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## Customer Retention and the Mediating Role of Perceived Value in Retail Industry

**Purpose:** This paper examines the effect of corporate social responsibility, social media marketing, sales promotion, and store environment on perceived value and customer retention in the retail industry. It also aims to provide a significant contribution to existing literature by examining the mediating effect of perceived value between the stated factors and customer retention.

**Design/methodology/approach:** A quantitative research approach was utilized, collecting data from customers of department stores in east coast Malaysia. In total, 278 valid questionnaires were used in the analysis of data using structural equation modelling.

**Findings:** The findings indicate that perceived value has a significant positive effect on customer retention. The outcomes also showed that social media marketing has an insignificant effect on perceived value, whereas its effect on customer retention is positive and statistically significant. Additionally, the results confirmed that corporate social responsibility and store environment have significant positive effects on perceived value and customer retention. Moreover, the findings showed that sales promotion has a significant positive effect on perceived value, but its effect on customer retention is insignificant. Finally, the results revealed that perceived value mediates the relationships between all of the independent variables and customer retention.

**Originality/value:** The results of this study increase our understanding of how these factors affect customer retention in the retail industry.

**Keywords:** Corporate social responsibility, customer retention, perceived value, sales promotion, social media marketing, store environment.

### INTRODUCTION

The rapid growth in competition among organizations of all types has posed several challenges for them regarding maintaining their customers and achieving business objectives. Due to that, organizations have shifted from traditional marketing towards relational exchange practices with customers that could yield greater business profits on the long term. For this reason, focusing on customer retention has become very important for improving organizational performance and competitiveness. In order to achieve customer retention, it is important to note that customers tend to evaluate their purchase experiences in terms of the perceived value that results from the amount of money spent to get a product or service and the benefits received in return. Therefore, a positive customer experience has a significant impact on customer retention and purchase behaviour (Bapat and Thanigan, 2016). To sustain customer relationships and ensure organizational effectiveness, it has become vital to understand what constitutes customer retention (Afzali and Ahmed, 2016).

In order to respond the intense competition among businesses, it is as become important to search for the drivers of customer retention. Previous studies examined several factors and predictors of customer retention in different industry contexts. However, the nature of these factors tends to be different from industry to industry. This study focuses on Malaysian retail sector to explore customer retention and its antecedents as the majority of previous studies on this topic were investigated in western cultures and only few were done in Asian countries, particularly in retail sector. According to Tamuliene and Gabryte (2014), although a

significant amount of research has been conducted on examining the repurchase intentions of consumers, there is no consensus agreement on what constitutes customer retention. Moreover, Mandhachitara and Poolthong (2011) stated that corporate social responsibility is an important factor that affects consumer behaviour, but most of the previous studies on this concept were investigated in Western countries, and only few were done in Asian context.

Perceived value has been established as an important determinant of consumers' perception and retention. In the current business environment which is highly competitive and frequently changing, retailers should clearly develop their understandings and predictions towards the behaviour of consumers in buying and selecting different goods and services for satisfying their needs (Roy, Datta, and Basu, 2017). Therefore, in order to obtain and secure a competitive advantage in target markets, several retailers have focused on differentiating themselves by establishing a distinct brand image in the minds of their consumers towards their department stores in an attempt to influence and motivate their purchase behavior (Shamsher, 2016). Perceived value was found in the literature as one of the key predictors of consumer behaviour. However, despite its importance as a key tool for customers' evaluations of brand offerings, the marketing literatures showed that only few empirical researches were undertaken to understand perceived value and examine its effect on customer behaviour (Nguyen and LeBlanc, 1998).

By looking at previous literature, it also shows that some scholars considered sales promotions and store environment as important factors that influence customer retention in the retail context. Social media has also emerged as a new marketing communication tool for establishing valuable relationships with customers and sharing the latest organizational products/ services with key stakeholders to achieve marketing objectives. However, despite the importance of social media marketing as a communication tool, there are limited researches which examined its effect on customer retention. Duffett (2015) also reported that there is a limited research on social media marketing in emerging countries. Therefore, based on the above gaps, this study is designed to examine the effects of social media marketing, corporate social responsibility, sales promotion and store environment mediated by perceived value on customer retention. To the author's knowledge, these variables have not been previously integrated together in a single framework to explain their direct and indirect effects on customer retention through perceived value. The next section presents the literature review for this study and then the methodology and results are discussed. Finally, this paper ends by the conclusion and future research directions.

## **LITERATURE REVIEW**

### **Customer Retention**

Most of the previous studies on customer retention were guided by the commitment-trust theory which was proposed by Morgan and Hunt (1994). The commitment-trust theory posits that customer relationships can be established and maintained through consumers' trust and brand commitment which result from positive purchase experiences. According to Van Vuuren et al. (2012), understanding what constitutes trust and commitment is vital in order to develop long-term relationships. Relationship marketing encompasses creating bonds with business customers by fulfilling their needs and honouring commitment. Morgan and Hunt (1994) added that relationship commitment and trust require firms to provide superior products and services to their customers and communicating brand value. Instead of focusing on short-term benefits, organizations adopting relationship marketing strategy establish long-term bonds with their profitable customers. Consequently, customers tend to develop trust towards these organizations, and the joint commitment enables both parties to fulfil their

needs. Therefore, the higher degree of trust and commitment ultimately lead to greater customer retention (Hilman and Hanaysha, 2015).

Customer retention can be described as the process of building customer loyalty towards a particular brand, thus resulting in repurchasing its products or services over time (Cannie, 1994; Danish, Ahmad, Ateeq, Ali, and Humayon, 2015). Customer retention emphasizes on repetitive patronage which is mainly associated with consumer's repurchase behaviour and brand loyalty (Buttle, 2004). In other words, customer retention entails a long-lasting customer commitment towards a brand and maintaining such relationship as a result of positive perceptions and past experiences (Boohene, 2013; Mohamed and Borhan, 2014). Customers who happily make most of their purchases from a certain brand usually have higher degrees of satisfaction towards it than those who show less commitment. Moreover, a successful customer-brand relationship makes consumers less attracted to price promotions offered by other competitors. Anderson and Sullivan (1990) also illustrated that customer retention provides financial implications to organizations because gaining new customers is more costly than maintaining existing ones due to the expenses that they spend on advertising and promotion to influence their purchase behaviour.

