

# Customer retention and the mediating role of perceived value in retail industry

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## Abstract

**Purpose** – The purpose of this paper is twofold: to examine the effect of corporate social responsibility, social media marketing, sales promotion, and store environment on the perceived value and customer retention in the retail industry; and to provide a significant contribution to the existing literature by examining the mediating effect of the 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 the east coast of Malaysia. In total, 278 valid questionnaires were used in the analysis of data using the structural equation modeling.

**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 the 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 the perceived value and customer retention. Moreover, the findings showed that sales promotion has a significant positive effect on the perceived value, but its effect on customer retention is insignificant. Finally, the results revealed that the perceived value mediates the relationships between all of the independent variables and customer retention.

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

**Keywords** Sales promotion, Customer retention, Perceived value, Corporate social responsibility, Store environment, Social media marketing

**Paper type** Research paper

## Introduction

The rapid growth in competition among all types of organizations has posed several challenges for them regarding maintaining their customers and achieving business objectives, because of which organizations have shifted their focus from traditional marketing to relational exchange practices with customers that could yield greater business profits in 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 behavior (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 to the intense competition among businesses, it has 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 the 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 behavior, but most of the previous studies on this concept were investigated in Western countries, and only few were conducted in the 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 toward the behavior of consumers in buying and selecting different goods and services for satisfying their needs (Roy *et al.*, 2017). Therefore, in order to obtain and secure a competitive advantage in the targeted markets, several retailers have focused on differentiating themselves by establishing a distinct brand image in the minds of their consumers toward their department stores in an attempt to influence and motivate their purchasing behavior. Perceived value was found in the literature as one of the key predictors of consumer behavior. However, despite its importance as a key tool for customers' evaluations of brand offerings, the marketing literatures showed that only few empirical research works were undertaken to understand the perceived value and examine its effect on customer behavior (Nguyen and LeBlanc, 1998).

By looking at the previous literature, it is also evident 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 research works 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 facts, this study is designed to examine the effects of social media marketing, corporate social responsibility, sales promotion and store environment mediated by the perceived value on customer retention. To the author's knowledge, these variables have not been previously integrated together into a single framework to explain their direct and indirect effects on customer retention through the perceived value. The next section presents the literature review for this study followed by the methodology and results. Finally, this paper ends with 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 gaining consumers' trust and brand commitment which result from positive purchase experiences. According to Van Vuuren *et al.* (2012), understanding the main constituents of trust and commitment is vital in order to develop long-term relationships. Relationship marketing consists in creating bonds with business customers by fulfilling their needs and honoring the commitment made to them. Morgan and Hunt (1994) added that relationship commitment and trust require firms to provide superior products and services to their customers and communicate brand value. Instead of focusing on short-term benefits, organizations adopting the relationship marketing strategy create long-term bonds with their profitable customers. Consequently, customers tend to develop trust toward these organizations, and the mutual commitment enables both parties to fulfill their needs. Therefore, the higher degree of trust and commitment ultimately leads to greater customer retention (Hilman and Hanaysha, 2015).

Customer retention can be described as the process of building customer loyalty toward a particular brand, thus having customers to repurchase its products or services over time (Cannie, 1994; Danish *et al.*, 2015). Customer retention emphasizes on repetitive patronage which is mainly associated with consumer's repurchase behavior and brand loyalty (Buttle, 2004). In other words, customer retention entails a long-lasting customer commitment toward a brand and maintaining such relationship as a result of positive perceptions and past experiences (Boohene *et al.*, 2013; Mohamed and Borhan, 2014). Customers who happily make most of their purchases from a certain brand usually have higher degrees of satisfaction toward it than those who show less commitment. Moreover, a successful customer-brand relationship attracts the consumers less 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 behavior.

Customer retention has largely been considered to be the main objective for organizations that focus on the relationship marketing strategy (Coviello *et al.*, 2001; Grönroos, 1991). Although the accurate measurement and definition of customer retention can differ among industries and organizations (Aspinall *et al.*, 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 more willing to pay higher prices on purchasing company's products or services than new customers, and they are less sensitive to the promotional offers which are usually provided to add 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 *et al.*, 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 prove the importance and value of retained customers for the success of a brand.

