

**THE RELATIONSHIP BETWEEN MARKETING MIX
STRATEGIES AND CUSTOMER LOYALTY:
A STUDY IN FOOD AND BEVERAGE SECTOR**

By

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ABSTRACT

This study is carried out to investigate the relationship between marketing mix strategies and customer loyalty. The study is focusing on food and beverages products. The outcomes of this research are essential to readers in order to understand the dimension that influences customer to buy the products. Furthermore, the dimension is important to recognize the relationship of the marketing mix strategy which consists of 4p's such as products, pricing, promotion and distribution towards customer loyalty. Quantitative method is used in this study. The respondents come from 170 students at Kolej Universiti Insaniah (KUIN), Alor Setar. The result shows there are significant relationship between product, pricing, promotion and distribution towards customer loyalty. Future research reveals there is significant relationship between marketing mix strategy and customer loyalty. Marketing mix strategies represent certain variance of customer loyalty. The loyalty influenced by dimension of products, price, promotion and distribution.

APPRECIATION

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CHAPTER 1

PREFACE

1.0 Introduction

Marketing is one of the most important aspects of growing business. An investment also will pay for itself over and over again. Yet it is often misunderstood or neglected due to a lack of time, resources or knowledge of its potential. It is often confused with selling or advertising but it encompasses much more everything from company culture and employer branding, reputation, communication and ethics.

This is through positioning, market research, pricing points, distribution, new business and product development to advertising and promotion. The strategy behind a brand must inspire interest, engage curiosity and build on a business reputation and image. It must make the most of the right communication mediums and be planned, reviewed and measurable.

It may incorporate anything from market research, direct marketing and online exposure, business to business or business to customer communication. Today marketing strategies can be quite diverse and no longer restricted to print; radio and television also engage the customer via creative online and digital campaigns.

It can take considerable expertise and effort to develop a sound marketing strategy capable of delivering market awareness, sales leads and loyalty. Clever, creative, insightful and flexible marketing strategies can unlock huge potential for business. In light of the importance marketing holds for the success of any business, the wide array of options available and the expertise required.

It is well worth employing a professional marketing agency to help devise and implement a tailored marketing strategy giving a competitive edge. Marketing is the important element in business sector. Marketing also gave big impact on customer daily life from branded outfit, browsed website and watched advertisement. Customer is facing variety of chosen product and services over the market.

Success marketing strategy will be able to convince customer using their products and services offered then increase business profit (Kotler and Keller, 2009). Normally, customer will go for famous, branded and stable product. Marketing activity is synonym with big and famous company. In food and beverage industry, product such as chili, tomato and soy sauce, local cordial and carbonated drink was a good example as daily food product search by customer.

Whereas researcher found that Small Medium Enterprise (SME) have less response from customer. The research aims to recognize relationship between marketing mix strategy with daily food and beverage sector which consisting a product, price, promotion and product market with customer loyalty. There are four independent variables which come from Marketing Mix Strategy (4P's).

The said independent variable such as product, price, promotion and product market and dependent variables are customer loyalty. This research would give contribution to SME's entrepreneur in arranging effective marketing strategy to attract prospective customer and at the same time remain the ordinary customer.

Beside that by doing this research, reader can gain knowledge on which factor influence most customer loyalty towards SME's product. This research contribute to government agencies which involved directly with local SME in order to generate suitable activity with SME's needs in the future specially on marketing issues.

1.1 Background of Small Medium Enterprise (SME) in Malaysia

Lately the total of SME entrepreneur is increasing. Zimmerer and Scarborough (1994), this century was appearance of SME in a big amount. Kuratko and Hodgetts (1995) SME's known as important component in west countries economy. But in Malaysia, the definition of SME often debated, especially to those who involve in service and business industries such as farming and manufacturing.

National SME Development Council (NSDC) gave different meaning of SME depend on the agencies and different criteria. In year 2005, NSDC divided SME to said division. SME divided into three main categories which are Micro, Small and Medium. This three categories are base on two deciding (1) total of the business employee; or total of business profit sales in a year.