Customer retention has largely been considered to be the main objective for organizations that focus on relationship marketing strategy (Coviello, Milley, R., and Marcolin, 2001; Grönroos, 1991). Although the accurate measurement and definition of customer retention can differ among industries and organizations (Aspinall, Nancarrow, and Stone, 2001), there is a general agreement that emphasizing on customer retention can enable organizations to gain several benefits and advantages (Ang and Buttle, 2006; Buttle, 2004; Dawkins and Reichheld, 1990). For instance, retained customers are willing to pay higher prices on purchasing a company's products or services than new customers, and they appear to be less sensitive to the receptions of promotional offers which are usually created to obtain new ones (Ang and Buttle, 2006). Furthermore, loyal customers who keep their relationships with a particular brand are likely to purchase its products frequently, recommend its products to others, consume less time from the service providers, and have less sensitivity to its price changes (Sim, Mak and Jones, 2006; Reichheld and Sasser, 1990). Previous literature also showed that acquiring new customers costs almost seven times more than that of maintaining existing ones (Sim et al., 2006), and that developing customer retention will result in improved profit margins. All of these benefits confirm the importance and value of retained customers for brand success.

Overall, customer retention is the prime objective of sustainable relationship marketing and it has been considered as a significant managerial theme, particularly in the case where organizations experience a low growth rate in the acquisition of new customers over a period of time (Ahmad and Buttle, 2002). Retaining customers has also been established as a key objective for several organizations, especially in the current competitive business environment as several brands devote considerable amount of time and financial capital on creating long-lasting and mutual relationships with their potential customers in order to achieve greater degree of performance and satisfy marketing objectives (Bataineh, Al-Abdallah, Salhab, and Shoter, 2015). In view of that, the creation and implementation of relationship marketing as a business strategy to maintain customers can enable a brand to obtain resilient and sustainable competitive advantages (Roberts, Varki, and Brodie, 2003). However, it is not an easy to establish customer relationships and maintain them over time unless the company understands their customers' needs and expectations. For this reason, it has become vital for organizations to understand the needs and expectations of their

customers for managing their brand relationships, and then obtain the necessary resources and use them efficiently to ensure greater levels of satisfaction and retention.

### **Perceived Value**

Jones, Mak, and Sim (2005) conceptualized perceived value as the overall evaluation of consumers towards the benefits of a product or service by comparing what is paid and what is obtained in return (Zeithaml and Bitner, 2003, p. 491). The term value signifies the difference between prices and utilities which is perceived through both quality and cost (Nguyen and LeBlanc, (1998). Perceived value was also defined in the literature as the perceptions of consumers about the distinctive benefits and advantages of purchasing a product or service in comparison with other alternatives (Zeithaml, Berry, and Parasuraman, 1996). That is, perceived value can be evaluated based on consumers' sacrifice in terms of time and cost (Zeithaml et al., 1996; Nasution and Mavondo, 2008). In general, customer value emphasizes on the perceptions or evaluations of what a customer gets or receives from purchasing a certain product or service (Chang, Chen, and Tseng, 2009). It represents the benefits that customers receive from purchasing from a particular brand. Certain researchers highlighted that customers' assessments of perceived value come from the functional utility or economical costs that are associated with purchasing a product/ service (Hauser and Urban, 1986).

As consumers' needs have recently changed rapidly with the evolving technological advancement, there has been a shift among organizations towards creating customer value. Currently, value can be established by a brand and its customers, and thus, customers develop expectation from organizations to engage them through various experiences (Prahalad and Ramaswamy, 2004). Obtaining the information from customers about the desired value is vital and can be considered as one of the foundations of effective market management. Therefore, it has become necessary for organizations to enrich their offerings in target markets by getting better insights on how to improve customer value. This has also urged many brands to develop more understandings about the drivers of customer value to create sustainable competitive advantages and improve customer retention (Lapierre, 2000). In retail context, managers have gradually recognised that in order to remain competitive, they should offer added values to their customer in order to explain the reasons for price changes. Consequently, retail managers should understand the requirements and expectations of various customers with regard to value proposition.

Many researchers confirmed the importance of the perceived value by empirically showing its direct effect on consumer willingness to purchase (Dodds and Monroe, 1985). Dube and Renaghan (2000) reported that one of the key considerations that organizations must take in order to retain and satisfy their customers is the creation of added values for them. In today's competitive marketing environment, delivering superior customer value has certainly become one of the core marketing strategies for several brands (Hansen, Samuelsen and Silseth, 2008); this is because greater customer values enhance customer satisfaction and brand loyalty; which as a result enable organizations to generate higher profit margins due to high sales volumes that results from customers' repurchase behaviour and positive word of mouth (Liu, Petruzzi and Sudharshan, 2007). Certain scholars also confirmed that perceived value has significant positive effect on the customer retention (Chang and Wang, 2011; Yang and Peterson, 2014). Based on the above discussion, the following hypothesis is presented:

H1: Perceived value has a positive effect on customer retention.

### **Social Media Marketing**

Social media has nowadays become very attractive to many individuals due to its strengths and benefits as a communication tool in helping both companies and their customers to establish long-lasting relationships (Hanaysha, 2016; Sano, 2014). Social media was defined in the literature as a group of communication networks and mediums that are online in nature and created in order facilitate information sharing among different users in an interactive way (Esu and Anyadighibe, 2014). Edosomwan, Prakasan, Kouame, Watson and Seymour (2011) also conceptualized social media as a method of online communication in which social networks and blogs are used to increase the efficiency of interaction, communication, and sharing of information and contents among individuals. Social media was also described by Hennig-Thurau, Malhotra, Frieger, Gensler, Lobschat, Rangaswamy, and Skiera (2010) as online networks and digital information and communication channels that organizations and customers use in order to interact with each other irrespective of their location and spatial time. The emergence of social media networks has given consumers various options and provided them with rich information about different types of services and products (Mann and Sahni, 2011).

Social media sites have emerged as the most favourable online communication channel through which consumers obtain opportunities to interact with the service providers and learn about their latest products and services and then share the information with others before they consider, evaluate, and buy from them (Hudson, Huang, Roth, and Madden, 2016; Qualman, 2013). The implementation of social media marketing has received a vast interest from several organisations as it can help them to gain better understandings about their consumers, their perceptions towards their brands, and anticipate their future behaviour (Bolton et al., 2013). The quick growth of social media marketing has eternally changed the way in which several consumers interact and communicate with each other and the with service providers (Duffett, 2015). By using social media tools, marketers can benefit from the two-way communications with their current and potential customers to obtain useful information and insights about them in a shorter time. Marketers have also realized the value of social media marketing through word of mouth and brand referrals.

