

DETERMINANTS OF MEMBERS' LOYALTY IN COOPERATIVES

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ABSTRACT

Although there are abundance of studies on consumer loyalty in the marketing literature, little has been done on the factors contributing to the members' loyalty in the context of cooperative organization which is unique in terms of its business function and goals in the emerging economies. The present study serves as a groundwork to determine the factors that influence the loyalty of cooperative members who are also regarded as consumers with a focus on Sarawak cooperatives as a research site of the study. Satisfaction, perceived value, resistance to change, and trust are looked into so as to assess their impact on loyalty. Hence, a quantitative approach was adopted. Self-administered questionnaire was designed and pre-tested. Questionnaires were then distributed among members of the cooperatives in Sarawak. A total of 300 copies were distributed and 215 usable copies were subsequently collected. Multiple regression analysis was conducted to assess the effect of the variables studied on members' loyalty. The results show that perceived value, resistance to change and trust have positive effects on members' loyalty. Interestingly, satisfaction is found to have no significant relationship with members' loyalty. The understanding of cooperative members through this study underscores the importance of retaining consumers in developing economies. The study also provides the managerial implications to cooperatives as service providers as well as cooperative members and future directions of the research .

Key words: Members' loyalty, Satisfaction, Perceived Value, Resistance to Change, Trust

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INTRODUCTION

The cooperative society plays an important role in the development of the economic system. It is a social enterprise that is formed and owned by a group of individuals for the purpose to meet their social and economic benefits (Rosmimah, 2011). As of December 2015, there were 12,769 registered cooperatives in Malaysia with 7.4 million members (Malaysian Cooperative Societies Commission, 2016). Relating this to the entire population in Malaysia, which is slightly above 30 million, 39 percent of them are members of the cooperatives. The cooperative society was first established in the country in 1922 to protect the welfare of rural people and to avoid them from any exploitation. In Sarawak, however the cooperative movement began in 1949 with the setting up of Koperasi Memproses Sagu at Oya in Mukah. It is the first registered cooperative under Sarawak Cooperative Ordinance 1949 (Yusman & Jati, 2013).

Cooperative movement has seen some constraints which influence its performance over the years. With the changes of the economic system, governmental policies and business environment as well as market liberalization process, the emergence of new technology and the development of ICT have caused the cooperatives to strengthen their position in the contemporary setting and increase their competency and durability to remain relevant to the members/consumers today (Malaysia Cooperative Societies Commission, 2010).

With the aim to help its members, it is said that the cooperatives need to accelerate their business performance. Nevertheless, the movement of the cooperative society in Malaysia is still considered less developed as compared to other countries in spite of the fact that the cooperative society plays a significant role towards the national economic development. This happens due to the lack of active participation among members and the cooperative societies in conducting the businesses (Mahazril et. al, 2012). Members' participation in cooperatives activities, especially in the cooperative governance, is pivotal to the long run survival of the cooperatives and to ensure loyalty among the members.

Effective satisfaction, trust, resistance to change and value are the key factors taken as critical factors to secure the members' loyalty in cooperatives so as to achieve its mission and goals (Yusman & Jati Kasuma, 2013). Since loyalty acts as a key factor that guarantees the success of a cooperative, further study is required to find out how far satisfaction, perceived value, resistance to change and trust contribute to members' loyalty. Past studies have been conducted to examine the relationships between switching costs, customer loyalty, satisfaction, customer value and customer loyalty (Yang & Peterson, 2004). Therefore, the present study serves as a groundwork to investigate the effect of the four key factors on members' loyalty through the lens of cooperative service in Sarawak, one of the states in Malaysia. The findings will provide more insights into the managerial implication from marketing perspectives and future research in service marketing in the context of cooperative movement in Sarawak and the developing economies.

