

Exploring the Relationship Between Benefit, Satisfaction and Loyalty among Unit Trust's Retail Investors

¹Rohaizat Baharun, ¹Noor Hazarina Hashim and ²Noor Zarina Sulong,

¹Department of Business Administration, Faculty of Management,

²Department of Modern Language,

Universiti Teknologi Malaysia, 81310 Johor Bahru, Malaysia

Abstract: The purpose of this paper is to empirically a model that reflects the different types of benefit perceived by unit trust retail investors. A quantitative analysis through a personal survey to unit trust customers was performed. A customer study in the mutual fund service industry was conducted on one of the famous government linked company that provides unit trust products in Malaysia. Data were analyzed through structural equation modeling and model is estimated. The results from the model suggest that functional and experiential benefits have a major influence on customer satisfaction and purchase intentions. The findings also suggest that unit trust providers should consider treating consumers as partners in their provision of existing services toward unseen criteria and overlooking these less visible area, such as feelings of being successful, comfortable, confidence, independent and having optional to make decision. This study is strategically important to unit trust providers in Malaysia to encourage them to offer new benefit for their customer. The present study is limited in its scope and a first approach of benefit construct is considered and future research was suggested by adding new constructs in order to deepen into the analysis of the relationship between customer and unit trust providers.

Key words: Retail investors • Unit trust • Consumer behavior • Financial industry • Malaysia

INTRODUCTION

Financial services industry in Malaysia has become much more complex and competitive since deregulation activities were made by the Malaysian government in the early 2000s. Deregulation allowed banks to seek new merger between banks, investment from new foreign banks and the introduction of new products and systems such as Islamic products into conventional banking system. This is in-line with the implementation of capital adequacy requirement under the guidance of the Basel Accord, Ma, Liu, Dai and Huang, [1] and implementation the ASEAN Free Trade Area by 2015, Abd Karim, Chan and Hassan, [2]. Since then, relevant information has been crucial and has become one of the major components in effective decision making in financial services. Further more in today's highly competitive retail financial services environment, the importance of pertinent information cannot be overemphasized and the importance of financial

intermediaries are also increased, Ribnikar [3]. Marketers must recognize the value of information as an important source to the firms and adds value to the organizations. According to O'Malley, Patterson and Evans [4], this added value can be achieved through effective analysis, through the combination of different data sets or making the information more thorough, or through manipulation for particular situations.

One of the products offered by the financial provider in Malaysia is mutual fund or better known as unit trust fund. These products were created by asset management companies especially the main branches of the financial providers to attract investments from both retail and institutional investors. Until now, both retail and institutional investors are increasingly choosing unit trusts funds as their investment opportunity for many reasons. The Malaysian government through their unit trust company, Permodalan Nasional Berhad (PNB) has always been offering the Malaysian people, products from

their unit trust investment since the early 1980 until now. Currently there are 10.4 million account holders and 127 billion units in circulation for PNB's unit trust, Mohd Husairy and Kyra [5]. In response to this opportunity, financial providers in Malaysia have shown a new interest in marketing their products and services to their customers more effectively. To be more competitive in the market, all of them utilize marketing tools and techniques. According to Kaynak and Harcar [6] the concept of service differentiation and market segmentation has been applied.

This study, in line with prior research, adapts a benefit segmentation approach to the financial service industry in particular the unit trust products. Since most published studies are rooted in Western society, it is interesting to study in heterogeneous and culturally distinct as Malaysia, Baharun *et al*, [7]. Further more, to the best of our knowledge, published studies for benefit segmentation in unit trust are absent. The paper begins by providing a theoretical background of the relevant literature. This is followed by the methodology and the results from the quantitative study are presented. The paper concludes with a discussion of the implications of the findings and identifies limitations and areas for future research.