To remain competitive in the quickly changing business environment, it requires firms to implement the social media marketing strategy. Persuad (2013) revealed that the greater degree of interaction among consumers on social media has a positive impact on purchase intention and influence them to establish positive attitudes towards the brand. Other scholars reported that social media facilitates the information sharing among consumers and their peers about the product and service of certain brands (Erdoğan and Cicek, 2012; Mangold and Foulds, 2009), and these interactions enable organizations to manage the efficiency of marketing costs, improve brand awareness, increase brand recognition and recall, and strengthen brand loyalty (Gunelius, 2011). Particularly, the nature of two-way communication through social media enables organizations to quickly respond to customers' issues or complaints at minimal cost, which as a result influences customer retention. Overall, effective use of social media marketing activities can assist organizations to create favourable relationships with current and potential customers, and this enhances perceived value and customer retention. Based on the above discussion, the following hypotheses are presented:

H2: Social media marketing has a positive effect on perceived value.

H3: Social media marketing has a positive effect on customer retention.

H4: Perceived value mediates the relationship between social media marketing and customer retention.

### **Corporate Social Responsibility**

The evolution of corporate social responsibility concept has recently attracted the attention of many scholars. Maignan, Ferrell, and Hult (1999) defined corporate social responsibility as the process by which organizations consider economic, ethical, legal, and discretionary accountabilities towards different types stakeholders. In other words, corporate social responsibility emphasizes on the actions and procedures of an organization that takes into consideration the requirements and expectations of various stakeholders in three distinct aspects: environmental, economic, social (Aguinis and Glavas, 2012; Rodrigues and Borges, 2015; Rupp, Williams, and Aguilera, 2010; Shabib and Ganguli, 2017). Another definition for corporate social responsibility was expressed by Pérez et al. (2013) as the efficiency of a brand in producing and placing its products in a particular target market, taking into considerations the fulfilment of social obligations. The literature on corporate social responsibility reveals that consumer tend to recognises the added values in buying the products or services of brands that are socially responsible (Ferreira, Avila, and de Faria, 2010; Strahilevitz, 1999). The utilities signify the outcomes received from an exchange relationship with the brand. Ferreira et al. (2010) also added that corporate social responsibility had a positive influence on customers' perceived value through the recognition of measurable benefits that would justify price differences.

The perception of customers towards social responsibility activities on the part of organizations is considered as one of the important marketing research topics for various businesses (Rodrigues and Borges, 2015; Hassan, Shaw, Shiu, Walsh, and Parry, 2013). This is because organizational practices of social responsibility programs provide important information to various stakeholders about brand value which as a result increase consumers' confidence towards the service provider (Pérez, Salmons, and del Bosque, 2013). In past literature, it was observed that numerous studies found corporate social responsibility practices as key predictors of consumers' reactions and perceptions towards to company's products and services (Brown and Dacin, 1997; Marquina and Morales, 2012). Previous studies also revealed that corporate social responsibility is one of the main intangible assets for obtaining sustainable competitive advantages and brand differentiation (Marquina and Morales, 2012; Bhattacharya and Sen, 2004; Maignan et al., 1999). Similarly, Green and Peloza, (2014) confirmed that corporate social responsibility affects the purchasing decisions of consumers if the products or services of a brand have implicit ethical offerings and demonstrate a desirable commitment in the protection of consumers' interests. This means that if consumers perceive a brand as socially responsible, they will give it their preference and maintain their relationships with it (Hassan et al., 2013).

In the marketing literature, it was documented that corporate social responsibility activities had positive impact on consumers' attitudes towards the brand and its products or services (Luo and Bhattacharya, 2006; Mandhachitara and Poolthong, 2011; Smith and Langford, 2009). Corporate social responsibility was also considered as a key marketing strategy in retail stores for maintaining customers and communicating brand value (Kim et al., 2014). The active participation in social responsibility programs has largely been considered to be important for strengthening brand image and reputation (Anselmsson and Johansson, 2007; Elg and Hultman, 2016). Bhattacharya and Sen (2004) found that corporate social responsibility improves brand value by developing a sense of well-being, and this value is appreciated by consumers in the market. Other researchers reported that the consequences of corporate social responsibility include positive brand perceptions (Brown and Dacin, 1997), greater buying intentions and perceived value (Mohr and Webb, 2005). Certain scholars also reported that corporate social responsibility has a significant positive effect on customer

retention (Chung, Yu, Choi, and Shin, 2015; Raman, Lim, and Nair, 2012). Based on the above literature, the following hypotheses are proposed:

H5: Corporate social responsibility has a positive effect on perceived value.

H6: Corporate social responsibility has a positive effect on customer retention.

H7: Perceived value mediates the relationship between corporate social responsibility and customer retention.

### **Sales Promotion**

Sales promotion is one of the most significant elements in marketing campaigns, and usually used to encourage quicker and higher (represented by volume/number) purchases of particular products or services offered by a brand. Sales promotions are normally presented in the form of incentives to attract larger number of consumers (Kotler and Keller, 2012). Agrawal (1996) described sales promotions as an aggressive marketing strategy that organizations employ in order to attract committed customers and protect them from switching to other competitors. Another definition of sales promotion was proposed in the literature as an element of marketing mix which is mainly designed to inform, convince and remind a group of consumers and influence their perceptions, beliefs about a brand (Stanton, Etzel and Walker, 2007). Furthermore, Kotler and Armstrong (2010) defined promotions as a marketing activity which is articulated by brands to influence their customers and motivate them to purchase their products or services. Companies execute sales promotions in order to increase brand awareness and enhance customers' attentions and interests towards the offered products or services (Satit, Tat, Rasli, Chin, and Sukati, 2012; Witell, 2011).

Pourdehghan (2015) revealed that sales promotions are important for stimulating consumers' attentions and arousing their interests toward the products or services of a brand. Promotional techniques can take different forms, such as price stimuli, free samples, lower prices, and prize draw, and these types can have strong effects on customer's attraction and purchase behaviour. Sales promotions are largely implemented by many brands in order to stimulate and reward positive consumer responses (Kotler and Keller, 2012). Tanner and Raymond (2012) stated that the selection of promotional mix depends on several factors, such as product life cycle, financial strengths, product and category of purchase decision, characteristics of target market, the readiness of consumers to buy, means of reaching customers, organizational policies, competitors' prices and promotions, environmental factors and the accessibility of media. Mullin and Cummins (1989) also confirmed that sales promotion is the most commonly used tool for attracting customers and maximizing the sales.