LITERATURE REVIEW

Loyalty is stated as the likelihood to engage in a particular behaviour to include a willingness to recommend, revisit and positive word of mouth intention (Kondasani, Koteswara & Panda, 2015). Loyalty can also be defined as a repeat purchase intention, resistance to counter persuasion, recommend to others and self stated retention (Jaishankar, Mark, & Kristy, 2000). Moreover, loyalty is known as the relationship strength with repeat patronage and the customer relative attitude that involve other dimensions such as latent loyalty, true dedication, no loyalty and spurious loyalty (Dick & Basu, 1994). According to Bloemer & Ruyter (1996), loyalty can be described as the behaviour of consumers, in terms of their preferences towards the product from a set of similar ones. Furthermore, loyalty as continuing commitment to establish the business with a company, is a state of mind, beliefs of desires, a set of attitudes and the long term relationship with the firm (Aurier & Gilles, 2012). Loyalty can be a behavioral or attitudinal response towards the object and also viewed as retention of the brand (Bielen & Demoulin, 2007).

According to Hansemark and Albinsson (2004), satisfaction is a general consumers' perception towards a service provider or a passionate answer to the difference between what consumers anticipate and what they get or become, with respect to the satisfaction of some need, objective or desire. Satisfaction can be referred to an emotional state from a customer's interactions with a service provider over time (Wu & Wang, 2012). According to Yu and Dean (2001), many studies have confirmed that there is a significant positive relationship between satisfaction and commitment. Co-creation of value among members of cooperative is found to have a positive effect on members' satisfaction (Yusman, Jati Kasuma & Ting, 2016). Bielan and Demoulin (2007) also stated satisfaction and loyalty have a strong positive relationship. Hence, satisfaction is often regarded as one of the most important determinant of members' loyalty (Bloemer & Ruyter, 1999).

Value is an enduring belief that a particular method of conduct or end-state of presence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence (Thuy & Hau, 2010). Value is found to have a significant impact on loyalty (Sajtos, Kreis & Brodie, 2015). It is also proposed that value is an important factor to determine customer loyalty in business in most business settings.

Resistance to change is a situation where there is a problem that needs to be overcome or eliminated in order to improve the quality of decision making (Erwin & Garman, 2010). Consumer resistance to change leads to the rejection of the substituted brand and may alter their relationship with the firm, bringing out a drastic loss of brand loyalty (Descotes & Delassus, 2015). In maintaining and acquiring brand loyalty, previous research in brand relationship has emphasized the key role of brand trust.

Trust has been set up to be a significant factor in building and preserving long term relationship. Trust has positive effect on loyalty (Yap, Ramayah & Shahidan, 2012). This is supported by Ranaweera & Prabhu (2003) who stated that trust has stronger emotion tie compared to satisfaction, suggesting that it is a strong predictor of loyalty.

RESEARCH FRAMEWORK

Framework developed in this study is based on the work of Taylor, Celuch & Goodwin (2004). While members' loyalty is modelled as the dependent variables, satisfaction, perceived value, resistance to change, and trust are modelled as the independent variables.

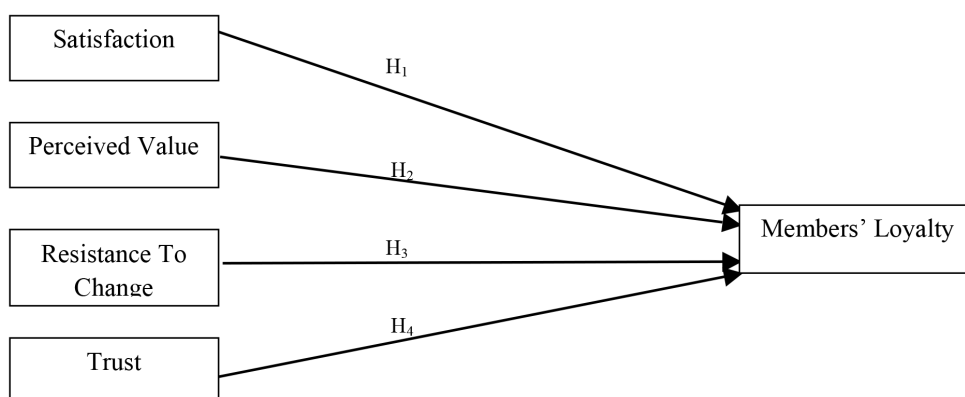


Figure 1: Research Framework (Taylor, Celuch, & Goodwin, 2004)

In light of the literature and the framework, four hypotheses are formulated to address the research problems and objectives:-