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 are devoting considerable amount of time and financial capital on creating long-lasting and mutual relationships with their potential customers in order to achieve a greater degree of performance and achieve their marketing objectives (Bataineh *et al.*, 2015). Considering the above facts, the creation and implementation of relationship marketing as a business strategy to maintain and retain customers can enable a brand to obtain resilient and sustainable competitive advantages (Roberts *et al.*, 2003). However, it is not an easy task to establish customer relationships and maintain them over a period of 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 *et al.* conceptualized the perceived value as the consumers' overall evaluation of 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 is 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 *et al.*, 1996). That is, the 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 *et al.*, 2009). It represents the benefits that customers receive from purchasing from a particular brand. Certain researchers highlighted that customers' assessments of the 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 toward 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 shopping experiences. Obtaining the information from customers about their 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 products and services in the targeted markets by getting better insights on how to improve customer value. This has also urged many brands to develop more understanding about the drivers of customer value to create sustainable competitive advantages and improve customer retention (Lapierre, 2000). In the retail context, managers have gradually recognized 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 the 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 enables organizations to generate higher profit margins due to high sales volumes that results from customers' repurchasing behavior and positive word of mouth (Liu *et al.*, 2007). Certain scholars also confirmed that the perceived value has a significant positive effect on the customer retention (Chang and Wang, 2011). 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 is defined in the literature as a group of communication networks and mediums that are online in nature and created in order to facilitate information sharing among different users in an interactive way (Esu and Anyadighibe, 2014). Edosomwan *et al.* (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 *et al.* (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 favorable online communication channel through which consumers get 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 *et al.*, 2016; Qualman, 2013). Social media marketing has received lot of attention from several organizations as implementing it can help them in gaining a better understanding about their consumers' needs, their perceptions toward their brands, and anticipate their future behavior (Bolton *et al.*, 2013). The fast growth of social media marketing has eternally changed the way in which several consumers interact and communicate with each other and with the service providers (Duffett, 2015). By using social media tools, marketers can benefit from the two-way communication process with their current and potential customers to obtain useful information and insights about their behavior 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 rapidly changing business environment, firms need 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 that influence them to establish positive attitudes toward the brand. Other scholars reported that social media facilitates information sharing among consumers and their peers about the product and service of certain brands (Erdoğan and Cicek, 2012; Mangold and Faulds, 2009) which enables organizations to manage the efficiency of marketing costs, improve brand awareness, increase brand recognition and recall, and strengthen brand loyalty. Particularly, the nature of two-way communication through social media enables organizations to quickly respond to customers' issues or complaints at a minimal cost, which in turn results in customer retention. Overall, the effective use of social media marketing activities can assist organizations to create favorable 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 the perceived value.
- H3. Social media marketing has a positive effect on the 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 *et al.* (1999) defined corporate social responsibility as the process by which organizations consider economic, ethical, legal, and discretionary accountabilities toward 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, and social (Aguinis and Glavas, 2012; Rodrigues and Borges, 2015; Rupp *et al.*, 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 fulfillment of social obligations. The literature on corporate social

responsibility reveals that consumers tend to recognize the added values in buying the products or services of brands that are socially responsible (Ferreira *et al.*, 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 has a positive influence on customers' perceived value through the recognition of measurable benefits that would justify price differences.

The perception of customers toward 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 *et al.*, 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 toward the service provider (Pérez *et al.*, 2013). In the past literature, it was observed that numerous studies found corporate social responsibility practices as key predictors of consumers' reactions and perceptions toward 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 prefer it and maintain their relationships with it (Hassan *et al.*, 2013).

In the marketing literature, it was documented that corporate social responsibility activities has a positive impact on consumers' attitudes toward 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. 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 the perceived value (Mohr and Webb, 2005). Certain scholars also reported that corporate social responsibility has a significant positive effect on customer retention (Chung *et al.*, 2015; Raman *et al.*, 2012). Based on the above literature, the following hypotheses are proposed:

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

H6. Corporate social responsibility has a positive effect on the 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 is 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 prevent 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 and beliefs about a brand (Stanton *et al.*, 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 toward the offered products or services (Satit *et al.*, 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 purchasing behavior. Sales promotions are largely implemented by various brands in order to stimulate and gain 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 also confirmed that sales promotion is the most commonly used tool for attracting customers and maximizing the sales.