Hasan, Wahid, Syafi, and Basalamah (2016) found that sales promotion had a significant positive impact on customer's purchase decision. Hasan et al., (2016) also indicated that promotional campaign plays an important role in influencing consumers' purchasing decisions and perceptions of brand value. Particularly, these promotional offers grant consumers the feeling of added value from purchasing products which have price reductions in relation to a desired financial deal. Certain studies (Andreti, Zhafira, Akmal, and Kumar, 2013; Sagala et al., 2014) examined sales promotions in retail setting and reported that it has a significant influence on purchasing decision and customer retention. Furthermore, Witell (2011) demonstrated that loyal customers enjoy price promotions and develop positive perceptions towards the brand. Mendez et al. (2015) also suggested that sales promotions enhance customer retention and brand reputation over time. Greater support was reported by Aaker (1991) who illustrated that promotional events provide a platform for strengthening and growing brands. Certain scholars also reported that sales promotion has significant effect



on the retention of customers (Amini, Darani, Afshani, and Amini, 2012; Chen and Green, 2011). Based on the above discussion, the following hypotheses are postulated:

H8: Sales promotion has a positive effect on perceived value.

H9: Sales promotion has a positive effect on customer retention.

H10: Perceived value mediates the relationship between sales promotion and customer retention.

### **Store Environment**

Store environment refers to the atmosphere or environment in which customers purchase the products or services of a particular store, and it comprises both tangible and intangible attributes that facilitate the interaction with the service provider (Zeithaml et al., 2009). An appealing retail environment includes various aspects, such as proper lighting, music, attractive decorations and layouts, superb design of architecture, fragrance and freshness, air conditioning, comforting and fashionable colour, and number of visitors which can influence consumer behaviour (Oh, Fiorito, Cho, and Hofacker, 2008). Similarly, Baker (1986) and Ullakonoja (2011) categorized store environment into three distinct aspects: ambient conditions, social factors, and design characteristics. Ambient conditions include the background elements within the environment which are intangible in nature and cannot be seen by customers, such as music, scenery, lighting adequacy, and the degree of temperature. On the other hand, social factors are based on the persons who exist in the retail environment including staff and customers. Lastly, design characteristics contain the physical and visible features of store environment, for example architecture, colour attractiveness, layout and the materials of decoration.

Evaluating the perceptions of customers towards the features of retail environment can create a distinct image in consumer' minds; improve perceived value, and uplift brand performance and purchase intention by reducing cost, time, and efforts in maintaining or attracting new customers (Kumar, Garg, and Rahman, 2010). Mahmood and Khan (2014) suggested that physical environment enables service providers to differentiate their brands from the competitors and stimulate consumer's choice. Previous studies reported that retail environment has a significant effect on consumer behavior. For instance, Belk (1975) specified that the physical surroundings within a store's environment stimulate consumer's purchase behavior. Furthermore, establishing an appealing store environment was emphasized in the literature as a competitive strategy that retailers use in order to influence consumer behaviour and boost their sales (Chebat and Michon, 2003). Greater support was seen in the study of Richardson, Jain, and Dick (1996) who pointed out that store aesthetics improve the perceptions of customers towards the quality of products or services offered by the department store. Newman and Patel (2004) also acknowledged store environment as key determinant of consumer choice.

In the past literature, several studies emphasized on importance of store environment in affecting consumer behaviour and perceptions. According to Zeithaml et al. (2009), physical environment influences consumers' purchase decisions and willingness to maintain their relationships with a service provider. Amofah, Gyamfi, and Tutu (2016) also confirmed that physical environment had a significant relationship with purchase decision and brand loyalty. Similarly, Hasan et al. (2016) highlighted the significance of physical facilities in influencing the purchase intention of consumers. In the retail setting, other scholars found that store environments influences the perceived quality and value of products or services offered for customers in the store (Baker et al. 2002). Therefore, store environment is an important marketing strategy that retailers use in order to improve customers' perceptions of brand

value and enhancing their retention over time (Hosseini, Jayashree, and Malarvizhi, 2014; Ryu and Han, 2011). These opinions are in line with Ullakonoja (2011) who considered retail design as one of the main sources of value that customers can experience at a retail store. Based on the above literature review, the following hypotheses are proposed:

H11: Store environment has a positive effect on perceived value.

H12: Store environment has a positive effect on customer retention.

H13: Perceived value mediates the relationship between store environment and customer retention.

Based on the above discussion which presented the existing gaps in the literature with regards to the linkages between the selected variables, the framework for this research is proposed as follows:

### **Figure 1: Research Framework**

#### **METHODOLOGY**

As specified above, this paper focuses on examining the direct and indirect effects of social media marketing, corporate social responsibility, sales promotion, and store environment on customer retention mediated by perceived value. The respondents of this study are comprised of the customers of department stores in East Coast Malaysia, particularly in Pahang, Kelantan, and Terengganu. Based on the objectives of this research, the quantitative research design was employed for data collection and obtaining customers' responses. Due to the large number of population in this part of Malaysia, a total of 384 questionnaires are considered to be sufficient for surveying the targeted respondents based on the recommendations of Krejcie and Morgan (1970) for determining sample size. In order to ensure the randomness of survey distribution, convenience sampling procedure was employed during data collection process. Additionally, the participants were provided in clear explanations about the objectives of this research and asked for their permission to complete in the survey. Meanwhile, the respondents were met at different times in each day during data collection process in order to avoid response bias issues.

Before data collection took place, the questionnaire which comprised the items about respondents profile and research constructs was designed. The first section included various questions about the demographic characteristics of respondents, such as age, gender, educational qualification, and level of income. Additionally, the second section included the items used for measuring all constructs which were taken from past literature and adapted to fit the context of this research. Particularly, social media marketing was measured using five items being taken from Schivinski and Dabrowski (2014). To measure corporate social responsibility, four items were adopted and adapted from CaNon and Wong (2014), whereas sales promotion was measured using four items which were originally developed by Villarejo-Ramos and Sánchez-Franco (2005). Similarly, a six-item scale was taken from Hussain and Ali (2015) to measure store environment. A four-item scale of perceived value was also adapted from the study of Puncheva-Michelotti and Michelotti, (2010). Finally, customer retention was measured using a total of four items being adapted from Hennig-Thurau (2004). All of the items were measured using a five-point Likert scale which ranged from strongly disagree to strongly agree.

