

## **The Conceptual Framework for Predicting Loyalty Intention in the Consumer Cooperatives Using Modified Theory of Planned Behavior**

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### **Abstract**

*This study is intended to investigate loyalty intention among members in the consumer cooperatives societies in Malaysia and identifying factors that may constitute members loyalty in patronizing the cooperative stores. Most of the study done across the globe on loyalty lies in investigating the unit of analysis of an ordinary customer and not as 'member' per say. An individual person who joins a cooperative are called 'member'. Guided by the cooperative principles, these members join cooperative voluntarily and manage the cooperative in a democratic and autonomous way through holding of certain portion of shares. What separates a member from a customer is that, members are also a shareholder, stakeholder and owner of the cooperative as depicted by the principles. Applying the Theory of Planned Behavior as the basis of this research, the authors try to propose a conceptual framework by modifying the theory to suit the context and environment of this study.*

**Keywords:** Consumer Cooperative, Theory of Planned Behavior, Attitude, Subjective Norms, Group Norms, Perceived Behavioral Control, Switching Costs, Loyalty Intention.

### **1.0 Introduction**

Consumer cooperatives can be defined as cooperatives that run retail activities such as mini markets, supermarkets, convenience stores, gas stations, furniture stores and others (Malaysian Cooperative Societies Commission Report, 2008-2009). Consumer co-operatives play an important role in providing the daily needs of goods and services to its members and non-members at a reasonable price.

The Malaysian Cooperative Societies Commission Report (2008-2009) mentioned that the initial recommendation of establishing consumer cooperatives as one of the function of the cooperative movement in Malaysia could be traced since 1907. At that point of time, there were significant profiteering activities made by business activities that were charging unduly high price for food and clothing's. These profiteering activities have led to the financial burden on the consumers. Thus, it was indeed important to establish consumer cooperatives in order to minimize the high margin made by the existing retailers.

The first Consumer Cooperative in Malaysia was founded in 1936 under the name of 'The Ulu Langat Malay Cooperative Society Shop'. Since then, two additional cooperative were registered in 1940. From 1941 to 1950, the consumer cooperatives did not show any progress due to the event of political instability.

Only 21 cooperatives were recorded in the year 1950. The eruption of historic events in the 1950s such as the Korean war, the Suez crisis and the depression that happened in Malaya in 1951, has affected the prices of primary products to increase considerably due to the high inflationary.

This event has contributed to the problem of inadequate supply and the occurrence of fraud and adulteration of foodstuffs. It was later exacerbated by the activities of black market and profit taking activities by irresponsible seller. Eventually, the cost of living increased dramatically. The government has given monetary incentives, encouragement and support to the establishment of new consumer cooperative. This initiative has helped the cooperative to establish a place to operate their business, purchase of stocks, the supply of goods, payment of salaries and overhead expenses. This has resulted towards the expansion of consumer cooperatives to 164 in 1951 and further to 248 in 1956 with a total business turnover of RM23.5 million. The consumer cooperatives continue to develop to 1,920 in 2013 with a total business turnover of RM 696,586,612 (Malaysian Cooperative Societies Commission, 2013).

As cooperatives have been recognized by the government as the third sector that contributes to the development of economy of Malaysia, there have been wide interests to study on this area and to find ways of improvements on how cooperative sectors can spearhead their contributions to the economy. Currently, cooperative societies are targeted to contribute 10 % of the Malaysia's Gross Domestic Products in 2020 (Malaysian Cooperative Societies Commission Report, 2008-2009).