Table 1.1: Type of SME Base on Total of Fulltime Employee

Category	Basic Farming	Manufacturing (including basic farm) and service relate to manufacturing	Service Sector (Include ICT*)
Micro	< 5 employee	< 5 employee	< 5 employee
Small	5-19 employee	5-50 employee	5-19 employee
Medium	20-50 employee	51-150 employee	20-50 employee

Source: National SME Development Council (NSDC) 2005

**ICT: Information Communication and Technology

Table 1.2: Type of SME Base on Total of Annual Sale

Category	Basic Farming (RM)	Manufacturing (including basic farm) and service relate to manufacturing (RM)	Service Sector (Including ICT*) (RM)
Micro	< 200k	< 250k	< 200k
Small	200k - < 1 mil	250k - < 10 mil	200k - 1 mil
Medium	1 mil - 5 mil	10 mil - 25 mil	1 mil - 5 mil

Source: National SME Development Council (NSDC) 2005

**ICT: Information Communication and Technology

SME contribute big impact to economy. Government also gave aid in aspect of money, training, consultation and lot more in order to stabilize local SME and generating economy. In example government has approved allocation of RM3.7 billion to execute 19 main programs for development of SME's in year 2007 (Utusan Malaysia, January 20th 2007).

The involved programs are 134 to develop SME ability and capacity, especially in human capital development, marketing and promotion. In year 2008, government allocates 1.2 billion funds to minimize SME entrepreneur burden because of cost increased including fuel.

Other taken action by the government are reorganizing the SME loan and delivering the secretariat function to Bank Negara Malaysia. In year 2009, rebranding of Small Medium Industry Agency (SMIDEC) and known as SME Corporation Malaysia (SME Corp. Malaysia) (Utusan Malaysia, July 10th 2009). The function is to develop a competitive SME sector and able to face the economic crisis.

Clearly mention a big fund channel to SME local entrepreneur in Malaysia. The entire given fund shows that SME play a big role in Malaysia economy. This is proven by year 2007, there are total of 567,480 SME's local entrepreneur (Utusan Malaysia, July 10th 2009). SME contribution to exact KDNK about 32% and 19% is from export value as a whole.

Although government providing various facilities to SME entrepreneur, but the local SME still remains low compare to other country. Utusan Malaysia reported the entrepreneur should be creative in producing new products in order to assure their product can be presented at international market. Beside that, SME should use latest advertising concept to market their product.

This is because local SME achievements still remain at low level even though already equip with high quality product and potential to market at global market (Utusan Malaysia, July 27th 2009). Base on achievement and contribution of SME in Malaysia, the research relate to SME is to ensure the industry expanding. Furthermore, research is expecting to positive contribution and improves SME Malaysia especially in producing food and beverage products.

1.2 Problem Statement

This research done base on information in local newspaper, SME are covered with wide coverage. Entrepreneur aided with incentives from government. Unfortunately, not all SME can compete in market especially micro SME. Researcher view, there is a gap between product produce by SME with customer acceptance.

Most of the problems occur are centre on product marketing activities such as product strategy, pricing, promotion and distribution which done by SME entrepreneur. Nowadays, customers are smart in doing buying decision. They are exposed with various campaign which mainly giving guideline to be a smart customer.

Malaysian customers are clever in searching information toward foods labeling. Research shown 27% Malaysian customer applied this while buying any product (Bernama, September 4th 2008). This encourage customer to be more particular in buying especially food product. There are several matter occur in SME's food and beverage product.

The Star newspaper, Mac 3rd 2009 reported, Malaysian customer still under estimate the quality and design of SME's product. The weakness happen caused customer not interested to buy SME' product even the products are good enough. Customer reported that SME's product packaging are not convincing with low quality (Bernama, May 16th 2009).

From promotion aspect, Utusan Malaysia newspaper July 27th 2009 reported, SME's entrepreneur should use new way of advertising to market their product. This is because, SME's level of achievement still low even already come out with high quality product and potentially to market it globally. Furthermore, retailers claim that SME's product supplies are not consistent (Bernama, May 16th 2009).

This distribution problem make the retailer to sale directly SME's food and beverage product. Base on customer report, problem which recognized in the research was customer not satisfied with SME's food and beverage product which they buy. This is because problem in marketing the product itself such as product quality, advertising and the difficulties in getting the SME's product by customer.

Generally, even though many effort done by government towards SME, but there still weakness especially in marketing activities. As a result, SME's food and beverage product still less response from customer even the government provides variety of incentive and aid to entrepreneur in order to increase their sales. Further more, product flood from outside brand which established giving more choices to customer making decision in buying process.

Realizing the contribution of SME's to country, this research conduct as to see customer loyalty towards SME product. This research want to study are there any relation between marketing mix strategy in SME food and beverage product with customer loyalty.

