

Customer Satisfaction Towards KR1M Products

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Abstract

The objective of this study was to investigate the association between product flexibility, product quality and advertising on consumer satisfaction among the consumers of Kedai Rakyat 1Malaysia (KR1M), which was established by the government of Malaysia in order to provide common households products at a affordable price to the poor and low income households in Malaysia. This study employed a cross-sectional design and used a self-administered questionnaire and collected data from 150 KR1M consumers in Kota Bharu, Kelantan, Malaysia. Findings of this study noted that product flexibility, product quality and advertising has a significant positive association with consumer satisfaction. In order to reach its full potential and achieve the overall goal of this development initiative, KR1M initiative should be more focus on providing more shopping options through increasing product flexibility, improve product quality and increase advertising.

Key words: Product flexibility; Product quality; Advertising; Consumer satisfaction; Malaysia

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INTRODUCTION

Customer satisfaction has long been recognized as key factor determining the long-term success and survival in

today's competitive business environment. Studies noted satisfaction as common perception about the quality and services designed to meet consumer's requirements. Consumer satisfaction is a measure of how the product and services come together with consumer expectation. It is therefore viewed as a key performance indicator for any organization. Understanding how customers respond to products or services offered to them provides opportunities for providing organization to maintain and progress (Faullant, Matzler, & Fuller, 2008).

Studies noted customer satisfaction as the subject of considerable interest by both marketing practitioners and academics since 1970s. Companies and researchers first tried to measure customer satisfaction in the early 1970s, on the theory that increasing it would help them prosper (Coyles & Gokey, 2002). Throughout the 1980s, researchers relied on customer satisfaction and quality ratings obtained from surveys for performance monitoring, compensation as well as resource allocation (Bolton, 1998) and began to examine further the determinants of customer satisfaction. In the 1990s, however, organizations and researchers have become increasingly concerned about the financial implications of their customer satisfaction.

Studies noted that the quality and satisfaction concepts were linked to customer behavioral intentions like purchase and loyalty intention, willingness to spread positive word of mouth, referral, and complaint intention by many researchers (Olsen, 2002). The quality of the product and service that customers encounter may be different each time they re-visit a particular business, thus influencing the level of satisfaction and eventually affecting their re-patronage intentions. The interest in studying satisfaction as the antecedents of customer behavioral intentions in this paper has been stimulated, first, by the recognition that customer satisfaction does not, on its own, produce customer lifetime value (Appiah-Adu, 1999). Second, satisfaction and quality are closely linked to market share and customer retention (Patterson & Spreng, 1997).

Study Context: 1 Malaysia Products

As noted in the Malaysia's Government Transformation Program Roadmap (2013), one of the key outcomes of government transformation program is to provide a well-balanced, economical living condition in both the urban and rural areas. These leads to the establishment of Kedai Rakyat 1Malaysia (KR1M) in the year 2011. KR1M was introduced in order to provide common household goods at affordable price to the lowincome and poor households in Malaysia. The products sold in this shop are different in terms of both packaging and prices. It is estimated that there are about 250 grocery items in the list under KR1M. Packaging of the products offered also in small size, to ensure that low-income consumers could afford to purchase the products. As of October 2012, 85 KR1M stores were established across the country, with assortments totaling to 250 KR1M branded grocery items, and with daily sales of no less than RM20, 000 per store.

KR1M was established as a development initiative from the government of Malaysia focused on improving overall living condition of poor and low-income households through providing common household goods at minimum price. Study conducted by Tasnim et al. (2013), titled "Can Cheap be Good? A Commitment to Corporate Social Responsibility: The Malaysian KR1M", reported consumers positive views towards KR1M products and acknowledged governments timely initiatives to introduce KR1M.

Besides the positive feedback noted by Tasnim, Rashid, Zain, and Yahya (2013), no known study has been conducted so far to assess the impact of KR1M initiatives on the socio-economic well being of the poor and low income households. Also, even though KR1M selling goods at a relatively lower price, the majority of the low income and poor households still choose to purchase from other convenience stores rather than buying products from KR1M store nearby their residents. No known study indicated a significant decline in other chain shops operating in the similar areas. This study therefore focused on examining level of consumer satisfaction among the KR1M consumers, as it is a measure of how the KR1M products come together with consumer expectation.

