

Members' Attitude and Loyalty Intention in the Malaysian Consumer Co-Operatives

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Abstract

The aim of this research is to explore members' attitude towards loyalty intention in the consumer co-operatives within the Malaysian context. Attitude has been explained in the Theory of Planned Behavior as the strongest predictor of intention, therefore suggesting that by applying this predictor into this study, intention can thus be best explained. Simple random sampling method was applied in this study whereby, all 13 consumer co-operatives listed in the Top 100 Co-operatives Index as at 2014 were selected to take part in this research. Four hundred and seven (407) valid questionnaires were reverted for the purpose of data analysis. This research has demonstrated that members' attitude is substantial in influencing loyalty intention, therefore suggesting that vital strategies needs to be stimulated by co-operative in order to attract, gain and retain members' participation to energize the co-operative sector in the future.

Keywords: Consumer cooperative, Theory of Planned Behaviour, Attitude, Marketing, Malaysia, cooperative

1. Background of Consumer Co-Operatives in Malaysia

Co-operative is defined as a self-governing association of individuals joint voluntarily to fulfill their economic, social, and cultural needs and objectives through a jointly-owned and democratically-controlled enterprise (Alliance, 2005). Co-operative is a different type of organization, maintained and organized by its members, who are the consumers or workforces, and are designed to meet their common benefits shaped by the seven co-operative principles (Alliance, 2005; Dunn, 1988). A member is an individual who contributes equity to legalize the function of the co-operative on the basis of co-operative principle which is not a control based on the entire shares held but each member has been designated one vote to practice their responsibility in this unique democracy system. Co-operative nowadays functions as a hybrid industry of providing economic and social benefits to the members precisely and to the society at large generally. Consumer co-operatives can be described as the type of business that commonly run retail activities such as mini markets, supermarkets, convenience stores, gas stations, furniture stores and others (Malaysia Cooperative Societies Commission, 2014). Consumer co-operatives furnished an imperative appearance in catering the daily needs of goods and services to its members and non-members at an equitable price (Malaysia Cooperative Societies Commission, 2014). The introductory of the establishment of the consumer co-operative can be traced as early as 1907. At that point of time, there were compelling fraudulent conducts made by immoral business activities that were charging unfairly high prices for food and clothing.

These profiteering activities have financially burden the consumers. Therefore to minimize the high margin imposed by the existing retailers, the necessity to establish consumer co-operatives comes into picture. The first Consumer Co-operative in Malaysia was established in 1936 under the name of 'The Ulu Langat Malay Co-operative Society Shop'. The growth continues and now the consumer co-operatives can be observed as the biggest adult co-operative in Malaysia with 2,514 co-operatives being registered as at 30 June 2014. The total membership recorded was 600,112 individuals with share capitals of RM301.32 million. The overall assets recorded were RM 1,344.54 million and total turnover of RM524.82 million.

However, the credit co-operatives have outperformed in terms of highest number of membership being registered of 1,357,897 in contrary to their small appearance of only 596 co-operatives.

The credit cooperatives have also projected the highest number of shares being registered with RM 5,580.55 million as compared to other function of co-operatives. Total assets were RM 11,269.76 million and turnover of RM 905.44 million. The comparison of all co-operatives is depicted in Table 1.

2. Problem Statement

Fulton & Adamowicz (1993) spotted that members recognitions towards co-operatives are less encouraging than the investor oriented business in terms of granting better financial returns and efficiency in operation. Conferred by Burt & Wirth (1990), members couldn't differentiate between these two entities and many members were ill-informed about the conduct of co-operative. Interests to participate in co-operatives have deteriorated and now it slowly begins to suffer a series of deliberate problems that begins to jeopardize the survivability and success of the entity. Uniquely the problem involves members.

Ownership has no longer resembles loyalty Zeuli & Foltz (2003), an alarming situation that may compromise the existence of the institution. Members have been separating from their common interest and now pursuing different types of motivations in the co-operative. Free riders have become common, either by not patronizing, or gaining advantages or benefits of investments without too much being involved. This is often the result of the failure of the co-operative in some cases. Therefore, this research tries to investigate if members' attitude relates to loyalty intention and how loyalty issues can be overcome if careful consideration can be dedicated to energize member's attitude in vitalizing the growth of co-operatives in the future.