Hasan *et al.* (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 *et al.*, 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 toward 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 a significant effect on the retention of customers (Amini *et al.*, 2012; Chen and Green, 2011). Based on the above discussion, the following hypotheses are postulated:

H8. Sales promotion has a positive effect on the 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 of a particular store in which customers purchase the products or services, 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 color, and number of visitors which can influence consumer behavior (Oh *et al.*, 2008). Similarly, 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, color attractiveness, layout and the materials of decoration.

Evaluating the perceptions of customers toward the features of retail environment can create a distinct image in consumer' minds, improve the perceived value, and uplift brand performance and purchase intention by reducing cost, time, and efforts in maintaining or attracting new customers (Kumar *et al.*, 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 behavior and boost their sales (Chebat and Michon, 2003). Greater support was seen in the study of Richardson *et al.* (1996) who pointed out that store esthetics improve the perceptions of customers toward the quality of products or services offered by the department store. Newman and Patel (2004) also acknowledged store environment as a key determinant of consumer choice.

In the past literature, several studies emphasized on the importance of store environment in affecting consumer behavior 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 *et al.* (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 environment influences the perceived quality and value of products or services offered for customers in the store. 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 *et al.*, 2014; Ryu and Han, 2011). These opinions are in line with the study of 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 the 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).

## 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 the perceived value. The respondents of this study comprise the customers of department stores in East Coast of 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

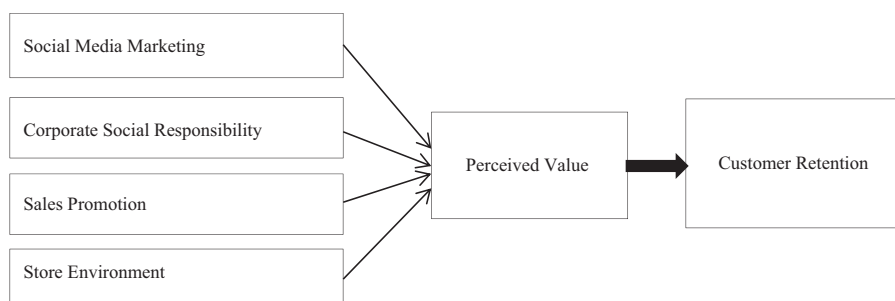


number of population in this part of Malaysia, a total of 384 questionnaires are considered to be sufficient for surveying the targeted respondents based on the recommendations of Krejcie and Morgan (1970) for determining the sample size. In order to ensure the randomness of survey distribution, the convenience sampling procedure was employed during the data collection process. Additionally, the participants were clearly explained about the objectives of this research and consent was taken to complete the survey. Meanwhile, the respondents were met at different times in each day during the 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 the past literature and adapted to fit the context of this research. Particularly, social media marketing was measured using five items being taken from the study of 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 the 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

In total, 278 valid questionnaires were received as responses from survey participants for the data analysis. To analyze the demographic characteristics, descriptive statistics using SPSS were used. The findings as presented in Table I show that 54.7 percent of the participants are females, whereas males accounted for 45.3 percent of the overall responses. Additionally, the analysis revealed that 16.9 percent of the participants have a postgraduate certificate, 34.5 percent have a bachelor degree qualification, 19.4 percent have a Diploma certificate, and 29.2 percent have a higher secondary school certificate. Participants' age is presented as follows: between 18 and 25 years old (22.4 percent); between 26 and 30 years old (49.6 percent), between 31 and 40 years old (23.1 percent); 41 years old or above (4.9 percent). The output of descriptive analysis also showed that 17.2 percent of the participants had an average monthly income that is below RM500, whereas 5.4 percent had a monthly income between RM501 and RM1000. But those who receive a monthly income in



**Figure 1.**  
Research framework

Category	Frequency	%	Mediating role of perceived value in retail industry
<i>Gender</i>			
Male	126	45.3	11
Female	152	54.7	
<i>Age (Years)</i>			11
18-25	62	22.4	
26-30	138	49.6	
31-40	64	23.1	
41 or above	14	4.9	
<i>Qualification</i>			11
High School certificate	81	29.2	
Diploma	54	19.4	
Bachelor	96	34.5	
Postgraduate	47	16.9	
<i>Monthly income</i>			11
Less than RM500	48	17.2	
RM501 to RM1,000	15	5.4	
RM1,001 to RM4,000	144	52	
More than RM4,000	71	25.4	

**Table I.**  
Respondents' profile

the range of RM1,000 to RM4,000 accounted for 52 percent of total responses, while 25.4 percent had an average monthly income that is above RM4,000.