## **2.0 Literature Review**

### **2.1 The Theory of Planned Behavior**

The Theory of Planned Behavior or also referred to as TPB (Ajzen, 1985) has been useful in predicting social behaviors and were found to be applicable to many domains of research such as diet (Sparks & Guthrie, 1998), volunteer (Warburton & Terry, 2000), gambling activities (Oh & Hsu, 2001), blood donation (Giles & Pringle, 2004), banking (Bansal & Taylor, 2002), tourism activities (Lam & Hsu, 2006) electronics (Pavlou, 2003), behavior of safe sex (Boltero, Sanitioso, & Brain, 1999; De Vroome, Stroebe, Sandfort, de Witt, & van Griensven, 2000), smoking habit (Morrison, Gillmore, Simpson, & Wells, 1996; Norman, Conner, & Bell, 1999), therapy of replacing hormone (Quine & Rubin, 1997), medication regime adherence (Conner, Black, & Stratton, 1998), alcoholic drinking (Morrison et al., 1996; Trafimow & Finlay, 1996), illegal substances usage (Conner & Armitage, 1998), low fat food consumption (Armitage & Conner, 1999; Trafimow & Trafimow, 1998), career (Vincent, Peplau, & Hill, 1998), basketball game (Arnscheid & Schomers, 1996), safety helmet wearing (Quine, Rutter, & Arnold, 1998), dental floss usage (Rise, Astrom, & Sutton, 1998), sunlight exposure (Hillhouse, Adler, Drinnon, & Turrisi, 1997), composting (Kaiser, Woelfing, & Fuhrer, 1999).

The components of the Theory of Planned Behavior (TPB) are:

1. Attitude – This relates to the degree which a person has a favorable or unfavorable evaluation towards certain behavior.
2. Behavioral Intention (BI) – The motivational factors that influence behavior, the stronger the intention to perform behavior, the more likely the behavior will be performed.
3. Subjective Norms (SN) – It relates to what important others belief of whether a person should engage in the behavior.
4. Perceived Behavioral Control (PBC) – It relates to a perception of the ease or difficulty in performing the behavior of interests.

According to Ajzen (1985), The Theory of Planned Behavior is a cognitive model that explains and predict people who acted in accordance to their intentions and perceptions of control over their behavior. Attitude, Subjective Norms and Perceived Behavioral Control influences intention towards the behavior. The Perceived Behavioral Control (PBC) is an inclusion into the Theory of Planned Behavior to the fact that the earlier theory which is The Theory of Reasoned Action (TRA), formulated by Ajzen and Fishbein (1980) did not consider this variable. TPB has evidenced that by including PBC, the predictions of intentions has improved (Ajzen & Madden, 1986).

### **2.1.1 Attitude**

According to the studies conducted using attitude, it was found that attitude is the strongest predictor of intention as compared to the other two construct in TPB which is the perceived behavioral control and subjective norms (Bansal & Taylor, 1999; Bansal & Taylor, 2002), and it can well predict customer loyalty in many areas such as apparel brands (Chang, Burns, & Noel, 1996), retail stores (Monroe & Guilitinan, 1975) and consumer goods (Day, 1969).

Therefore, in this study, the authors decided to remain attitude as the main variable discussed in TPB as it is the strongest predictor of intention. On the other hand, the two other variables which are subjective norms and perceived behavioral control will be replaced by other types of variables in order to strengthen the findings of the research. Thus, the authors are suggesting of developing a new conceptual framework to improvise the existing theory of TPB and to suit the current context of study.

### **2.1.2 Replacing Subjective Norms (SN) with Group Norms (GN)**

Subjective Norms (SN), in TPB, was described to be the subject of every other important people that help to influence behavior of an individual. It has predicted intention in the areas of internet (Lim & Dubinsky, 2005), banks (Bansal & Taylor, 2002) and organic food (Sparks & Guthrie, 1998). Despite its prediction on intention, several authors have drawn a conclusion that Group Norms (GN) is much better to predict behavior than subjective norms (Terry & Hogg, 1996; Terry, Hogg, & McKimmie, 2000; Terry, Hogg, & White, 1999). In group norms, people will identify themselves in a particular group, which is categorized as behavior relevant group explained in the self-categorization theory. These people will then internalize the group norms and behave according to the norm that the group possessed (Hogg & Reid, 2006; Turner, 1982; Turner & Oakes, 1989).