3. Literature Review

3.1. Customer Loyalty

Customer loyalty indicates an individual who remains to be devoted to an organization by performing identical behaviour of enduring purchase and routinely preserving to use the similar products and services over time (Oliver, 1999; Osman, 1993). Customer loyalty can therefore, be associated with the desire to endure contacts with the organization (Chandrashekar, Rotte, Tax, & Grewal, 2007; Coelho & Henseler, 2012; Martínez & Rodríguez del Bosque, 2013; McMullan & Gilmore, 2008; Ndubisi, 2007; Ou, Shih, Chen, & Wang, 2011; Pan, Sheng, & Xie, 2012; Yao, Zhou, & Meng, 2007; Zakaria et al., 2014) despite any attempts that possibly causing switching behaviour (Oliver, 1997), become emotionally engaged (Bowen & Shoemaker, 2003) less possibility to defect (Jones, Mothersbaugh, & Beatty, 2002) and would do much more than any typical customers. Therefore it can be summarized that, a loyal customer can simplify the process of making decision to purchase and the commitment has become more routine because of the experience they encountered when dealing with the products and services.

3.2. Attitude

Attitude is a situation where a person judge a certain behaviour to be favourable or non favourable, pleasant or unpleasant, good or bad, like or dislike, beneficial or harmful (Icek Ajzen, 2012). According to Rosenberg & Hovland, (1960), an individual's attitude toward certain object will create responses to that object. Many researchers have acknowledged the capabilities of attitude in explaining behaviour (Ajzen & Driver, 1992; Blessum, Lord, & Sia, 1998; Millar & Millar, 1996; Posavac, Sanbonmatsu, & Fazio, 1997) and attitude has become the strongest predictor of intentions as described in the Theory of Planned Behavior (Bansal & Taylor, 1999; Christopher & Mark, 2001; Sheeran, Norman, & Orbell, 1999). Thus, this research tries to substantiate whether attitude correlates with loyalty intention in the co-operative surrounding, therefore:

H1: There is a significant relationship between attitude and loyalty intention

4. Methods

The population in this study comprises all the members of the consumer co-operatives in Peninsular Malaysia, registered with Malaysia Co-operative Societies Commission (MCSC) who become members of co-operative listed in the Top 100 Co-operative Index introduced by the Malaysia Co-operative Societies Commission (MCSC). The index for the best 100 co-operatives was announced by MCSC in 2008. The purpose of the index is to resemble the best 100 co-operatives to serve as a benchmark for the co-operative sector in order to determine the success of co-operatives in this country.

Top 100 Co-operative Index is a distinctive award and accreditation given to the best 100 co-operative in the entire Malaysia every year based on the largest amount of turnover generated at the closing of each financial year which meets the standards of requirements financially and non-financially as stipulated by the MCSC.

Each year, the Top 100 Co-operative Index directory is introduced during the National Co-operative Day. In this Index, all co-operatives will be analyzed and the top most successful co-operatives will be ranked in the Top 100 index based on the highest to the least passing score according to the criteria prescribed. The guidelines set by the MCSC in choosing the best 100 co-operatives in Malaysia are also in line with the standard established by the International Co-operative Alliance (ICA) for the ranking of Global Top 300 for the best co-operative in the world.

According to the Top 100 co-operative index announced in 2014 by MCSC, there were thirteen (13) registered consumer co-operatives awarded as the most successful co-operatives in Malaysia for at least twice since it was introduced in 2008 with the total populations of 26,771 members. All the thirteen (13) consumer co-operatives are included in this study, and members will be selected as the respondents for this research using simple random sampling of probability sampling technique. The rationale of selecting successful consumer co-operatives is because this research wishes to investigate attitude from the perspective of members obtained from the successful co-operatives, what are the current practice of attitude and whether attitude leads to loyalty intention. Therefore, this indication will set as a benchmark and an example for other non-listed co-operatives to identify this factor and improve the current conditions of their respective co-operatives.

Attitude (Table 2) and loyalty intention (Table 3) constructs were operationalised into eight (8) items each in order to investigate the overall impressions state. This measurement was first validated by experts and was tested during the pilot study period and produces a good indication of reliability analysis for this study to be carried out.