Literature Review. Market segmentation is a very important construct when predicting consumers' purchasing behavior, Park and Sullivan [8]. Smith (1956: 5 in Alfansi and Sargeant, [9]) define market segmentation as "viewing a heterogeneous markets as a number of smaller homogeneous markets, in response to differing preferences, attributable to desires of consumers for more precise satisfaction of their varying wants". Although after him, there are many scholars who try to redefine the concept, Smith's original definition of segmentation still current because the heterogeneity elements in the market place. In the literature, many scholars found a variety of variables that could potentially form the basis of effective segmentation elements. The majority of the approaches to market segmentation discussed so far are useful in locating and describing target segments. According to Minhas and Jacobs [10], they suffer from underlying disadvantages that all are based on an ex post facto analysis of the kind of people who make up specific segments of a market. On the other hand, by using these variables we can't determine what cause of development of these segments or does buying behaviour determine the membership of a segment. According to Harrison [11], most studies on segmentation of customers in the financial services

industry focus on consumer perceptions, attitudes and underlying motivations of customers towards a particular financial institution. In the marketplace now-days, consumers differ greatly in terms of their wants and needs. Furthermore, a lot of customers may desire different benefits although it can come from the same product, service, or marketing offering.

Minhas and Jacobs [10] suggest that the problems mentioned above can be over-come by using benefit segmentation. In early studies such as Haley [12] and Wind [13], they suggested that benefit segmentation is a powerful tool for grouping heterogeneous consumers. Alfansi and Sargeant [9] argued that this approach can classify consumers according to their different requirements and hence defines a segment by causal rather than descriptive factors. Further more it can unlock the question of why consumers elect to purchase particular products and services. Koh *et. al*. [14] stated that benefit segmentation is a technique to differentiate and group customers on the basis of the benefits they desire or seek. Machauer and Morgner [15] stated that today approaches to segmentation define customer segments by post hoc. In other words, the benefits that customers seek constitute the basic reason for purchase and lastly can form a suitable basis for market segmentation. Gutman [16] defined benefit segmentation rests on the idea that consumers select products/services based on desired benefits. Lastly, according to Minhas and Jacobs [10], the main strength of benefit segmentation is that the benefits sought have a causal relationship to future behaviour. In this approach, our research has centered on the task of applying benefit segmentation to the financial services market, using the specific example of unit trust retail customers.

MATERIAL AND METHODS

The primary study was conducted in the state of Johore, the southern part of Peninsular Malaysia, whom can be considered as a representative of the social strata existing in the Malaysian society. The researchers used some disproportionate quota such as sex, ethnic, urban and rural areas to ensure that all level of population are represented in the multicultural society. A cross-sectional design methodology was used over a period of three months. The survey instrument was developed based on the literature review. The questionnaire was issued to groups of people who were waiting in a variety of scenarios, with an element of convenience sampling. The questionnaire was administered face-to-face; as such

the response rate was satisfactorily high. The main research instrument was designed to cover benefits sought which were selected on the basis of research gaps as identified in the literature. The questionnaire for the study was developed in English and then translated into the Malay language by a bilingual associate. Back translation was also done to check for any inconsistencies or translation errors. To ensure content validity, we used the most popular and valid instrument from past researches with some modifications made to suite the multi-cultural society in Malaysia, which consists of a 30-item questionnaire. All questions were rated on a four-point modified Likert scale from "1" (strongly disagree) to "4" (strongly agree). In data collection activities, where door-to-door recruiting and interviewing was used, interviewers were present during the interview providing direction or answering questions when required. A total of 452 valid questionnaires were obtained from the period of three months of the fieldwork. In aggregate a usable response rate of 75.3 per cent was obtained after cases with missing values were deleted before the data analysis.

RESULTS AND DISCUSSION

Structural equation modeling (SEM) procedures are used to test the plausibility of the postulated causal model. In this approaches, we followed the two-step procedure recommended by Anderson and Gerbing [17] to establish measurement and structural model. Confirmatory factor analysis (CFA) is conducted at the first to establish the measurement model and confirm both convergent and discriminate validity. Further step is to conduct a path analysis for establishes the structural model. According to the CFA result, the chi-square test was statistically significant, $X^2 = 1248.62$, $p < 0.001$, suggesting a lack of satisfactory model fit. After the measurement model was confirmed, structural equation modeling was then performed to test the hypothesized relationships. The model fit statistics revealed a X^2 of 593.8 with a degree of freedom of 199 at $p < 0.001$, X^2/df of 2.98, GFI of 0.889, AGFI of 0.993, CFI of 0.910, TLI of 0.901, RMR of 0.019, IFI of 0.902 and RMSEA of 0.070, suggesting that the hypothesized structural relationships fit the data well.

