

A B2C Business Agenda: Analyzing Customers' Perceptions towards *Bumiputera* Retailers

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Abstract

In business retailing, the exploration of studies on consumer demographics, behaviour, attitude and attribute are useful as a framework for profiling consumer's ultimate choice in retail purchasing. Using data that we cross-sectionally investigated, this paper seeks to analyse customer perception towards business retailing activities of the Bumiputeras. Focusing in the state of Terengganu, 359 samples were selected among the public. Out of seven districts in the state of Terengganu, three are being chosen, representing developed, developing and less developing districts. The independent variables understudied include quality of service, attitude, interest, and risk of spending at Bumiputera retail stores. All of those are tested against customers' perception towards Bumiputera retail store, which will serve as a dependent variable. The results demonstrate that there are significant relationship between service quality, attitude, risk and attitude towards the perception of local customers towards the perception of local customers towards business retailing of the Bumiputeras. If Bumiputeras retailers were to competitively enjoying being as the market players they should therefore acquire more initiatives and adopting strategies of continuous improvement of the above constructs for strongly positioning them in the expanding market.

Keywords: *Bumiputera* retailers, Perception, Service quality, Attitude, Interest, Risk

1. Introduction

Retailing is the basic step for businessman to go to another level of business. Business retailing is a good business provided the retailers are competent enough to manage or run the store. There lies a big question mark – are the retailers competent enough to manage their stores? If they are not competent enough in managing their store, at the end of day the business will end up with failures.

Malaysia's population consisting of unique blend of cultures (especially from 3 biggest races of Malays, Chinese and Indians) and way of living somehow had contributed in drawing the economic polarization of the people. The Chinese has been regarded as the leader and expert in business. The Malays and Indians are a little behind in business arena. Considering all races, people in Malaysia can be divided into 2 big groups; namely *Bumiputeras* (indigenous heredity of the Malay Archipelago) and *Non-Bumiputras* (other races such as Chinese, Indians and others). Small and medium-sized enterprises (SME) characterized the efforts of Malaysia's present entrepreneur. Most retailers in Malaysia are SMEs.

Overall, *Bumiputera* participation in Malaysia retailing and wholesale is about 15%. The percentage is quite low as compared to most of other business sectors. *Bumiputera* retail businesses are mainly found in hawkers, F&B outlet services, provision shops in Malay-dominated residential areas and rural areas. In the market centres, *Bumiputera* retailers are mainly and handicrafts items, even them the number is insignificant.

In fact, a study commissioned by *Perbadanan Usahawan Nasional Berhad (Berita Harian, 3 May 2006)* found that indiscipline and poor integrity were the key factors contributing to the failure of *Bumiputera* entrepreneurs

in their business. Similar study also indicates that 13 percent of the entrepreneurs have failed in their business for the five year period from 2000 to 2005.

2. Problem Statement

No doubt, business is the main contributor to the economic growth in Malaysia. The process of buying and selling of products or services have become the major activities in the country. Malaysian government has implemented various strategic initiatives and program to provide necessary support and create a climate in which these enterprises can thrive. In many aspects, effort of the government has borne fruit and Malaysia as a nation has seen unprecedented development and economic advancement over the last decade. Unfortunately the growth in *Bumiputera* entrepreneurial activity has not been in tandem with the pace of the overall development of the nation. This is evident by the low *Bumiputera* equity ownership of 18.9 percent in 2005, and failing short of targeted 30 percent equity ownership by 2020 (Firdaus et.al., 2009).

Retailing serves as the one of the most popular businesses conducted by Malaysian, regardless whether he is a *Bumiputera* or non – *Bumiputera*. Unfortunately, from our rough observation, we can see that the majority of people who are involved and successful in the retail business in Malaysia are the Chinese or the non-*Bumiputera*. This has prompted our interest to explore why this situation occurs. There are many factors relating to the problem. One of those problems is on customer perception. Till present, it is quite difficult to understand how customers view the retail business run by *Bumiputera*. Having mentioned all those, it makes us wonder is there anything wrong with the retail businesses run by *Bumiputer*s?