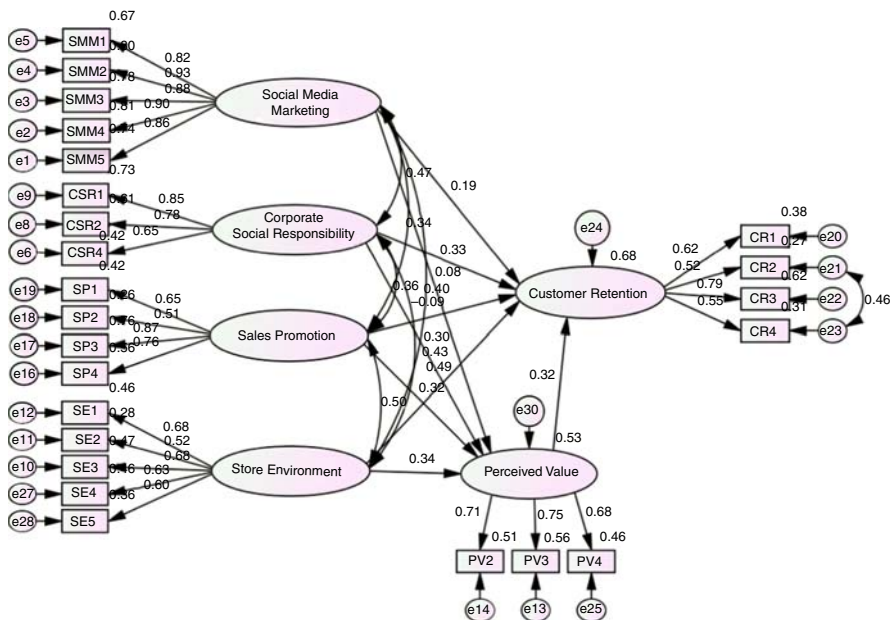
In order to confirm the internal consistency among the selected scales, the reliability test using Cronbach's  $\alpha$  was conducted. The reliability of items can be established when they yield invariable outcomes if combined to measure a certain construct. According to Nunnally (1978), the reliability can be considered acceptable when the value of Cronbach's  $\alpha$  reaches 0.60 or more. Generally, the results showed that Cronbach's  $\alpha$  values ranged between 0.739 and 0.942. This means that 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 research works, and a total of three academic experts provided their feedback to improve the quality of the designed questionnaire.

During the 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 role of the confirmatory factor analysis, as stated by Hair *et al.*, exists when the loadings for items under the same constructs reach 0.50 or above. On whole, the results presented in Table II 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 2 in order to estimate the structural model. Overall, the findings of the measurement model and factor analysis showed a reasonable fit and qualified to proceed for a structural model.

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 the structural model reveal that a reasonable fit with the data is achieved ( $\chi^2 = 351.274$ ,  $df = 236$ ,  $GFI = 0.846$ ,  $AGFI = 0.804$ ,

**Table II.**  
Factor analysis of the  
measurement items

Constructs	Items	Loadings	Cronbach's $\alpha$	Composite reliability
Social media marketing	SMM1	0.818	0.942	0.965
	SMM2	0.926		
	SMM3	0.884		
	SMM4	0.901		
	SMM5	0.862		
CSR	CSR1	0.854	0.802	0.837
	CSR2	0.782		
	CSR4	0.651		
Store environment	SE1	0.678	0.747	0.761
	SE2	0.525		
	SE3	0.682		
	SE4	0.633		
	SE5	0.598		
Sales promotion	SP1	0.651	0.793	0.798
	SP2	0.511		
	SP3	0.870		
	SP4	0.761		
Perceived value	PV2	0.715	0.753	0.759
	PV3	0.751		
	PV4	0.680		
Customer retention	CR1	0.618	0.739	0.717
	CR2	0.517		
	CR3	0.787		
	CR4	0.554		



**Figure 2.**  
Structural model

**Notes:** Fit values:  $\chi^2=351.274$ ; ratio=1.488;  $p$ -value=0.000; df=236; GFI=0.846; AGFI=0.804; TLI=0.928; CFI=0.939; RMSEA=0.055

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 III).