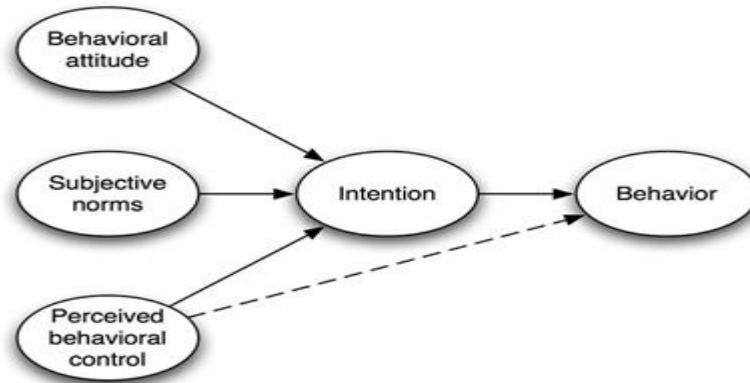
The higher one identifies themselves in a particular relevant group the stronger the relationship between group norms and intention would occur (Johnston & White, 2003; Ravis & Sheeran, 2003; Terry & Hogg, 1996; Terry et al., 1999).

### **2.1.3 Replacing Perceived Behavioral Control (PBC) with Switching Costs (SC)**

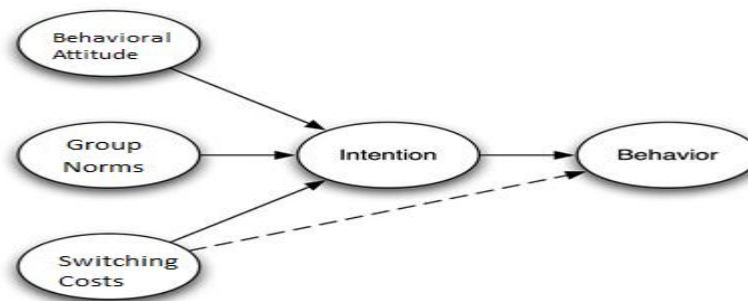
Switching Costs (SC) may refrain customer from leaving when they encounter negative experiences and is regarded as more effective than satisfaction in order to retain customer (Burnham, Frels, & Mahajan, 2003). If switching costs is not included, companies may actually over emphasized the roles of determinants of behavior (Bendapudi & Berry, 1997; Fornel, 1992). Various authors have resembles switching costs as the perceived behavioral control of the Theory of Planned Behavior (Bansal & Taylor, 2002; Lee, Murphy, & Swilley, 2007) due to its ability to predict customer loyalty (Caruana, 2004; Gerpott, Ram, & Schindler, 2001; Kim & Yoon, 2004; Serkan & Goekhan, 2006).

## **3.0 Conclusion**

To summarize, all variables described in the Theory of Planned Behavior (TPB) such as Attitude, Subjective Norms and Perceived Behavioral Control may correlate with intentions. Various researches have evidenced the ability of the Theory of Planned Behavior (TPB) to predict intentions and behaviors across many domains regardless psychology and marketing. With regards to the ability of predicting intentions, Subjective Norms (SN) has been described to be the weakest predictor due to its conceptualization nature of using social pressure from important others. To suit the current context of study with the relevancy of the nature in the cooperative societies, Group Norms (GN) is suggested to replace Subjective Norms as a result of observations made by previous researchers whom evidenced the improvement of the predictive ability of this constructs. With the understanding of the importance role of switching costs as not to be left out as one of the strength of behavioral determinants, this study will incorporate Switching Costs (SC) by replacing it with the actual Perceived Behavioral Control (PBC) which was originated in the Theory of Planned Behavior.



**Figure 1: The Theory of Planned Behavior (Ajzen, 1985)**



**Figure 2: The Modified Theory of Planned Behavior**

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