Transformation Program of Co-operative Retail Store: Customer Satisfaction Analysis

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ABSTRACT--- *Government Transformation Programme which was introduced in 2011 is expected to have a positive impact on the management of Coop Mart stores in Malaysia, including a co-operative grocery business under the Small Retailer Transformation Programme (TUKAR). TUKAR Program was introduced to change the traditional concept of a retail store to a more modern concept. Since its implementation there was no study conducted to see how customers' views on the performance of co-operatives retail store under TUKAR program. Customer view is important to gauge their level of satisfaction towards TUKAR. Therefore, customer views before and after the transformation program is required to determine the actual level of customer satisfaction towards TUKAR program. Research was conducted and information obtained through a questionnaire from 510 (65.8 %) regular customers of Coop Mart store using stratified random sampling method. The results showed that there was an improvement in customer satisfaction in terms of location, additional services, product, amenities availability, trustworthiness, operational processes, value for money, staff attitude and personal services. This provides the evidence that the TUKAR program is successful, viable and should be continued by the government to all cooperatives in Malaysia as it has high potential to attract new customers.*

Keywords--- Small Retailer Transformation Programme (TUKAR) , Economic Transformation Programme (ETP) , Entry Point Project (EPP) , Customer Satisfaction , Coop Retail Store , Coop Mart
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1. INTRODUCTION

1.1 Background of Study

The wholesale and retail industry in Malaysia is a significant contributor to the country's gross national income (GNI). Its contribution to GNI amounted to RM100.6 billion and RM114.4 billion in 2010 and 2011, respectively (ETP Report, 2012), and provided job opportunities for the people. Under the Economic Transformation Programme (ETP), the government has deemed the wholesale and retail sector to be capable of contributing RM156 billion to the country's GNI by 2020 as well as providing 454,190 new jobs in the next ten years. According to the forecast for the Asian region, this sector is also expected to grow at a compound annual growth rate of six (6) per cent over the period 2010 - 2020 (ETP Report, 2012).

Considering its significant contribution to the growth of the country's GNI, this sector has been included in the National Key Economic Area (NKEA), and targeted to double its contribution to GNI by the year 2020. Under the NKEA, retail activities include all types of trading as defined by the Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK). Under the ministry's definitions, the retail business covers all types of retail business establishment, namely, hypermarkets, supermarkets, discount stores, retail stores, restaurants and other retail outlets.

As such, this programme to transform the traditional retail business of retail stores into a more modern and systematic one was introduced. This is accomplished under the ETP which has 131 entry point projects (EPP). According to KPDNKK (2012), the Retail store (or Small Retailer) Transformation Programme, or TUKAR is the second EPP under the wholesale and retail sector. It designed to modernise the traditional retail stores and enhance its sustainability in the competitive retail business.

The TUKAR project, started in February 2011 with the cooperation of several implementing agencies, is divided into two categories of retail businesses, namely, individually operated and co-operative operated retail stores. Coop Mart is the brand name used by retail stores operated by co-operatives under the TUKAR programme of Malaysia Co-operative Society Commission (SKM).

1.2   Problem Statement

A study by Norazlan et al. (2010) on consumer co-operatives dealing in retail business found that co-operatives faced several problems.   Among these were: (1) competition from the private retail sector; (2) lack of sufficient knowledge and skill in retailing among board members; (3)   small-sized stores; (4) most suppliers not providing sufficient credit-time; (5) difficulty in getting qualified and skilled employees for the stores; (6) Limited choice of products offered; (7) limited revolving fund; (8) high operation cost (such as, fixed cost and variable cost); (9) high stock purchasing price; and (10)   most customers were non-members. The above study also revealed that the size of membership, share capital and asset were small and that the net profit of these co-operatives was less than that of mature co-operatives.   In any case, the study by Norazlan et al. (2010) was carried out before the TUKAR programme was implemented.

Currently, there has been no study on the performance of Coop Mart stores since the implementation of the TUKAR programme in 2011. Consequently, this study seeks to evaluate the performance of Coop Mart stores before and after taking part in the TUKAR programme. Evaluation is in respect of customer satisfaction.

1.3   Objectives

The objectives of this study are to identify the Coop Mart customers profile and to analyze the level of customers' satisfaction towards Coop Mart Stores.