- H₁ There is a positive relationship between satisfaction and members' loyalty
- H₂ There is a positive relationship between perceived value and members' loyalty
- H₃ There is a positive relationship between resistance to change and members' loyalty
- H₄ There is a positive relationship between trust and members' loyalty

METHODOLOGY

Quantitative approach was carried out in the present study. The target population was made up of all cooperative members in the state Sarawak, a prospective emerging market on the island of Borneo located in the eastern part of Malaysia. A non-probability purposive sampling technique was utilized as to secure the sample data characteristics which matched the objectives of the survey. As such, the respondents were the members and consumers of the cooperatives who had consumed goods and services provided. Apart from the demographic details, the questionnaire

contained statements about the four variables under investigation. The scale of measurement adopted was the 7-point Likert type scale to measure the level of agreement. The questionnaire was developed in both English and Malay languages to facilitate valid responses. By using G-Power analysis, with the effect size of f^2 0.15, α error pro 0.05, and the power of 0.8 with a number of 4 tested predictor, 85 respondents were found to be the minimum sample for the model of this study. Self-administered questionnaire was adopted for data collection and revised after pre-test. 300 copies of questionnaire were distributed, and 235 copies were returned. 215 copies were deemed usable because 20 copies were found to be incomplete. The response rate of over 70 percent indicates non-response error was not a concern (Nulty, 2008). Data were then tested using multiple regression analysis in Statistical Package for the Social Sciences (SPSS) version 22.

FINDINGS AND DISCUSSIONS

Demographic Profiles

Table 1 shows the demographic profile of 215 members of the cooperatives. Out of the 215 respondents, a total of 97 (45.1 percent) are male members, while 118 (54.9 percent) are female. The age group of 21-30 (23.7 percent) and 31-40 years old (24.7 percent) account for the largest sample. The majority of the respondents are Malays (113 percent). In terms of the current position in the cooperatives, majority are the Board Members (40.5 percent), followed by the ordinary Members (32.1 percent).

Table 1: Demographic Profiles

Variables	Items	Frequency	Percentage
Gender	Male	97	45.1
	Female	118	54.9
Age	20 and below	21	9.8
	21 - 30 years old	51	23.7
	31 - 40 years old	53	24.7
	41 - 50 years old	40	23.3
	51 and above	50	18.6
Race	Malay	113	52.6
	Chinese	26	12.1
	India	0	0
	Iban	23	10.7
	Bidayuh	30	14.0
	Melanau	16	7.4
	Others	7	3.3
Your Current Position in the Cooperative	Board Members	87	40.5
	Internal Auditor	26	12.1
	Representative	2	0.9
	Committee	26	12.1
	Members	69	32.1
	Staff	5	2.3

Descriptive and Reliability Analysis

Table 2 shows the results for mean value and standard deviation for each item of the variables of interest. All items satisfy the requirements for data internal consistency as their Cronbach alpha values are greater than 0.70 (Nunally, 1978).

Table 2: Reports of Means, Standard Deviations and Reliability

Variables	Items	Mean	S.D.	Alpha
Satisfaction	SAT1	4.96	1.135	0.830
	SAT2	4.93	1.144	
	SAT3	5.02	1.146	
Perceived Value	PEV1	4.77	1.125	0.865
	PEV2	4.90	1.098	
	PEV3	4.31	1.409	
	PEV4	4.76	1.185	
Resistance to Change	REC1	4.62	1.192	0.883
	REC2	4.52	1.151	
	REC3	4.48	1.179	
	REC4	4.86	1.122	
Trust	TRU1	4.94	1.158	0.901
	TRU2	5.22	1.135	
	TRU3	5.36	1.259	
	TRU4	5.28	1.127	
	TRU5	5.22	1.182	
Loyalty	LOY1	4.99	1.129	0.870
	LOY2	5.04	1.151	
	LOY3	5.09	1.198	
	LOY4	3.33	1.674	
	LOY5	5.29	1.157	

Note: S.D. indicates standard deviation and alpha indicates Cronbach alpha in reliability test

Regression Analysis

Table 3 reveals the explanatory capacity of the model with the R Square of 0.686. This means that 68.6 percent of the variance in the members' loyalty can be explained by satisfaction, perceived value, resistance to change and trust. The multiple R of 0.829 indicates that the model fulfils the construct-criterion validity. Additionally, normality, linearity and variance inflation factor (VIF) were also assessed before proceeding to the testing of hypotheses.