According to the output of the structural model which was generated using AMOS 18, the hypotheses for this study were verified. As presented in Table IV, the perceived value has a significant positive effect on customer retention ( $\beta = 0.320$ ,  $t$ -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 the perceived value ( $\beta = 0.056$ ,  $t$ -value = 0.931,  $p > 0.05$ ), whereas its effect on customer retention is positive and statistically significant ( $\beta = 0.188$ ,  $t$ -value = 2.032,  $p < 0.05$ ); hence,  $H2$  is rejected, whereas  $H3$  is supported. Additionally, the results depicted in Table IV indicate that corporate social responsibility has a significant positive effect on the perceived value ( $\beta = 0.305$ ,  $t$ -value = 2.855,  $p < 0.05$ ) and customer retention ( $\beta = 0.331$ ,  $t$ -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 the perceived value ( $\beta = 0.325$ ,  $t$ -value = 3.109,  $p < 0.05$ ), but its effect on customer retention ( $\beta = -0.085$ ,  $t$ -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 the perceived value ( $\beta = 0.337$ ,  $t$ -value = 2.858,  $p < 0.05$ ) and customer retention ( $\beta = 0.491$ ,  $t$ -value = 3.518,  $p < 0.05$ ), consequently,  $H11$  and  $H12$  are accepted.

	Sales promotion	Store environment	CSR	SMM	Perceived value	Customer retention
Sales promotion	1					
Store environment	0.500	1				
CSR	0.355	0.430	1			
Social media marketing	0.344	0.396	0.466	1		
Perceived value	0.575	0.599	0.529	0.309	1	
Customer retention	0.397	0.708	0.593	0.230	0.682	1

**Table III.**  
Results of  
discriminant validity

	Research hypotheses	Std. estimate	SE	$t$ -value	$p$
$H1$	Perceived value $\rightarrow$ customer retention	0.320	0.100	2.198	0.028
$H2$	Social media marketing $\rightarrow$ perceived value	0.056	0.060	0.931	0.352
$H3$	Social media marketing $\rightarrow$ customer retention	0.188	0.039	2.032	0.042
$H5$	CSR $\rightarrow$ perceived value	0.305	0.103	2.855	0.004
$H6$	CSR $\rightarrow$ customer retention	0.331	0.078	2.818	0.005
$H8$	Sales promotion $\rightarrow$ perceived value	0.325	0.101	3.109	0.002
$H9$	Sales promotion $\rightarrow$ customer retention	-0.085	0.072	-0.789	0.430
$H11$	Store environment $\rightarrow$ perceived value	0.337	0.122	2.858	0.004
$H12$	Store environment $\rightarrow$ customer retention	0.491	0.099	3.518	***

**Note:** \*\*\*Significant at  $< 0.001$

**Table IV.**  
Research findings

Additionally, the mediating effect of the 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 of different variables. The authors also revealed that this method yields accurate results when calculating the confidence intervals (CIs) 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 1,000 sample of bootstrapping. The bias-corrected CIs were also reported at the value of 95 percent.

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 the 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 percent CI) but a significant indirect effect on customer retention (0.003); hence, the full mediation is supported. Furthermore, the results showed an insignificant direct effect of corporate social responsibility on customer retention through the perceived value (0.073, 95 percent CI) and a significant indirect effect (0.001) (see Table V); 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 percent CI) with a significant indirect effect (0.004), therefore, full mediation is supported. Finally, the bootstrapping procedure for examining the mediating effect of the perceived value between store environment and customer retention also showed that the direct effect is significant (0.036, 95 percent CI), and the indirect effect is also significant (0.001, 95 percent CI), and this indicates that the partial mediation is confirmed. On Whole, *H4*, *H7*, *H10* and *H13* are supported.