2.   LITERATURE REVIEW

The findings of earlier studies identified several factors contributing to the success of a grocery store business. These factors are grouped into two main contributing elements, namely, the management of the business itself and external factors, namely, customer satisfaction (Azlah et al., 2005). In this context, this paper analyses and discusses the level of customer satisfaction towards co-operative retails stores before and after the TUKAR programme. Analysis shows that there have been a sudden change in customer behaviour in that they have become more selective and moreover, they have varied and changing tastes. Thus, one could not expect customers to be satisfied with what the retailers wish to offer anymore (Azlah et al., 2005)

Customer service is an important element of retailing (Levy and Weiltz, 1996). It provides convenience, appreciates customers and increases the value of goods bought by customers.   This can lead to customer loyalty towards a business entity. Satisfaction refers to the overall emotional reaction of customers towards what they expect and what they actually get (Singh, 2006). According to Hokanson (1995), satisfaction is influenced by several factors including amicable staff, respectful workers, helpful and knowledgeable workers, accurate bills, competitive prices, quality service, good value for money and prompt service. This study focuses on nine dimensions of customer satisfaction, namely, location, extra service, product quality, amenities availability provided, trustworthiness, operation process, value for money, staff attitude and personal services

Location refers to ease of locating the co-operative shops. According to Martinez-Ruiz et al. (2010), cost related to shopping such as transportation and time could be reduced when shops were located close to customers' homes and that customers always looked for additional conveniences when deciding on where to do their shopping.   Additional conveniences such as car parks are also important to customers and have a positive impact on customers' satisfaction (Grewal et al., 2002).

According to Garvin (1987), product quality entailed eight elements, namely, performance, features, compliance, trustworthiness, durability, services, aesthetic and good quality customers. However, Yuen and Chan (2010) felt that not all of the elements used by Garvin (1987) were relevant, while some could not be measured. Take the case of performance and features. These two elements could not be used in this study because of the difficulty in separating between primary and secondary product features. Dhar et al. (2001) is of the view that product diversification helps retailers meet the varied tastes of customers. Dellaert et al. (1998) contended product diversification not only helped retailers attract more customers but it also encouraged the latter to purchase more, thereby increasing total sales as well as indirectly enhancing customer satisfaction.

Inman et al. (2009) defined retail or sundry shop as a premise to temp customers as the latter could see the diversity of products displayed on the promotional board of floor space.   This contention was supported by Diorio (2007) who stated that the amenities availability provided by a retail outlet were important because these could influence or change the behaviour of customers. Sirohi et al. (1998) found that infrastructure which encompassed good designs helped to improve the overall presentation of a retail premise because it enhanced cleanliness, placed merchandise in the appropriate spaces and allowed for the orderly flow of shoppers aided by prominent signage. Moreover, Yuen and Chan (2010) stated that a good physical layout of merchandise arrangement and excellent service would augur well for both customers and retail operators.

Trustworthiness refers to the trustworthiness of the store's staff in carrying out their jobs, such as issuing bills correctly. An organisation that is capable of fulfilling its obligation would increase customer trust and satisfaction, thereby maintaining customer loyalty (Yuen and Chan 2010). The other customer satisfaction dimension is work process

measured using three elements, namely, number of check-out counters, business hours and waiting time. Long waiting time in a retail outlet can lead to dissatisfaction among shoppers (Katz et al., 1991; Kumar et al., 1997). Taylor (1994) also confirmed that customers were happier if they did not have to wait long.

Ciavolino and Dahlgaard (2007) defined value for money as the quality of a product or service acquired for the amount of money paid. Meanwhile, Cronin and Taylor (1992) claimed that the decisions made by customers were not only influenced by the services rendered by the retail outlets but also determined by price and amenities availability provided. Workers are important for company's marketing strategy as the success of an organisation's marketing programme depends on its front line workers who have to face and interact with the customers directly (Liao & Chuang, 2004). Personal service or personal touch is also closely associated with the staff as stipulated by Tauber (1972) that there were customers who liked to patronise specific shops for their friendly well behaved workers. The service quality of core products is measured using a number of variables, namely, personal touch of workers, as well as amicability, disposition and knowledge of staff. In addition, the time taken to solve problems is also measured.