#### **ANALYSIS OF RESULTS**

The total responses of survey participants are comprised of 278 valid questionnaires for data analysis. To analyse the demographic characteristics, descriptive statistics using SPSS were

used. The findings as presented in Table 1 show that 54.7% of the participants are females, whereas males accounted for 45.3% of the overall responses. Additionally, the analysis revealed that 16.9% of the participants have a postgraduate certificate, 34.5% have a bachelor degree qualification, 19.4% have a Diploma certificate, and 29.2% have higher secondary school certificate. On participants' ages, the following distribution is presented as follows: from 18 to 25 years old (22.4%); between 26 and 30 years old (49.6%), between 31 and 40 years old (23.1%); 41 years old or above (4.9%). The output of descriptive analysis also showed that 17.2% of the participants had an average monthly income that is below RM500, whereas 5.4% had a monthly income between RM501 and RM1000. But those who receive a monthly income in the range of RM1000 to RM4000 accounted for 52% of total responses, while 25.4% had an average monthly income that is above RM4000.

### **Table 1: Respondents' Profile**

In order to confirm the internal consistency among the selected scales, the reliability test using Cronbach's alpha was conducted. The reliability of items can be established when they yield invariable outcomes if combined to measure a certain construct. According to Nunnally (1978), the reliability can be considered acceptable when the value of Cronbach's alpha reaches 0.60 or more. Generally, the results showed that the Cronbach's alpha values ranged between 0.739 and 0.942. This means that the Cronbach's alpha for all constructs (social media marketing, corporate social responsibility, sales promotion, store environment, perceived value, and customer retention) exceeded the minimum required value of 0.60 which supports the assumptions of reliability. Moreover, the content validity was established and validated on the measurement items as they were tested by past researches, and a total of three academic experts provided their feedback to improve the quality of the designed questionnaire.

During data analysis, the first phase dealt with data screening which was performed on all responses before proceeding to the measurement and structural models. Initially, the confirmatory factor analysis test was conducted using the measurement model in order to check the unidimensionality of the scales and achieve an acceptable model fit. The general rule as stated by Hair et al. (2010), confirmatory factor analysis exists when the loadings for items under the same constructs reach 0.50 or above. On whole, the results presented in Table 2 indicate that the factor loadings of the remaining items in each constructs exceeded the minimum required value of 0.50; thus, convergent validity is confirmed. According to Schiuma (2010), the permissible number of remaining items for a construct should not be lower than two in order to estimate the structural model. Overall, the findings of measurement model and factor analysis showed a reasonable fit and qualified to proceed for structural model.

### **Table 2: Factor Analysis of the Measurement Items**

As the research hypotheses cannot be answered before reaching to an adequate fit on the structural model, a number of fit indices were used to accomplish these objectives. As it can be seen in Figure 2, the analysis of structural model reveal that a reasonable fit with the data is achieved ( $\chi^2 = 351.274$ ,  $df = 236$ ,  $GFI = 0.846$ ,  $AGFI = 0.804$ ,  $RMSEA = 0.055$ ,  $CFI = 0.939$ , and  $TLI = 0.928$ ). Based on the adequate fit of the estimated model, the values of standardized path coefficients and critical ratios for the projected hypotheses were obtained from the tables of structural model's output. Additionally, the test of discriminant validity was performed through estimating the variance values among all constructs based on the

recommendations of Fornell and Larcker (1981). Particularly, the confirmation of discriminant validity was established by calculating the squared correlations then comparing them with the correlation values among the constructs. Additionally, the results showed that there is no Multicollinearity between any two distinct variables as the correlation values between any pair of constructs are less than 0.80. Overall, the outcomes revealed that discriminant validity assumptions between the constructs are established (See Table 3).

## Figure 2: Structural Model

Table 3: Results of Discriminant Validity

According to the output of structural model which were generated using AMOS 18, the hypotheses for this study were verified. As presented in Table 4, perceived value has a significant positive effect on customer retention ( $\beta = 0.320$ ,  $t\text{-value} = 2.198$ ,  $p < 0.05$ ), and this means that H1 is supported. The findings also revealed that social media marketing has an insignificant effect on perceived value ( $\beta = 0.056$ ,  $t\text{-value} = 2.614$ ,  $p > 0.05$ ), whereas its effect on customer retention is positive and statistically significant ( $\beta = 0.188$ ,  $t\text{-value} = 2.032$ ,  $p < 0.05$ ); hence, H2 is rejected, whereas H3 is supported. Additionally, the results depicted in Table 4 indicate that corporate social responsibility has a significant positive effect on perceived value ( $\beta = 0.305$ ,  $t\text{-value} = 2.855$ ,  $p < 0.05$ ) and customer retention ( $\beta = 0.331$ ,  $t\text{-value} = 2.818$ ,  $p < 0.05$ ), therefore, H5 and H6 are confirmed. The findings also showed that sales promotion has a significant positive effect on perceived value ( $\beta = 0.325$ ,  $t\text{-value} = 3.109$ ,  $p < 0.05$ ), but its effect on customer retention ( $\beta = -0.085$ ,  $t\text{-value} = -0.789$ ,  $p > 0.05$ ) is negative and insignificant, thus, H8 is confirmed, while H9 is rejected. Furthermore, the results showed that store environment has a significant positive effect on perceived value ( $\beta = 0.337$ ,  $t\text{-value} = 2.858$ ,  $p < 0.05$ ) and customer retention ( $\beta = 0.491$ ,  $t\text{-value} = 3.518$ ,  $p < 0.05$ ), consequently, H11 and H12 are accepted.

Table 4: Research Findings

Additionally, the mediating effect of perceived value was estimated using the bootstrapping method to determine whether it mediates the relationships between the selected independent variables (social media marketing, corporate social responsibility, sales promotion, and store environment) and customer retention. The bootstrapping technique was initially suggested by Preacher and Hayes (2008) to examine the indirect effects between variables. The authors also revealed that this method yields accurate results when calculating the confidence intervals (CI) of indirect relationships as the commonly used causal method strategy which was introduced by Baron and Kenny (1986) provides less accurate results. Furthermore, the suitability of bootstrapping procedures appears through its significance for testing the indirect path relationships as it has a distribution which is skewed away from zero (Shrout and Bolger, 2002). Overall, the mediation test was conducted by estimating the indirect and direct effects between the variables according to the final structural model after achieving an acceptable fit (Preacher and Hayes, 2008) with a 1000 sample of bootstrapping. The bias-corrected confidence intervals were also reported at the value of 95%.