1. LITERATURE REVIEW

Customer satisfaction is defined as an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers expect and what they receive, regarding the fulfillment of some need, goal or desire (Hansemark & Albinsson, 2004). Customer satisfaction plays a critical role in customers' retention towards the product. Consumer satisfaction is crucial for this establishment, not only for KR1M's sustainability, but also to achieve the Governments objective to provide a well-balanced, economical living

condition in both the urban and rural areas. Based on the studies related to the similar focus, this study identified key factors that effects consumer satisfaction. Details about these factors and how it effect consumer satisfaction are presented below.

1.1 Product Flexibility

Product flexibility is listed as one of the factor that contributes to the purchasing preferences of a customer. In the product flexibility measurement approaches reviewed to date, flexibility is considered as an intrinsic attribute of manufacturing systems. A more generic measure, which is relatively easy to apply to realistic manufacturing situations, is proposed by Chryssolouris and Lee (1992), where product flexibility is considered as a relative attribute that depend not only on the manufacturing system itself, but also on the external demands placed upon it. This measure is developed based on the premise that the flexibility of a manufacturing system is determined by its sensitivity to change, which means that the lower the sensitivity the higher the flexibility.

Many researchers have defined several types of flexibility according to its relationship to the different types of disturbances or uncertainties that the system has to cope with. In order to form a basis for the development of flexibility measures, manufacturing flexibility types are classified according to their impacts on long-term and short-term decisions (Bernardo & Mohamed 1992). Flexibility is defined as the ability of a system or decision process to cope with changing circumstances. It is evaluated by its success to cope with change or equivalently by the loss that the change incurs on the system. Many quantitative measures are proposed in the literature for manufacturing flexibility in order to aid in decision making, however, there is no consensus on a generic manufacturing flexibility measure. The major approaches encountered in the use of flexibility are discussed in terms of the relation between flexibility and performance measures, and the impacts of various decisions on flexibility.

1.2 Product Quality

Customer's satisfaction on a product also depends on quality. Quality or grade is the totality of features and characteristics of a product or service that bare on its ability to satisfy stated or implied needs. Product quality is defined as the collection of features and characteristics of a product that contribute to its ability to meet given requirements. Studies have shown a high correlation between relative product quality and company profitability. It is recommended that products offering value for money not only influence customer's choice at the pre-purchase phase but also affect their satisfaction, intention to recommend and return behavior at the post-purchase phase (Petrick & Backman, 2002). In this study, product quality is defined as the degree of how well the product specification fits the customer's expectation.

1.3 Advertisement

Advertising, sales promotion and public relations are mass-communication tools available to marketers. Advertising used to reach prospective and present customers and influence their awareness, attitudes and buying behavior. It also appears that advertising may have the potential to contribute to brand choice among consumers (Latif & Abideen, 2011). Advertising has a great impact on customers buying preferences. Customers will have split choices on what product to purchase based on the advertisement that came across. Customers often purchase a product which stays longer and fixed into their memory. Memories about the brand consist of those associations that are related to brand name. These brand recognition influence consideration, evaluation, and finally purchases (Romaniuk & Sharp, 2004).

The principal aim of consumer behavior analysis is to explain why consumers act in particular ways under certain circumstances. It tries to determine the factors that influence consumer behavior, especially the economic, social and psychological aspects (Ayanwale, Aliwi, & Ayanbimipe, 2005). Consumers are more likely to associate with advertisements of those brands, which have emotional values and messages. Positive emotional appeals also provide a strong brand cue and stimulate category-based processing (Abideen & Latif, 2011). Therefore, in today's dynamic world, in order to sustain, product and service providers must advertise to inform people about their products.