This research is being carried out with the intention to further understand the factors that affect customer perception towards retail businesses run by *Bumiputer*s in Malaysia. Specifically, this research is meant to answer the following questions:

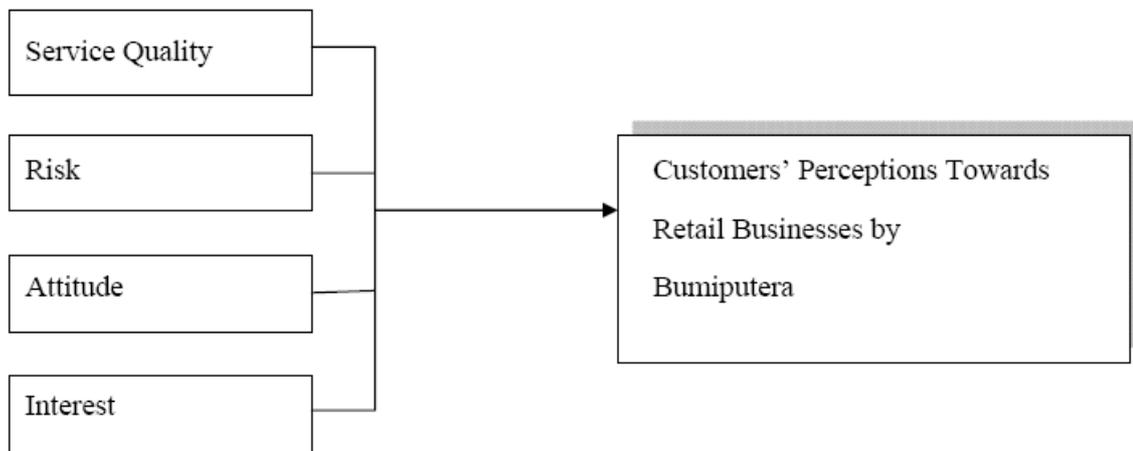
- What is the customer perception towards retail businesses run by *Bumiputera*?
- What can be suggested in order to improve those retail businesses?
- Why so some of those retail businesses run by *Bumiputera* end up as a failure?

3. Scope and Purpose of the Study

This study is being conducted in the state of Terengganu (Islamic state located in the east coast of Malaysia). Three districts were chosen for data collection on customer perception towards retail businesses; namely Dungun, Marang and Kuala Terengganu. The respondents will only be consumers at the age of 15 to 59 years old.

The main purpose of the research is to determine customers' perception towards retail businesses run by *Bumiputera* in Terengganu. Specifically, the study aimed to examine factors that contribute to form the customers perceptions. Four dimensions will serve as the contributing or independent variable; namely quality of service, risk involved, attitude and interest of business owners. The study of the four independent variables toward customer perception makes up the following framework.

Relationship between Independent and Dependent Variables



The framework of the study is as above. Customers perceptions towards retail businesses that re run by *Bumiputera* will be the dependent variable. Independent variable or factors affecting customers' perception consist of quality of service being offered, risk involved, attitude and interest of the retailers.

The study is basically rooted from the social exchange theory proposed by Blau (1964). Social exchange theory (Blau, 1964) assumes good relationship between customers and organizations are seen as exchanges in which a follower reciprocates a personal outcome (eg fairness experience) by giving positive outcomes to the other party, such as behaviour. Bateman and Organ (1983) contended that social exchange theory predicts that people seek to reciprocate those who benefit them (Bateman & Organ, 1983). The situation is similar in this case. Customers will have positive perceptions that lead to better relationship if they are being treated nicely and offered quality services.