As stated by Hayes (2009, p.7), "Simulation research shows that bootstrapping is one of the most valid and powerful methods for testing intervening variable effects (Williams and MacKinnon, 2008) and for this reason alone, it should be the method of choice". Therefore, based on the recommendations of the authors, the bootstrapping method was used in this study to test the mediating effect of perceived value between independent and dependent

variables through AMOS 18. Overall, the results showed that social media marketing has an insignificant direct effect on customer retention (0.827, 95% CI) but its indirect effect on customer retention (0.003) is significant, hence, the full mediation is supported. Furthermore, the results showed an insignificant direct effect of corporate social responsibility on customer retention through perceived value (0.073, 95% CI) and significant indirect effect (0.001) (see Table 5); consequently, the full mediation effect is confirmed. Moreover, the bootstrapping procedure showed an insignificant direct effect of sales promotion on customer retention (0.727, 95% CI) with a significant indirect effect (0.004), therefore, full mediation is supported. Finally, the bootstrapping procedure for examining the mediating effect of perceived value between store environment and customer retention also showed that the direct effect is significant (0.036, 95% CI), and the indirect effect is also significant (0.001, 95% CI), and this indicates that the partial mediation is confirmed. On Whole, H4, H7, H10 and H13 are supported.

**Table 5: Mediation Effect of Perceived Value**

## **DISCUSSION AND CONCLUSION**

This paper aimed to examine the effects of social media marketing, corporate social responsibility, sales promotion, and store environment on perceived value and customer retention in retail industry. It also aimed to verify whether perceived value mediates the relationships between the stated factors and customer retention. The results indicated that perceived value has a significant positive effect on consumer retention and it was supported by the literature (Dube and Renaghan, 2000; Liu, Petruzzi and Sudharshan, 2007). The findings also showed that social media marketing has an insignificant effect on perceived value whereas its effect on customer retention is positive and statistically significant. These findings contrasts with certain previous studies which found that social media marketing had a significant effect on perceived value (Duffett, 2015) and customer retention (Gunelius, 2011). This might be due to cultural differences and the degree of social media usage among the respondents. For many consumer, perceived value exist when they receive actual benefit from purchase transactions rather than advertising messages. Leung et al. (2015) illustrated that the emergence of social media has eternally changed the way in which organizations interact and exchange information with their customers about their products and services. The authors suggested the implementations of social media marketing should be utilized to influence consumers' perceptions.

This paper also confirmed that in line with past researches (Pérez et al., 2013); corporate social responsibility has a significant positive impact on perceived value and customer retentions. Greater support was confirmed by a number of scholars who reported that corporate social responsibility plays an important role in affecting perceived value (Green and Peloza, 2011; Marquina and Morales, 2012; Mandhachitara and Poolthong, 2011) and enhancing customer retention (Stanwick and Stanwick, 1998). Bhattacharya and Sen (2004) also found that corporate social responsibility improves the sense of well-being among customers. Certain scholars added that the social responsibility activities of a brand enhance the reactions of consumers towards its products and services (Bhattacharya and Sen, 2004; Brown and Dacin, 1997). The results suggest that consumers' perceptions of social responsibility events on the part of a brand are important for enhancing the efficiency of marketing programs and strengthening customer value. Moreover, through social responsibility activities, firms would have better chances for cultivating lasting customer relationships. Barnett (2007) reported that socially responsible firms succeed in attracting and retaining consumers and are competent to charge price premiums on their offerings.

Furthermore, the results of this study showed that sales promotion has a significant positive effect on perceived value whereas its effect on customer retention is negative. These results were supported by several previous studies which found that sales promotion was one of the key factors that affect perceived value (Abolaji and Adewale, 2011; Andreti et al. 2013). A possible reason of the positive effect of sales promotions on perceived value could be attributed to the perceptions of consumers toward the saving costs and added values which can be received from purchasing certain products at lower prices when these values are not available in every retail store. According to Blatterger and Wisniewski (1989), consumers gain benefits more from price reductions when purchasing well-known brand. However, the regular usage of sales promotions leads to a negative effect on consumers' perceptions towards product quality and brand associations as consumers tend to evaluate the price instead of brand name (Yoo et al., 2000). Montaner and Pina (2008) demonstrated that sales promotions can negatively affect brand image which later lead to lower customer retention rate as a result of purchase experience.

The findings of this paper also showed that in line with previous studies (Baker et al. 2002; Hosseini et al., 2014; Richardson et al., 1996) store environment has a significant positive effect on perceived value and customer retention. Ullakonjoja (2011) stated that consumers' perceived value can be maximized through an appealing retail environment and this enhances their purchase intentions and brand loyalty. Kumar et al. (2010) demonstrated that the perceptions towards retail environment can enhance customer value and purchase intention by reducing the costs and time, as well as the efforts for getting the desired product or service. The authors added that store environment plays an important role in retaining and attracting larger number of customers over time. Greater support was presented by Zeithami and Bitner (2005) who emphasized on the importance of store environment in affecting consumer's purchase decision. Furthermore, Oh et al. (2007) revealed that store environment can have a significant impact on consumer behaviour and brand preference. Therefore, retail environment is one of the important factors which require sufficient attention from retail brands, especially after the emergence of intense competition in different markets.

Finally, the outcomes of this paper indicated that perceived value mediates the relationships between all of the independent variables (social media marketing, corporate social responsibility, sales promotion, and store environment) and customer retention. This means that perceived value strengthens the effects of the above stated factors on customer retention. These findings confirm the significance of perceived value in helping retail brands to reinforce their relationships with customers and developing positive brand perceptions. Consequently, the decision makers in retail sector should put greater emphasis on providing added values to their customers, and at the same time manage their business profitability to ensure their long term survival and success. Based on the results of this study, it can be concluded that designing an appealing store environment and offering sales promotions can enhance customers' perceptions of brand value and increase their loyalty to maintain their benefits on the long term.

