study. The ANOVA value in this analysis shows a significant value  $p < 0.05$ , indicating that there

is a significant relationship between loyalty and the six determinants (convenience, aesthetic, tenant variety, people, event and excitement). In Table 2, the only significant variable is convenience because its *p*-values is less than 0.05. We found that the higher the convenience, the greater the loyalty. The other variables such as aesthetic, tenant variety, people, event, and excitement did not meet the necessary criteria to significantly impact customer's loyalty towards shopping mall, so they played little role at this stage of the analysis.

## 5. Interpretation and Analysis of Findings

The findings explained the significance and relationship represented by the correlation between dependent variable (loyalty) and independent variables (convenience, aesthetic, tenant variety, people, event, and excitement). The independent variables are the factors that affect customer loyalty toward shopping mall. The findings indicate that there is a positive relationship between the dependent and independent variables. In the reliability analysis, shown in Table 1 the Cronbach's alpha for all variables is greater than 0.7 which it is an acceptable value in research. The result shows that the factor of convenience, aesthetic, tenant variety, people, event, and excitement are reliable and influence customer loyalty towards shopping malls.

As for the Pearson Correlation test, there are six hypotheses regarding to convenience, aesthetic, tenant variety, people, event, excitement and loyalty. The findings in Table 1 indicated positive correlations among all variables towards customer loyalty as the Pearson coefficient value for all variables is greater than 0.5. The studies in Zahari and Esa (2012), El-Adly (2007), Fatima and Rasheed (2012) has proven the relationship between convenience, event (entertainment) and customer loyalty. Next, Wakefield and Baker (2012), Wang & Ha (2011), Ahmad (2012) and Shashikala & Suresh (2013) also indicated the correlation between aesthetic (physical environment), tenant variety, excitement and customer loyalty. The relationship between people and customer loyalty is stated in Shashikala & Suresh (2013). Besides, the *p*-value for all variables is significant which represent the study is feasible for further analysis.

Based on the multiple regression test in Table 2, the significance value of *F*-statistic = 6.224,  $p < 0.01$  for independent variables indicates that it is significant and Convenience, Aesthetic, Tenant variety, People, Event, Excitement and Customer loyalty are correlated. For every increase in the degree each independent variable, there will be an increase in customer loyalty.

The *P*-value in the coefficient table, indicate that the convenience factor is the most significant, as it is the only significant value among all factors which less than 0.05. The result indicated that ease of access is a concern that a mall need to consider in order to build consumer loyalty This finding was consistent to Zahari and Esa (2012), Fatimah and Rasheed (2012), Ahmad (2012), Ed-Adly (2007), Manana (2009) and Wang and Ha (2011) which conclude that convenience is a reason for customer to select the mall.

## 6. Conclusions and Implications

The purpose of this study was to identify the factors that affect customer loyalty towards shopping malls. The findings revealed that the independent factors of convenience, aesthetic, tenant variety, people, event, excitement are positively related to customer loyalty towards shopping mall. Of these factors, convenience is the most significant factor that affect the customer purchase behaviors for the shopping malls. This is because convenience is a valuable factor in customer's opinion in term of locational convenience, accessibility, shopping mall's trading hour, ease of parking, etc. These reasons significantly influence customers' choice of

shopping mall. Hence the policy implications are that malls have a symbiotic relationship with property developers. Malls enhance residential value as residents would not want to travel and would be willing to pay a higher price for houses close to malls, while on the other hand malls benefit from the residential population. Mall owners, which are usually property developers gain from the higher rental charges to mall tenants. To ensure convenience while preventing a glut of retail space, malls should be built within high rise residents like condominiums, and/or office units or a hotel. This enhances convenience in terms of trading hours, accessibility, parking as mall patrons stay above the mall. Another implication to malls operators is the growth of online shopping, which negates the need for a physical mall. Thus composition of malls should change, with malls providing essential items, whereas non-essential items are provided by online shopping.

Based on the results discussed above, several limitations need to be addressed for future study. The limitations are the small sample size, the result not enough to generalize as not all shopping malls in Malaysia is covered, low significant value in coefficient for the five factors. Further research could consider add extra relevant factor to identify a strong gap. In addition, the impact of online shopping could be considered. This will provide a more comprehensive research as shopping malls a facing a glut of retail space not only in Malaysia but worldwide.

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