4. Related Literature

Being the first-choice store is very important for any retailers. However, while customers often patronize many stores, they typically have a primary affiliation to a “main store” that captures the majority of their purchases (Rhee & Bell, 2002). Having said that, understanding and fulfilling shoppers’ requirement is the essence of building retail patronage (Bellenger & Kargaonkar, 1980)

Customer Perception

Customer perception is a wide concept to be gauged. Several authors believe that the internal factors of the company or the facilities offered by retailers play an important role in building business image. Naylor and Frank (2000) believe that the employees’ performance will affect the consumers’ perception. Other authors further suggest facilities offered by the business (Shaw & Haynes, 2004); price of the products (Sheinin & Wagner, 2003); quality of service offered (Gangliano & Hathcote, 1994). Agreeing with them, Jiang and Rosenbloom (2005) further add, as consumers become more globally connected and technologically savvy, comparing prices with the click of a mouse, non-price advantages, such as service quality take on even more significance in attracting and retaining customers.

Miranda et.al. (2005) explains that the concept of customer perception is strongly linked to customer satisfaction. It is important for the retailers to know what makes their customers feel satisfy while shopping in their stores (Miranda et.al., 2005). Satisfied customers will give an excellent perception towards the retailers.

The roles of emotion are closely related in developing customer satisfaction in retail business. Burns & Neisner (2006) find that cognitive evaluation and emotional reaction of customer will affect on their buying behaviour. In fact, they further note that cognitive evaluation was found to be more important than emotional reaction in explaining customer satisfaction (Burns & Neisner, 2006).

Paulins and Geisfield (2003) argue that consumers’ perception towards any retail store is not judged on a single factor but as whole. For instance for an apparel store, the consumers will evaluate the type of clothing desired in stock, store appearance, shopping hours and advertising attractiveness (Paulins & Geisfield, 2003). Having everything being put forward, consumer still have his or her own perception towards certain retail store, whether it is good or bad (Chatterjee, 2007).

Quality of Service Offered

The role of service quality has become critical to the success of organizations (Landrum, 2007). In fact service quality is seen as a driver of customer lifetime value (Babakus et.al., 2004), so understanding customer perceptions of service quality should be a key focus of any firm desiring to differentiate its offerings in the global arena (Imrie, 2005)..

From Wong and Sohal (2002) point of view, there is a relationship between service quality and overall relationship quality on two levels of retail relationships – that is employee and employer level. Only a good relationship between the two will ensure a good quality of services being provided. Wong and Sohal (2006) further add that a good understanding of the quality of services will probably encourage customers to end-up with purchase decision at the respected stores.

Different people have different perspective of providing quality of service to customers. Parasuraman et.al. (1985) argue that both tangible and intangible aspects are important in how customers judge service quality. Shaw and Haynes (2004) are concern with the facilities provided by the store which can reflect the image of the store itself. According to them, many choices of facilities offered, will end up with more customer satisfaction (Shaw & Haynes, 2004). Ju and Hasper (2006) find customers are happy shopping at a store offering several types of services under one roof. However, it is interesting to note, in Asian culture, Paulin and Perren (1996) have proved how the impact of culture affect a nations’ perception of service quality.

Consumer Risk Perception

Motives drive people to reach their goals and in doing so they invest time, money, mental and physical energy. Uncertainty surrounding the outcome of this goal-oriented behaviour (i.e. possible failure) and its consequences (possible losses) implies the presence of risk (Mitchell & Harris, 2005)

Perceived risk has traditionally been conceptualized as a multi-dimensional phenomenon being subdivided into various risks or losses e.g. physical, financial, psychological, social and time losses (Kaplan et.al., 1974; Roselius, 1971). Retail store performance risk refers to the concern that the store chosen might not “perform” as desired (Mitchell and Harris, 2005). The main risk buyers tend to focus on is financial because cost can be more easily compared and evaluated.

Sometimes consumers face risks from their purchasing activities at the retail store. Mitchell (1998) demonstrated that shoppers’ behaviours are associated with risk perception. The risks can be in terms of services that they get from the retailer, the product condition, the price and the environment in the retail store. Therefore, it is essential for the customers to be knowledgeable enough in order to make them feel ‘safe’ and will not be sceptical to spend their money in any retail store. In order to avoid any risk, customers feel satisfy with national brands rather than any store brand because the national brands are already being well known (Mieres et.al, 2006).

Attitude

A study conducted by Nickson, Warhurst and Dutton (2005) has proven the importance of controlling employees’ attitude and appearance. The findings support the earlier suggestion by Jackson et.al. (2002) that in any business, especially in service sector, it is important to have employee with right personality and right attitude.