**Discussion and conclusion**

This paper aimed to examine the effects of social media marketing, corporate social responsibility, sales promotion, and store environment on the perceived value and customer retention in the retail industry. It also aimed to verify whether the perceived value mediates the relationships between the stated factors and customer retention. The results indicated that the perceived value has a significant positive effect on consumer retention and it was supported by the literature (Dube and Renaghan, 2000; Liu *et al.*, 2007). The findings also

**Table V.**  
Mediation effect of  
perceived value

	Bootstrapping		BC 95% CI		Two-tale sig.	Direct effect	Indirect effect
	Est.	SE	Lower bound	Upper bound			
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

**Note:** Dependent variable: customer retention

showed that social media marketing has an insignificant effect on the perceived value whereas its effect on customer retention is positive and statistically significant. These findings contrast with certain previous studies which found that social media marketing had a significant effect on the perceived value (Duffett, 2015) and customer retention. This might be due to cultural differences and the degree of social media usage among the respondents. For many consumers, perceived value exists when they receive actual benefit from purchase transactions rather than advertising messages. Leung *et al.* 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 that the implementations of social media marketing should be utilized to influence consumers' perceptions.

This paper also confirmed that in line with past research works (Pérez *et al.*, 2013); corporate social responsibility has a significant positive impact on the 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 the perceived value (Marquina and Morales, 2012; Mandhachitara and Poolthong, 2011) and enhancing customer retention. 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 toward 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 the customer value. Moreover, through social responsibility activities, firms would have better chances for cultivating lasting customer relationships. Barnett 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 the 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 the perceived value (Andreti *et al.* 2013). A possible reason of the positive effect of sales promotions on the 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 Blattberg and Wisniewski (1989), consumers gain benefits more from price reductions when purchasing from a well-known brand. However, the regular usage of sales promotions leads to a negative effect on consumers' perceptions toward product quality and brand associations as consumers tend to evaluate the price instead of brand name (Yoo *et al.*, 2000). Montaner and Pina 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 (Hosseini *et al.*, 2014; Richardson *et al.*, 1996), store environment has a significant positive effect on the perceived value and customer retention. Ullakonoja (2011) stated that consumers' perceived value can be maximized through an appealing retail environment which enhances their purchase intentions and brand loyalty. Kumar *et al.* (2010) demonstrated that the perceptions toward the 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 who emphasized on the importance of store environment in affecting consumer's purchase decision. Furthermore, Oh *et al.* revealed that store environment can have a significant impact

on consumer behavior and brand preference. Therefore, retail environment is one of the important factors which requires sufficient attention from retail brands, especially after the emergence of intense competition in different markets.

Finally, the outcomes of this paper indicated that the 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 the perceived value strengthens the effects of the above-stated factors on customer retention. These findings confirm the significance of the perceived value in helping retail brands to reinforce their relationships with their customers and developing positive brand perceptions. Consequently, the decision makers in the 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 the perceived value reveals that involving in corporate social responsibility activities that are directed toward 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 the perceived value between social media marketing and customer retention also shows that focusing on marketing activities using social media can improve the customer value and influence their loyalty toward the retail brand. Consequently, the decision makers in the 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 favorable customer responses and positive brand image. This means that social media marketing and corporate social responsibility exerts a strong effect on customer's 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 the 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 favorable 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 the perceived value and building customer retention in the 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 favorable store environment enhances the shopping experience and satisfaction of customers and ultimately influences their purchasing behavior. 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 the perceived value and

consumer retention in the retail industry. This is vital for the decision makers as this information is easier to gather and to be applied in a real marketing scenario. The findings of this research would provide the management in the retail industry with greater understanding of the drivers of customer retention. Through this knowledge, retailers would have a 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 the retail context, there are some limitations which can be addressed in future research works. First, this paper has mainly focused on the retail industry with empirical data from consumers in Malaysia. Therefore, future research works 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 the perceived value and customer retention in the 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 research works 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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(The Appendix follows overleaf.)

Code	Construct/items	Factor loadings
<i>Social media marketing</i>		
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
<i>Corporate social responsibility</i>		
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
<i>Sales promotion</i>		
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
<i>Store environment</i>		
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
<i>Perceived value</i>		
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
<i>Customer retention</i>		
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

**Table AI.**  
Measurement of  
finalized items

### About the author

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