2. METHODOLOGY

This study aims to examine how the selected factors affect consumer satisfaction among the consumers of KR1M products. This study employed a cross-sectional design and self-administrated questionnaire to collect data from the consumers of KR1M products in Kota Bharu, Kelantan. Questionnaire was distributed among the consumer while they were in KR1M stores. Complete data was collected from 150 consumers.

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 (Kumar, 2005). The scale 1 to 5 (strongly disagree to strongly agree) has been used. Customers' satisfaction level on the three variables has been measured using those scales to get an accurate response. There are three dimensions of customer satisfaction factors that have been determined in this study which is the satisfaction level of customers on the product flexibility, product quality and the role of advertisement. Therefore, the questionnaire has been designed to suit the three dimensions. There

were three sections included in the questionnaire. Section A, consisting of respondents demographic criteria which included gender, age, race, status, monthly income and frequency of using 1Malaysia product. The other is Section B, consisting of dependent variable related questions which were on customer's satisfaction. Finally, Section C consists of independent variables related questions which were on product flexibility, product quality and role of advertisement. 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. SUMMARY OF FINDINGS

3.1 Demographic Characteristics

To examine the level of consumer satisfaction towards KR1M products, this study collected data from 150 consumers. Among them 58 (38.7%) male and 92 (61.3%) female. The majority respondents were from 31-40 age group which is 42%, followed by 41 and above age group which is 36%, and 23-30 age group which is 15.3%. The respondents of 18-22 age group accounted for the remaining 6.7%. As per the race of the respondents, out of total 150 respondents, 89 are Malays, 37 are Chinese and 24 are Indians. As per monthly income, 46.7% of the respondents were from income group of RM901 to RM1,500 per month which is the highest group from 150 respondents. Meanwhile, respondents with income group of RM1,501 and above are 38%, followed by earning RM501 to RM900 which is 8.7% and lastly, the remaining 6.7% were reported to be income group of RM0 to RM500. 12 out of 150 respondents reported that they often purchase KR1M products, whereas, 78 reported randomly, 46 reported seldom and remaining 14 visiting KR1M shop for the first time.

3.2 Reliability Analysis

The interim consistency of the data collected was measured. The result indicates that the Cronbach's alpha of the consumer satisfaction measure is 0.864, product flexibility measure is 0.866, product quality measure is 0.904, and advertisement measure is 0.903. Thus, the internal consistency reliability of the measures used in this study can be considered as being in the range of very good.

3.3 Correlation Analysis

The Pearson Correlation test was employed to examine the association between variables. As noted in Table 2, it shows that all the variables have moderate significant positive correlation with satisfaction, which is product flexibility ($r=0.437$), product quality, ($r=0.528$) and advertising ($r=0.642$). All the correlation coefficients are statistically significant at chosen 5% level of significance.

Table 1
Reliability Analysis

Variable	N of items	Cronbach's alpha based on standardized items
Consumer Satisfaction	5	0.854
Product Flexibility	5	0.866
Product Quality	5	0.904
Advertisement	5	0.903

Table 2
Pearson Correlations Coefficient

		Product flexibility	Product quality	Advertising
Consumer Satisfaction	Pearson	.437**	.528**	.642**
	Correlation Sig. (2-tailed)	.000	.000	.000
	N	150	150	150

CONCLUSION

Previous researchers have stated that customer satisfaction has long been recognized as playing a crucial role for success and survival in competitive market. Customer's satisfaction is also important to retain the customers who tend to purchase from a business. Based on the analysis of this study, it can be concluded that, all the independent variables are vital factors for the customers to continuously purchase at KR1M. Findings of this study noted a positive association between product flexibility, product quality and advertisement on consumer satisfaction among KR1M customers.

KR1M is a newly established store under Malaysian government, as a development initiative, focused on providing common household goods at affordable price to low-income households in Malaysia. In order to reach its full potential and achieve the overall goal of this development initiative, KR1M initiative should be more focus on providing more shopping options through increasing product flexibility. KR1M initiative also needs to emphasize the overall quality of the product. As findings noted advertising is highly associated with satisfaction, KR1M initiative therefore needs some advertisement, not only to satisfy the current consumers but also to increase outreach of this initiative.

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