3. METHODOLOGY

Data for the study were obtained from various secondary sources. These included on-line databases, published related studies, SKM reports, magazines published by SKM and ANGKASA as well as published sources from other agencies. Relevant information were also extracted from co-operatives' financial statements for the period 2009-2012. In addition, a survey using a questionnaire was carried out via a postal survey and face-to-face interview. The questionnaire was developed for Coop Mart customers. The questionnaires were sent to 155 Coop Marts throughout Malaysia. Each co-operative received five copies of the customer questionnaire. The research team appointed one of the co-operative's board members or the manager to manage the survey to ensure the data collection process went on smoothly. Each questionnaire consists of the following three sections: Section A for both sets is to capture the profile of the respondents; Section B employs a Likert scale to measure the customer satisfaction at Coop Mart stores and Section C contains several open-ended questions to elicit respondents' suggestions on enhancing the customer satisfaction of the stores.

The target population for this study comprises all co-operatives that operates Coop Mart stores and are registered with SKM up to 2012. As of December 2012, there are 251 co-operatives operating TUKAR stores and out of these 155 shops were selected to be the sample based on the optimal sample size recommended by Sekaran and Bougie (2010). A total of 510 customers completed the respective questionnaires. The data were analysed using descriptive statistics.

4. RESULTS AND DISCUSSIONS

4.1 Customers Profile

Table 1 illustrates the Coop Mart customers' profiles. It shows that the majority of COOP Mart customers are females (55.5%) and mostly young, 30 years or younger (38.0%). The results also show that most of them are employed as support staff (27.6%) with a monthly income of RM1000 or lower (41.0%). They come to the store quite frequently, mostly three or four times a week (36.9%). COOP Marts customers are also more loyal (54.1%) compared with those of other types of establishments: hypermarkets (13.7%), mini markets (12.9%) and other supermarkets (19.2%).

Table 1: Customers Profile

Customers Profile	Category	Percent
1. Gender	Male	44.5
	Female	55.5
2. Age	Up to 30 years	37.8
	31 to 40 years	16.9
	41-50 years	23.1
	51-60 years	16.1
	61 years and above	6.1
3. Occupation	Management and Professional	10.8
	Executive	6.7
	Administration/Support	27.6

Customers Profile	Category	Percent
	Student	12.9
	Retirees	3.7
	Housewife	13.7
	Others	24.5
4. Income	No income	11.4
	RM1,000 and below	41.4
	RM1,001 – RM2,000	23.1
	RM2,001 – RM3,000	10.2
	RM3,001 – RM4,000	7.1
	RM4,001 – RM5,000	4.5
	RM5,001 and above	2.4
5. Frequency of purchases in Coop Mart	Everyday	22.4
	1-2 times in a week	27.3
	3-4 times in a week	36.9
	Once a month	13.5
6. The frequent places to bought in a month	Coop Mart Stores	54.1
	Mini market	12.9
	Supermarket	19.2
	Hypermarket	13.7

4.2   *Customer Satisfaction of Coop Mart stores*

The nine dimensions of customer satisfaction had been analysed. There are location, additional services, products, amenities availability, trustworthiness, value for money, staff attitude and personal services. Table 2 shows the Coop Mart store customers are satisfied with the location of the store where there is an increased percentage of 13.9 percent. The second dimension is additional services such as vehicles parking; it slightly increased by 7.9 per cent. As overall, customer satisfied with the products sold in Coop Mart stores after the TUKAR program with the percentage more than 10 percent for all the factors. While the product diversification and easily get the required product gain the highest percentage of 28.4 percent.

The customers are satisfied with the amenities availability provided at Coop Mart store and the percentage was exceeding 20 percent. There are significant improvements to all aspects of the factors for Coop Mart store. The difference increased from 21.4 percent to 36.7 percent. Factors to easily find what customers needed are recorded high satisfaction with 36.7 percent, followed by the layout of items (35.1%) and stores lighting (33%). In terms of trustworthiness, it appears that customers are satisfied with the accuracy of the calculation and billing information at the right price tag. Table 2 shows the percentage increase by 13.6% to 31.6% for both of these factors.

For the factor of store operations, Coop Mart business hours recorded 15.7 percent increasing. Meanwhile, the number of the counter charges and waiting time increased by (15.1%) and (10.8%). Factor value indicates customer satisfaction in terms of the price of goods offered in the Coop Mart store is increased by 11 percent. The amount of discount is also increased by 17.6 percent. Promotion frequency factor after the TUKAR program had the highest increase of 21.7 percent.