Each estimate of the path parameter is now assessed to test whether each postulated hypothesis is supported or not. H1a proposed that higher perceived functional benefits lead to higher customer satisfaction. Result showed that higher perceived functional benefits did

significantly effect on customer satisfaction (γ functional = 0.74, $p > 0.05$). Thus, H1a was supported. H1b predicted that higher perceived symbolic benefits lead to higher customer satisfaction. Results showed that higher perceived symbolic benefits has a significant and positive effect on customer satisfaction (γ symbolic = 0.82, $p > 0.05$). H1c also predicted that higher perceived experiential benefits lead to higher customer satisfaction. Results also showed that higher perceived experiential benefits has a significant and positive effect on customer satisfaction (γ experiential = 0.87, $p > 0.05$). Therefore, H1b and H1c were supported. The results are not surprising and are consistent with the previous literature (e.g Liu *et al.* [18] with co-branding credit cards; and Kaynak and Harcar [6] with bank services; Dimitriadis [19] with retail bank customers).

Lastly, H2 proposed that higher customer satisfaction leads to higher purchase intentions. Results showed that customer satisfaction have a significant, positive effect on the purchase intentions (γ satisfaction = 0.86, $p > 0.05$). Thus, H2 was supported. This finding was consistent with the results of William and Naumann [20] who found empirical support for this relationship in the context of stock price performance and customer satisfaction in the financial sector.

This study shows that traditional satisfaction variables such as service quality and operational characteristics (for example cleanliness, service speed, friendliness) are not the only effective methods of securing customer relationships or satisfaction. In other words, increasing customer satisfaction with such attributes mentioned above, does not guarantee increased overall satisfaction and more purchase intention toward unit trust providers. By identifying these unseen criteria and overlooking those less visible area, such as feelings of being successful, comfortable, confidence, independent and having optional to make decision, unit trust providers must address these areas to satisfy their customers and finally retain their own customers. From the conclusion presented above, unit trust managers especially in the marketing area should understand why customers buy unit trust products from them. Customers should be treated as partners in the services provided to them and the reciprocal behaviour will foster a positive atmosphere between the customers and the providers. Finally there must be efforts to remove any bad image or perception among customers and reduce risk of investment, so that relationship between customers and providers enable their relationship to progress and lastly increase loyalty among them.

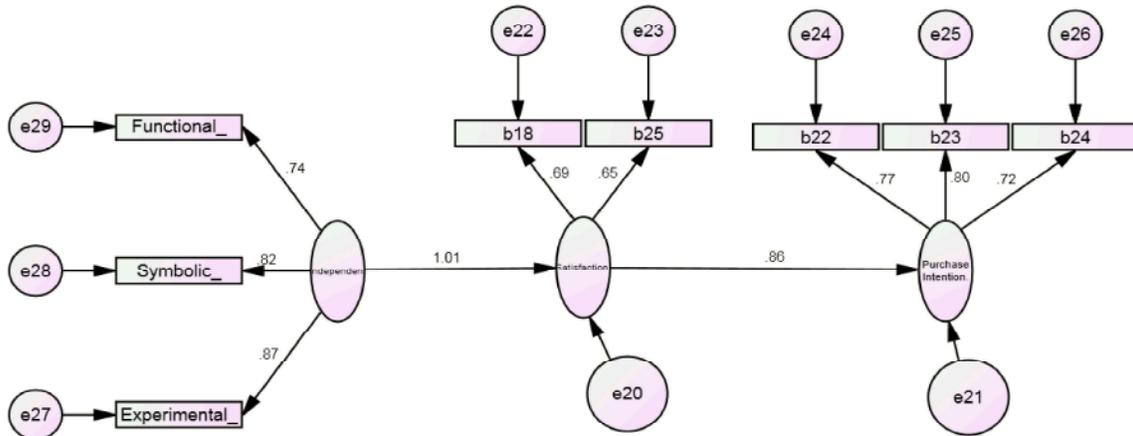


Fig. 1: The final model of fit and degree of relationship between benefit segmentation, customer satisfaction and purchase intention.

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