Table 3: Regression: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.829 ^a	.686	.680	.46920
a. Predictors: (Constant), Satisfaction, Value, Resistance to Change, Trust				
b. Dependent Variable: Loyalty				

Table 4 shows the findings of hypotheses testing in multiple regression analysis. It is clearly observed that all the independent variables have positive relationships with the dependent variable except for satisfaction. Moreover, perceived value is found to have the strongest relationship (Beta = 0.417) compared to others. As such, while H1 is not supported, H2, H3 and H4 are all supported.

Table 4: Regression: Path Coefficient Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.107	.176		6.293	.000
	Satisfaction	.062	.052	.080	1.185	.238
	Trust	.171	.054	.218	3.187	.002
	Resistance to Change	.187	.050	.222	3.742	.000
	Perceived Value	.337	.048	.417	7.061	.000
a. Dependent Variable: Loyalty						

According to Sekaran (2010), the significance value of p equalling to or less than 0.05 is generally accepted as conventional level in social science research. With that in mind, it is somewhat surprising to see that satisfaction is not positively and significantly related to members' loyalty in the cooperatives. This actually corresponds to the study done by Brunner, Stocklin & Opwis (2008) who argue that satisfaction is not significantly associated with loyalty. When assessing the simultaneous effect between multiple variables, satisfaction could be just a variable that may impact or is linked to the loyalty. Nevertheless, trust, resistance to change and perceived value are found to be positively related to members' loyalty in the cooperatives. Additionally, perceived value represents the highest beta value, followed by resistance to change and trust. Therefore, perceived value yields the strongest effect on members' loyalty and could be deemed as the most critical factor towards loyalty in the cooperatives. It highlights the importance of the perceptions towards benefits and costs of the products and services offered by the cooperatives. This is consistent with the study of Thuy & Hau (2010) where they also

found out that perceived value is a significant antecedent of loyalty. It is also supported by the work of Zhillin & Peterson (2004) where perceived value is one of the major determinants of customer loyalty. Generally, it can be surmised that perceived value as well as trust and resistance to change would determine members' loyalty in the cooperatives not only in Sarawak, but also developing economies.

CONCLUSIONS AND RECOMMENDATIONS

It is important to translate the findings and discussions of the present study into managerial implications so as to help the cooperative movement in Sarawak and subsequently developing economies to facilitate their improvement in service and maximize their performance. The present study underscores the positive and significant relationship between perceived value, resistance to change and trust, and cooperative members' loyalty. Therefore, it sheds light to the cooperative management to put more emphasis on improving perceived value, addressing resistance to change and enhancing trust to ensure that the members of the cooperatives continue to be loyal to their cooperatives for many years to come. Stressing overtly on members' satisfaction in the context of cooperatives in Sarawak might lead to *myopia*, as it does not necessarily lead to loyalty as suggested by past studies in different contexts. On the contrary, what matters the most to the cooperative members is the quality of products and services so that they could see that the benefits they gain outweighs the costs they pay. Understandably, being pragmatic is of importance in any developing economies in any emerging markets. So long as members see the relevance of the products and services to their lives and works and the benefits that come with them, they would most likely remain steadfast in their decision, and thus loyal to the cooperatives in the long run.

Notwithstanding its magnitude, the study is limited in several areas which underline the need for future research. Instead of using satisfaction as the independent variable, members' satisfaction could be modelled as a mediator variable to provide more insights. Moreover, the duration of membership which is very much linked to service utilization, knowledge and familiarity of the service, could be incorporated in the framework to provide a more comprehensive knowledge about the members' behaviour. Furthermore, other personal or situational factors could be included as moderators in future research to obtain more in-depth understanding on members' loyalty towards the cooperatives. Finally, it would be beneficial to conduct a qualitative study on the subject matter so as to delve into other variables of interest in a pragmatic manner not only in Sarawak but also in other emerging markets.

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