1300 questionnaires were distributed to all 13 consumer co-operatives, with 100 questionnaires each. From this amount, 450 questionnaires were successfully returned. Filtering process was next done by checking each questionnaire. Out of that, 407 questionnaires remain valid and fit for the purpose of this study due to the complete filling of all required instructions. 43 questionnaires were found inadequate due to missing values. The period of collecting data from the members of the consumer co-operative was arranged during the Annual General Meeting of each co-operative as it was the best possible time to witness large number of member's attendance. Prior to that, the permission from each co-operative was obtained for approval on the intention and purpose of this research.

During the Annual General Meeting session, the attendance of all members was recorded. From the number of members who turned up, questionnaires were then self distributed by the researcher to the identified members of the co-operative based on the 100 random number generated to satisfy the simple random technique method applied. Some occurrence of limitations was identified during this period, for example, some members feel hesitated to fill in the questionnaires. Some employees and board of directors are the members of the co-operatives, which was also excluded from this study. The intention of this study is to obtain true genuine members whom do not resume any positions in the co-operatives management and administration. Therefore these members were not included and the random number was generated again to complete the total sample. Members, who gave their consent, were requested to fill in the questionnaire which includes a letter that described the intention of this study, self-addressed stamped envelope and one set of questionnaire. To eliminate bias, the researcher did not accommodate the dedicated respondents neither in order to ease in answering the questionnaire nor to clarify on any items if they found it to be confusing. Every answer is by self-completion without guidance and assistance from the researcher.

To ensure privacy and confidentiality, respondents were given two options. The first option was to complete the questionnaire and to insert it into the envelope and pass to the researcher at the end of the Annual General Meeting or to be collected by the employees of the co-operative after the meeting ends. The second option was to directly mail the questionnaire using the attached envelope at any time of their convenience after completing the questionnaire but not exceeding two weeks at the time the questionnaire is handed over to them starting from the date of the Annual General Meeting session. It was noticed that under option one, 284 questionnaires were successfully returned with the response rate of 21.84 %. Under option two, 166 questionnaires were received with the response rate of 12.76 %. Overall, the returned questionnaire was 34.6 % (450 out of 1300) from the total questionnaires assigned. However, the questionnaire which met all requirements was successfully analyzed was 31.3 % (407 out of 1300).

5. Results

The internal consistency using cronbach's alpha was carried out to examine the reliability of the questionnaire. It was found that the cronbach's alpha of attitude was recorded at $\alpha = .837$, while loyalty at $\alpha = .841$, both projected an indication of 'good' described by (Sekaran, 2003). The frequency analysis on gender have witnessed an almost equal proportions of male and female for this survey with male percentage of about 50.4 % while female about 49.6 %. From the total of 407 respondents, male was recorded at 205 individuals while 202 were female. This has suggested that it was well balanced between genders who took part in this survey. It also showed that women have also played an important role in the co-operative societies in Malaysia by giving their support and encouragement to the growth of co-operative apart from men.

From the total of 407 people who took up this survey, it was evidenced that the age group of between 41-50 years old recorded the highest number of people which is 163 or 40 % of the respondents. It was interesting to see that persons below 20 years old was only 15 out of 407 being surveyed which was less than 10% , logged at 3.7 %.

This survey has witnessed that the majority of respondents reside within the age group of 41-50 years old and more than 80% of the respondents were above 31 years old. Among the three biggest ethnicity in Malaysia, The Malays was the highest number of respondents recorded in this study. 95.6 % (389 respondents) belongs to this ethnicity. There were only 10 Indians respondents or 2.5 %, almost a similar percentage to the Chinese with 8 individuals or 2 % from the total sample.

About 18 % (65 people) of the respondents hold the minimum of Degree qualifications, with Masters at 7 people and the least is PhD holders of only 3 people. The results also showed that 13 individuals or 3.2% of the respondents only completed their primary school education. This study accounted that more than 80% of the respondents belonged to the groups of Diploma level and below. This research showed that majority or more than 90% of the respondents are still working at the time this survey was done and are mostly engaged in the government sector and majority of the respondents hold monthly household gross incomes of more than RM 4001. Majority of the respondents, which is 385 people or 94.6%, had only invested RM5, 000 or below, while only 22 people or 5.4% out of 407 is surveyed had invested more than RM 5000 but not exceeding RM 10000. Mean and standard deviation analysis was next carried out. Attitude has recorded a skewed mean on average ($M = .386$, $SD = 3.51$), indicating that based on the most opinions rated a favorable attitude is seen towards the co-operative.