Similarly, the mediating effect of perceived value reveals that involving in corporate social responsibility activities that are directed towards enhancing the welfare of business stakeholders and the lifestyle of the society where the company operates could cultivate customer value and thus, enhance customer retention. The mediating effect of perceived value between social media marketing and customer retention also shows that focusing on marketing activities using social media can improve customer value and influence their

loyalty towards the retail brand. Consequently, the decision makers in retail industry should focus customer value while designing their marketing and sales strategies in order to retain their customers on the long term and build successful relationships with them, and this will enable them to gain favourable customer responses and positive brand image. This means that social media marketing and corporate social responsibility exerts strong effect on customer perceptions of brand value which later may lead to lasting customer-brand relationships over time.

### **MANAGERIAL IMPLICATIONS**

The findings of this paper showed that social media marketing plays an important role in affecting customer retention, whereas sales promotion influences consumers' perceptions of brand value in the positive direction. Therefore, marketers should utilize social media tools to build brand awareness and create sustainable customer relationships by taking into consideration various types of promotions and attractive advertisements, which can stimulate consumer's perception and brand value. Social media is a powerful tool for communicating with customers and building close relationships with them to clearly understand their needs and expectation which are necessary for branding strategies. The findings also showed that corporate social responsibility can enhance perceived value and customer retention which could in return lead to greater financial outcomes. Thus, retailers are advised to focus on social responsibility programs to gain economic benefits as well as favourable brand image. Additionally, the results suggest that retail organizations should develop corporate social responsibility strategies according to the preferences of consumers to ensure their effectiveness and usefulness to business stakeholders.

Store environment was also found as a significant factor for improving perceived value and building customer retention in retail industry. These findings provide important guidelines for business practitioners with regard to the importance of store environment which can be reflected through design features, ambient conditions, and social factors in explaining customer retention. A favourable store environment enhances the shopping experience and satisfaction of customers and ultimately influences their purchase behaviour. The results of this study provide empirical evidence with regard to the importance of social media marketing, corporate social responsibility, and store environment in explaining perceived value and consumer retention in retail industry. This is vital for the decision makers, as this information is easier to gather and to be applied in real marketing practice. The findings of this research would provide the management in retail industry with greater understanding of the drivers of customer retention. Through this knowledge, retailers would have better understanding about the perceptions and expectations of their customer which can guide them to develop the right strategies for improving their business performance.

### **LIMITATIONS AND FUTURE RESEARCH**

Although this paper provided significant contributions to the theory and practice on customer retention and its antecedents in retail context, there are some limitations which can be addressed in future researches. First, this paper has mainly focused on retail industry with empirical data from consumers in Malaysia. Therefore, future researches are recommended to test the variables in other industry or country contexts and employ larger sample sizes to confirm the results and reach at better conclusions. Another limitation appears in testing only four antecedents of perceived value and customer retention in retail context. Thus, future research may incorporate other factors, such as distribution intensity and price. Future studies may also examine various dimensions of corporate social responsibility such as the

stakeholder's approach which could yield interesting insights. Finally, a survey method was utilized for data collection in this study; hence, future researches may adopt qualitative techniques with unstructured questions to gain further insights on what drives customer retention and how retail brands can add values to their customers in the presence of competition.

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#### Appendix A: Measurement of Finalized Items

Code	Construct/ Items	Factor loadings
<b>Social Media Marketing</b>		
SMM1	The social media marketing for this store’s brand are frequently seen.	0.818
SMM2	The social media advertisements for this store’s brand are very attractive.	0.926
SMM3	The social media advertisements for this store brand perform well in comparison to those of other stores.	0.984
SMM4	This store’s brand offer extensive advertisements on social media.	0.901
SMM5	The social media advertisements for the brand of this store can be easily remembered.	0.862
<b>Corporate Social Responsibility</b>		
CSR1	This store is committed to improving the welfare of the communities in which it operates.	0.854
CSR2	This store’s brand is very concerned with environmental protection.	0.782
CSR4	This store’s brand is very concerned with customers’ benefits.	0.651

<b>Sales Promotion</b>		
SP1	Price deals for this store are frequently offered.	0.651
SP2	Seasonal promotions in this store are available.	0.513
SP3	Price deals for this store are attractive	0.862
SP4	The price deals in this store are offered on many items.	0.768
<b>Store Environment</b>		
SE1	This store is always clean.	0.678
SE2	This store has a pleasant environment created by music.	0.525
SE3	The atmosphere and decorations in the store encourages me to revisit it again.	0.682
SE4	The quality of the air conditioning in the store makes my presence in it comfortable.	0.633
SE5	The lighting in this store is pleasing to the eyes and makes things more visible to me.	0.598
<b>Perceived Value</b>		
PV2	This store provides excellent value to its customers.	0.715
PV3	The products and services of this store are very reliable.	0.751
PV4	The staffs in this store provide technical support to customers.	0.680
<b>Customer Retention</b>		
CR1	I am a loyal to this store's brand.	0.618
CR2	In future I will continue buying products from this store.	0.517
CR3	I enjoy shopping at this store	0.787
CR4	This store's brand is my first choice when I intend to go for shopping.	0.554