The image of the retailer is very important to develop an excellent image for the organization and help them to be strong in the market. Burt and Encinas (2000) argue how competitive advantage in the home market has been based upon the development of strong store and corporate image as retailers strive to develop themselves as brands in their own right. They further add that retail companies need to fully understand the importance of image in competitive positioning. According to Baso and Hines (2007), consumers’ buying habits are forged or altered based on stimuli outside the quality of goods or services. Some of the factors include courtesy of sales associates, responsiveness of management in dealing with complaints, concerns and added values such as knowledgeable staff.

Another strong component of retail image is based on employee behaviour towards their service to customers either positive or negative. Kupke (2004) stresses on the importance of customers’ initial perceptions of the retail images. These perceptions will account for customer evaluations and patronage. Eventually, everything will affect their buying behaviour (Kupke, 2004).

Attitude of employees to some extent are very much related towards maintaining satisfaction at the work place (Keiningham et.al., 2006). In other words, employees satisfaction significantly affect the performance of the retail store.

Consumers’ Interest

Lopez et.al. (2006) argue that consumers refuse to shop at a certain retail store when the retailers failed to update their product brands and performance. Matilda et.al (2007) found that the service environment affect consumer satisfaction.

The research done by Zielke and Dobbstein (2007) found that consumers are willing to shop at the retail store when there are new products in the market or the shopping itself is always based on price, quality positioning, store brand perceptions and purchasing behaviour.

5. Data Collection Method

All information being gathered via questionnaire survey form on 359 respondents sampled in the state of Terengganu. The questionnaire was being pilot tested and further improved for obtaining more reliable responses.

Referring to the statistic by the Economic Planning Unit, total population of Terengganu was estimated to be 1,005,943 (UPEN, 2005). Using the entire population might not be able to provide a good generalization of the study. A more specific focus group was being considered by eliminating the less powerful purchasing age group from the sample. The research therefore came out with the new population age group which varies from the age of 15 to 59 years old, which is about 346,933 people that actually shape the purchasing market in Terengganu. From the figure, an initial total of 380 respondents were considered to be the sample for the study.

The present study adopts a stratified random sampling method because it increases the likelihood of representativeness. Also when sample is not very large and it is easier to achieve the desired target sampling response when we have coarser strata (Wong, 2004). Stratum is selected from the sample in the same proportion as they exist in the population. In this case three districts (from seven districts of Terengganu) representing three clusters are being selected. Those three clusters include Kuala Terengganu, Dungun and Marang representing progressively developing district, developing district and less developing district. From the three clusters, the unit of analysis was conveniently being collected to a total of 359 samples being derived.

6. Findings & Data Analysis

Validity and Reliability of Measures

The construct validity of each category is evaluated by using Principal Component Factor Analysis (Hair et.al., 1998). To test the construct validity of this study, factor analysis was being employed. Factor analysis using SPSS was derived to explore the underlying factor structure of the dimensions without prior specifications of their factors and their loadings. Factor analysis using varimax rotation was performed to extract factors from the scale of each construct (quality of services, attitude, interest, perception and risk).

Table 1 (attached) shows the Cronbach's Alpha score for both dependent and independent variables. Following the Hair et.al.'s (1998) rule of thumb indicating if a score is more than 0.7 for each variable- the measurement is assumed to be reliable and acceptable. Therefore, the score for all variables are assumed to be reliable.

In terms of demographics, the study tries to capture the age bracket of those who are most likely to be engaged in shopping activities. Our findings indicate that most of those shoppers are in the age bracket between 20 – 30 years old giving a total of 48.7%. The next group of shoppers are those within the age bracket of 41- 50 years, followed by those between 30 – 40 and the finally the rest were more than 50 years old and less than 20 years old demonstrated by 20.9%, 14.5%, 9.2% and 6.7% respectively. The distribution of the profession was evenly distributed with majority shoppers were government servant (38.2%) followed by those from private sector (35.9%) and finally were students with a total percentage of 25.3% (as shown in Table 2)

Looking at the income bracket, 49.6% of the respondents earn less than RM 1000, 29.6% are those earning between RM 1000 and RM 2000, 13.9% are from the income bracket of RM 2000 to RM 3000, and a small percentage are from the higher income group. The analysis of education level indicates that half or 51.1% possesses SPM – *Sijil Pelajaran Malaysia* (High Certificate of Education, Malaysia) or high school leavers, followed by Diploma holders (23.7%) of the shoppers group. Those with better education are underrepresented in this study (Table 2).