Table 2 also shows the aspects of Coop Mart employees in the store, whereby customers are satisfied with the level of hospitality, service and professionalism of the store. The highest percentage increased is responsive to the demands of customers (13.1%), followed by knowledge (11.2%), friendly (10%) and be helpful by (8.6%). In terms of personnel services, all factors were increased above 10 percent except in hospitality and prudence by 8.6 percent. Factors advised to purchase items such as a factor after the TUKAR program implemented (17.4%). Next is the factor to pay attention to the needs of customers and hospitality with an increase of (16.6% and 8.6%).

Table 2. Customers Satisfaction Level

NO	CUSTOMERS SATISFACTION	Before TUKAR (Satisfied)		After TUKAR (Satisfied)		Increase (Decrease)
		Frequency	%	Frequency	%	%
LOCATION						
1.	Strategic location	418	82	489	95.9	13.9
ADDITIONAL SERVICES						
2.	Vehicle parking	355	69.6	395	77.5	7.9
PRODUCT						
1.	Always meet individual customer	338	66.3	462	90.6	24.3
2.	The life expectancy of products sold	405	79.4	471	92.4	13
3.	Diversification of products	300	58.8	447	87.6	28.8
4.	Quality of products sold	404	79.2	478	93.7	14.5
5.	Easy to get needed items	302	59.2	447	87.6	28.4
Overall (Product)		-	**68.6**	-	**90.4**	**21.8**
AMENITIES AVAILABILITY						
1.	Stores are spacious and comfortable	319	62.5	468	91.8	29.3
2.	Layout of goods	310	60.8	489	95.9	35.1
3.	Easy to find items needed	298	58.4	485	95.1	36.7
4.	Design and interiors	267	52.4	471	92.5	40.1
5.	The lighting shop	319	62.5	487	95.5	33
6.	Cleanliness store	378	74.1	487	95.5	21.4
Overall (Amenities Availability)		-	**61.8**	-	**94.4**	**32.6**
TRUSTWORTHINESS						
1.	The calculation accuracy of bills / receipts	428	83.9	497	97.5	13.6
2.	Information sign at the right price	394	77.3	486	95.3	31.6
Overall (Trustworthiness)		-	**80.6**	-	**96.4**	**15.8**
OPERATIONAL PROCESSES						
1.	Number of counter payment	378	74.1	455	89.2	15.1
2.	Business operations	397	77.8	477	93.5	15.7
3.	The waiting time at the payment counter	426	83.5	481	94.3	10.8
Overall (Operational Processes)		-	**78.5**	-	**92.3**	**13.8**
VALUE FOR MONEY						
1.	Prices are reasonable	408	80	464	91	11
2.	Frequency promotion	234	45.9	345	67.6	21.7
3.	The amount of discount	258	50.6	348	68.2	17.6
Overall (Value for money)		-	**58.8**	-	**75.6**	**16.8**
STAFF ATTITUDE						
1.	Genial	438	85.9	489	95.9	10
2.	Be helpful	440	86.3	484	94.9	8.6
3.	Product knowledge	429	84.1	486	95.3	11.2
4.	Respond quickly to customer demand	413	81	480	94.1	13.1
Overall (Staff attitude)		-	**84.3**	-	**95.1**	**10.8**
PERSONAL SERVICES						
1.	Providing advisory services for the purchase of goods	367	72	456	89.4	17.4
2.	Paying attention to the needs of customers	388	76.1	473	92.7	16.6
3.	Hospitality and prudent	437	85.7	510	94.3	8.6
Overall (Personal services)		-	**77.9**	-	**92.1**	**14.2**

5. CONCLUSIONS

In general, there has been an improvement in the performance of Coop Mart stores after taking part in the TUKAR programme. This is based on the fact that the proportion with sales exceeding RM500, 000 increased from 21.5 per cent in 2011 to 24.5 per cent in 2012. In addition, the proportion of Coop Mart stores with a net profit of at least RM50, 000 also increased from 36.3 per cent in 2011 to 43.1 per cent the following year. Customers are also very satisfied with the various aspects assessed, namely, location, additional services, products, amenities availability, trustworthiness, value for money, staff attitude and personal services offered by the Coop Mart stores. Among these factors, indoor elements such as interior layout and decoration, display of goods and lighting are the most dominant source of high satisfaction. The improvement in the stores' management is also welcomed by customers. This will encourage customers to continue patronizing to the Coop Mart stores.

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