The strength of the relationship between attitude and loyalty intention was next carried out using Pearson Correlation technique. It has been evidenced that, there is a strong significant ($r = .867$, $p < 0.01$) positive correlation between Attitude and Loyalty Intention. This has given an indication that the higher the attitude, the higher would be the loyalty intention. If members feel that the co-operatives is favorable to them, they will intent to be loyal towards the co-operatives, while on the other hand, if they feel that the co-operative is not favorable, the loyalty intention might dropped. Regression was next performed, Attitude was significantly related to loyalty intention with $F(1,405) = 1228.800$, $p < 0.01$ with R of .867, producing an R^2 of approximately 75.2% of the variance accounted by attitude in explaining loyalty intention. This means that attitude played a very crucial impact in determining members' loyalty intention in the co-operatives while the balance of 24.8% remains unexplained.

6. Discussion And Conclusion

Attitude was found to significantly correlate with loyalty intention. Thus, the present study also supported the findings made in previous research (Ajzen & Fishbein, 1977; Ajzen & Fishbein, 1980; Bansal & Taylor, 2002; Chang, Burns, & Noel, 1996; Kraus, 1995; Monroe & Guilittinan, 1975; Schuman & Johnson, 1976; Sheppard, Hartwick, & Warshaw, 1988). Members, who possess favorable dispositions towards their co-operative, have greater intention to stay loyal to their co-operatives. With attitude predicted loyalty intention of 75.2% , this has been a remark that members attitude should be energized and directed towards improving the sustainability of the co-operatives as neglecting this factor would cause instability to the performance of the co-operatives in the long run as members are the main players to ensure the success or dead of a co-operative. Therefore, the call for understanding members' need and requirement is necessary as to avoid members' deviating their support in the future as co-operatives now face rigid competition from other counterparts offering similar or better services which are also in the process of expanding and developing their businesses within Malaysia's boundary.

Furthermore, the costs of replacing defecting members are higher than to remain existing ones. Co-operative's strength depends on the membership, and gaining internal sources of capital contributed by members who are loyal are more cost-efficient and valuable instead of obtaining from other types of sources. Therefore, careful attention towards understanding members' 'voice' could bring useful and meaningful gains to the co-operative in the future. It is prerequisite to improve the performance and quality of service from the perspective and feedback of members. Therefore, frequent arrangement of dialogue session between Management and Members shall be organized in order to further understand what members feel and want. Other than by the expression of mouth, members need to be encouraged to express opinions through the method of writing by giving comments as some of the members feel shy to express their opinions verbally but still wants their voices to be heard. This situation is often found in woman who becomes members in male dominated co-operatives as they are very reserved to give their opinion verbally.

Awareness and knowledge about co-operative are fundamentals for the members to have a sense of belonging with the co-operative. Co-operatives should always make it a priority to frequently disseminate information to the members to enable them to understand the basic principle of co-operative, how things are operationalized differently from the private entity and how members' role and responsibilities could promote to the success of co-operative.

Strong members' participation in the co-operative needs to be enriched, as this relates to the social purposes of why the co-operative are formed and how will it succeed in the future, through encouraging members involvement. Co-operative especially the board members should strive to increase the size of loyal members and retaining them. They should also make considerable effort to respond to the needs and requirements of its members. Tapping into the knowledge, commitment and providing the sense of participation and attachment of its members are good examples to create stickiness to the co-operative. Co-operatives should also move away from the traditional manners of thinking and business practices. The organizations should benchmark the successful entrepreneur's way of engaging people and businesses.

7. Directions For Future Research

This research study only focuses on a single area which is the consumer co-operative. More future studies are welcomed to investigate this conceptual model into other relevant sectors of co-operative such as credits, services, banks, agriculture, industrial and more. Future research is also recommended to implement a more holistic approach in the form of longitudinal study to determine the actual behavior and relate it to specific intentions. This will therefore elucidate on loyalty intentions and behavior in the consumer co-operative area. This research is only confined to the compound of the best practices of consumer co-operatives listed in the Top 100 co-operative index released by the Malaysian Co-operative Commission Society in 2014. Though it covers all states in the Peninsular Malaysia, future research is welcomed to study in the area of all consumer co-operatives in Malaysia.

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