Cross Tabulation (Chi-Square Tests)

The result from Chi-Square test shows that there is no significant relationship between gender, profession, income and level of education with the customers' perception towards retail businesses run by Bumiputra. This is indicated by the p-value of 0.811, 0.155, 0.849 and 0.956 respectively. However there is a significant difference of p-value at the age group of 0.020 and 0.023 respectively.

Correlation Coefficient Analysis

Pearson Correlation was being adopted in assessing the strength of relationship among independent and dependent variables. All the selected variables found to be statistically significant towards customer perception on Bumiputera retailers with 0.000 p-value for all variables at 0.01 significant level (refer Table 4)

Referring to the relationship of service quality, attitude of retailers, interest, and the risk involved demonstrated a moderately high relationship with the r value of 0.656, 0.658, 0.669 and 0.63 respectively. Thus all the four identifiable constructs are important in influencing customer perception on retail business run by Bumiputera in Terengganu.

Regression Analysis

We further investigate the relationship by using Multiple Regression Analysis. Multiple Regression Analysis conducted on service quality, attitude, interest and risk with customer perception towards Bumiputera retailers indicates a significant relationship of 0.000 p- value.

Regression analysis indicates a significant relationship of 0.000 p-value. All the four variables (service quality, attitude, interest and risk) show significant relationship with attitude possessing the strongest value, followed by interest, risk and service quality respectively. The Beta value for all is 0.266, 0.250 and 0.223 and 0.154 accordingly (refer Table 5).

7. Discussions & Conclusions

Three biggest problem faced by *Bumiputera* business owners are inability to compete, lack of competency and drive and customer related problems. Those three problems seem related to the variables analyzed in this study.

Our study which was conducted earlier had identified the four independent variables (namely service quality, attitude, interest and risks) that can affect perceptions to any retailers. This study meant to further investigate as to what extent all the four variables were able to contribute or affect customers' perceptions towards *Bumiputera* retailers. The study was being focused in the state of Terengganu (Malaysia), which is known for its religious Islamic state in nature. Terengganu is chosen simply because of its major population is 90% *Bumiputera* which make up to a total majority of *Bumiputera* retailers. From here we can have a clearer view of *Bumiputera* retail activities. In fact our study has proven that there is a significant relationship between quality of services offered by retailers, attitude of the retailers, interest of buying, and risk factors of customer perception towards *Bumiputera* retailers.

Most importantly, by analyzing the importance of attitude as related to the action of individuals is always critical for most social science studies. The term 'attitude' itself gives an indication of permanent behaviour, reflecting decision made by individuals. Our studies revealed that attitude of the retailers are significantly related to the perception of customers. This is further being strengthened with our discussion with several customers noted that not much effort among *Bumiputera* retailers in building good rapport while delivering their services. This indicates that the quality service has failed to be delivered resulting in customers' frustration. Thus, there are more initiatives need to be considered while having business transactions with customers. Setting up a clear vision should be acculturated so that *Bumiputera* retailers should be able to stand at par with the non-*Bumiputera*. The idea of doing business as a hobby or part-time activity should not be good excuse for not being able to professionally meet the needs of customers. At the same time, they should confidently and independently compete with other retailers as a challenge and motivating factor in order to be more successful.

Secondly, providing quality of service to customers somehow affects customer satisfaction and thus, able to mend their perception towards the retailers. Even though the issue of providing highest satisfaction to end consumers is always on the business agenda, little effort had been put forward in addressing it. Furthermore, with the ever changing customers' tastes and preferences, makes the effort even more difficult. However, any actions toward the improvement and provide quality of service to customers will definitely yield positive outcome. Knowing the potential difficulties in providing desired products and services in matching customers' needs will create better avenues to remain competitive in the market. The research has proven that one way to gain customer satisfaction is by providing choices of quality products and comes together with the interest of the retailers in running their business.