## Customer Retention and the Mediating Role of Perceived Value in Retail Industry

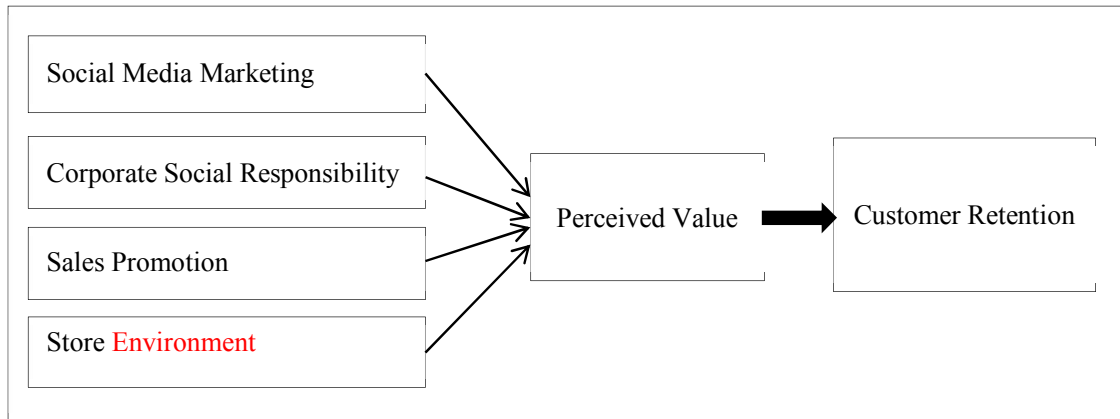


Figure 1: Research Framework

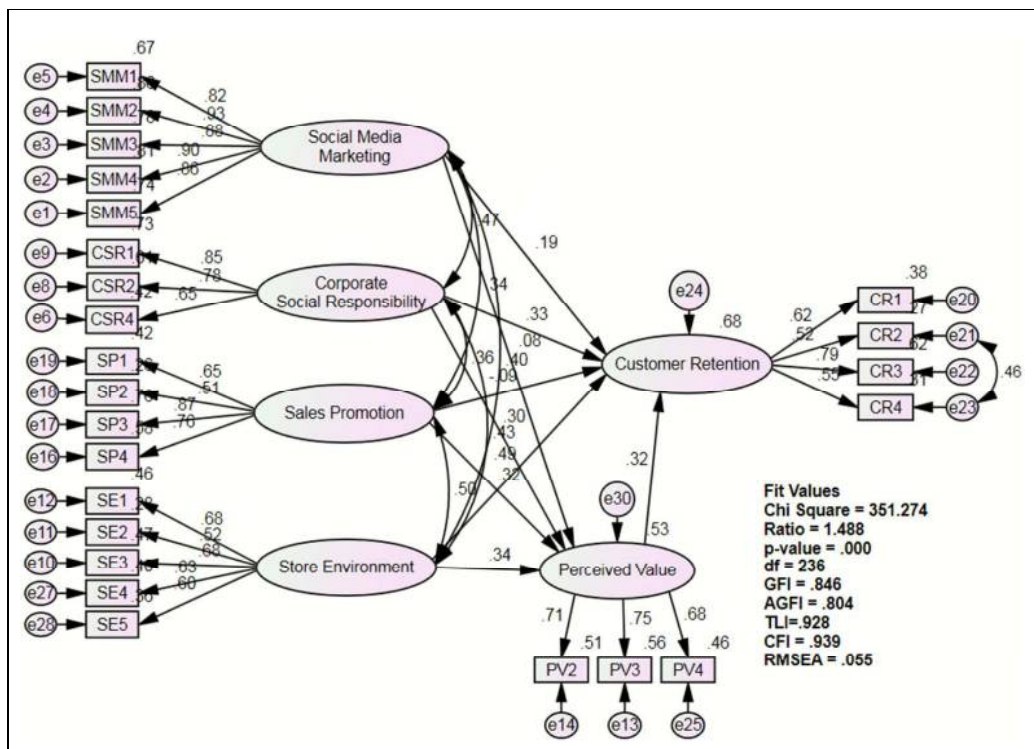


Figure 2: Structural Model



## Customer Retention and the Mediating Role of Perceived Value in Retail Industry

Table 1: Respondents' Profile

	Category	Frequency	Percent
<b>Gender</b>	Male	126	45.3
	Female	152	54.7
<b>Age</b>	18 - 25 years	62	22.4
	26 - 30 years	138	49.6
	31 - 40 years	64	23.1
	41 years or above	14	4.9
<b>Qualification</b>	High School Certificate	81	29.2
	Diploma	54	19.4
	Bachelor	96	34.5
	Postgraduate	47	16.9
<b>Monthly Income</b>	Less than RM 500	48	17.2
	RM 501 to RM 1000	15	5.4
	RM 1001 to RM 4000	144	52
	More than RM 4000	71	25.4

Table 2: Factor Analysis of the Measurement Items

Constructs	Items	Loadings	Cronbach's Alpha	Composite Reliability
<b>Social Media Marketing</b>	SMM1	0.818	0.942	0.965
	SMM2	0.926		
	SMM3	0.884		
	SMM4	0.901		
	SMM5	0.862		
<b>CSR</b>	CSR1	0.854	0.802	0.837
	CSR2	0.782		
	CSR4	0.651		
<b>Store Environment</b>	SE1	0.678	0.747	0.761
	SE2	0.525		
	SE3	0.682		
	SE4	0.633		
	SE5	0.598		
<b>Sales Promotion</b>	SP1	0.651	0.793	0.798
	SP2	0.511		
	SP3	0.870		
	SP4	0.761		
<b>Perceived Value</b>	PV2	0.715	0.753	0.759
	PV3	0.751		
	PV4	0.680		

<b>Customer Retention</b>	CR1	0.618	0.739	0.717
	CR2	0.517		
	CR3	0.787		
	CR4	0.554		

Table 3: Results of Discriminant Validity

	Sales Promotion	Store Environment	CSR	SMM	Perceived Value	Customer Retention
Sales Promotion	<b>1</b>					
Store Environment	0.500	<b>1</b>				
CSR	0.355	0.430	<b>1</b>			
Social Media Marketing	0.344	0.396	0.466	<b>1</b>		
Perceived Value	0.575	0.599	0.529	0.309	<b>1</b>	
Customer Retention	0.397	0.708	0.593	0.230	0.682	<b>1</b>

Table 4: Research Findings

Research Hypotheses			Std. Estimate	S.E.	t-value	P	
H1:	Perceived Value	→	Customer retention	0.320	0.100	2.198	0.028
H2:	Social Media Marketing	→	Perceived value	0.056	0.852	2.614	0.394
H3:	Social Media marketing	→	Customer retention	0.188	0.039	2.032	0.042
H5:	CSR	→	Perceived value	0.305	0.103	2.855	0.004
H6:	CSR	→	Customer retention	0.331	0.078	2.818	0.005
H8:	Sales Promotion	→	Perceived value	0.325	0.101	3.109	0.002
H9:	Sales Promotion	→	Customer retention	-0.085	0.072	-0.789	0.430
H11:	Store Environment	→	Perceived value	0.337	0.122	2.858	0.004
H12:	Store Environment	→	Customer retention	0.491	0.099	3.518	***

Table 5: Mediation Effect of Perceived Value

	Bootstrapping		BC 95% CI			Direct Effect	Indirect Effect
	Est.	Std. Error	Lower Bound	Upper Bound	Two-Tale sig		
Social Media Marketing	0.218	0.089	0.79	0.458	0.003	0.827	0.003
CSR	0.306	0.098	0.169	0.590	0.001	0.073	0.001
Sales Promotion	0.436	0.172	0.217	0.850	0.004	0.727	0.004
Store Environment	0.292	0.093	0.159	0.543	0.001	0.036	0.001

\* Dependent Variable: Customer Retention