Continuous attempts should be strategically adopted by retailers in order to develop the interest to shop among customers at their store. Among others include to create a more conducive shopping environment and attractions such as proper promotional agenda and more personal services to the customers. Effort should be concentrated in making customers feel important.

Last but not least is to minimize risk. It is important that customers feel safe shopping in any store. Avoiding risk means that the retailers should avoid providing expired product, price escalation, rude to the customer and contribute in putting customers in jeopardy. Everything that can enhance better relationships with customers will strengthen the bond of loyalty in the future to come.

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Table 1. Summary of Cronbach's Alpha for All Variables

Variables	Number of Items	Cronbach's Alpha
B (Quality of Services)	9	0.892
C (Attitude)	10	0.898
D (Interest)	10	0.912
E (Perception)	9	0.866
F (Risk)	5	0.766

Table 2. Demographics

<i>Items</i>	<i>Frequencies</i>	<i>Percentage</i>
<u>Gender</u>		
• Male	166	46.2%
• Female	193	53.8%
<u>Place</u>		
• Kuala Terengganu	178	49.6%
• Dungun	119	33.1%
• Marang	62	17.3%
<u>Age</u>		
• < 20	24	6.7%
• 20 – 30	175	48.7%
• 31 – 40	52	14.5%
• 41 – 50	75	20.9%
• > 50	33	9.2%
<u>Profession</u>		
• Government	137	38.2%
• Private	83	23.1%
• Own business	46	12.8%
• Student	91	25.3%
• No / Housewife	2	0.6%
<u>Income Per Month</u>		
• < RM 1000	178	49.6%
• RM 1001 – RM 2000	106	29.5%
• RM 2001 – RM 3000	50	13.9%
• RM 3001 – RM 4000	21	5.8%
• RM 4001 – RM 5000	3	0.8%
• > RM 5000	1	0.3%
<u>Highest Education</u>		
• SPM	180	50.1%
• Diploma	85	23.7%
• Degree	63	17.5%
• Master / PhD	4	1.1%
• Others	27	7.5%

Table 2 illustrated that respondents taken were almost equally represented in terms of gender where 46.2% and 53.8% male and female respectively. Reflecting the nature of population distribution, most of the respondents were from Kuala Terengganu (49.6%), followed by Dungun (33.1%) and Marang (17.3%).

Table 3. Chi- Square Test between Nominal Variable and Dependent Variable (Perception)

Nominal Variable		Value	Df	As. Sig. (2-Sided)
Gender	Pearson Chi-Square	23.103 ^a	30	0.811
Place	Pearson Chi-Square	84.554 ^a	60	0.020
Age	Pearson Chi-Square	152.798 ^a	120	0.023
Profession	Pearson Chi- Square	135.699 ^a	120	0.155
Income	Pearson Chi- Square	132.225 ^a	150	0.849
Highest Education	Pearson Chi- Square	94.849 ^a	120	0.956

Table 3 above shows the result of chi-square test between demographic profile and their perception towards retailers.

Table 4. Summary of Pearson Correlation

Variables		Mean_B (Service Quality)	Mean_C (Attitude)	Mean_D (Interest)	Mean_F (Risk)
Customer Perception	Pearson Correlation	0.656 **	0.658**	0.669**	0.630**
	Sig (2-tailed)	.000	.000	.000	.000
	N	359	359	359	359

*Correlation is significant at 0.05 level (2-tailed)

** Correlation is significant at 0.01 level (2-tailed)

Table 5. Summary of Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.824	0.179		4.604	0.000
Service Quality	0.153	0.056	0.154	2.735	0.007
Attitude	0.254	0.054	0.266	4.665	0.000
Interest	0.209	0.042	0.250	5.006	0.000
Risk	0.214	0.045	0.223	4.796	0.000