Marketing Mix was chosen base on customer report, there are several matters occur relate to marketing such as problem from SME marketing mix strategy such as quality, packaging, branding, less effective promotion method and distribution matter.

Result from this research, reader can know are there any relation between food and beverage product marketing mix strategy with customer loyalty. From the research, other parties such as SME and related government agencies can create new strategy to increase customer loyalty towards SME food and beverage products.

1.3 Research Question

Refer to the matters and issues which issued in part 1.1 until 1.3, there are several question been highlighted in this research.

- 1.3.1 Are there any relationship between product strategy in SME's food and beverage product with customer loyalty?
- 1.3.2 Are there any relationship between pricing strategy in SME's food and beverage product with customer loyalty?
- 1.3.3 Are there any relationship between promotion strategy in SME's food and beverage product with customer loyalty?

1.3.4 Are there any relationship between distribution strategy in SME's food and beverage product with customer loyalty?

1.3.5 Are there any relationship consequence reason between SME's with customer loyalty?

1.4 Research Objective

Base on the arising questions, the main objective of this research as mentioned below:

1.4.1 Identifying relationship between product strategy in SME's food and beverage product with customer loyalty

1.4.2 Identifying relationship between pricing fixing strategy in SME's food and beverage product with customer loyalty

1.4.3 Identifying relationship between promotion strategy in SME's food and beverage product with customer loyalty

1.4.4 Identifying relationship between product distribution strategy in SME's food and beverage product with customer loyalty

- 1.4.5 Identifying relationship and the cause consequence between marketing mix strategy in SME's food and beverage product with customer loyalty

1.5 Research Significance

Marketing is important element in business. From success of marketing, sales and business profit can increase. In theory, this research contributes benefit to SME's in Malaysia. From research, readers expose in customer loyalty views toward SME's food and beverage product.

Furthermore, base on literature review would help reader to understand the concepts in marketing such as Marketing Mix and Relationship Marketing. Beside that reader can get general view regarding SME's in Malaysia. These researches also hope to give useful contribution to many parties:

- 1.5.1 Contribute to local prospective SME's entrepreneur:

From this research, SME entrepreneur and prospective entrepreneur who want to run a business can get the customer loyalty relation with marketing mix strategy in selective businesses. The entrepreneur can know factor which is most influence customer in selecting product either base on product, pricing, promotion or distribution. They SME's entrepreneur also can create the strategy which can stabilize the product and henceforth increase business profit.

1.5.2 Contribute to SME's agency:

Nowadays, there are many agencies connected to SME such as NSDC, SME Bank, SME Corporation Malaysia, MITI and lot more. With this research, can give guideline to the said agencies and government side regarding marketing mix in SME and strengthen previous action to increase KDNK also contribution in exporting SME product overseas.

1.6 Research Scope

The research only focuses on discussing and analyzing the practice of SME marketing mix especially to food and beverage product towards customer loyalty. In other chapters, concepts that will be discuss which is regarding about marketing mix strategy and customer loyalty. Discussion is important to see are there any relationship with customer loyalty especially to SME food and beverage product.

Furthermore, reader can know the most influence dimension towards customer loyalty from the analysis result. This is a limited research because of time constraint, the researcher narrower research scale. In the research, researcher only study on customer loyalty towards food and beverage product. Other sectors such as farming, services and ICT is except. Food and beverage sector are choosing base on information gathered, this sector is the most SME business among entrepreneur compare to other sectors.

Beside that, research scope only to be centre on selected respondent which is chosen among Kolej Universiti INSANIAH (KUIN) student. KUIN student choose are base on sampling method used in this research. This is with supposition of student are user of SME food and beverage product.

Further more, students also come from various demographic backgrounds such as age, education and race which are suitable representing former customer from various background. Because of different respondent, different time also location, the result will definitely different compare to previous research. But, this research still relevant as a guide to readers.

1.7 Definition and Terminology

This research is base on two main subjects that is marketing mix and customer loyalty. Definition and terminology for the subject are explained in details for readers to focus and understand the research base on used terminology.

1.7.1 Product:

Food and beverage product in manufacturing sector produced by SME with micro, small and medium sized.

1.7.2 Price Fixing/ Pricing:

A pricing to all purchased food and beverage products in manufacturing sector by SME which customer bought.

1.7.3 Promotion:

All promotion activity also SME's food and beverage product advertising can be seen and understand by customers.

1.7.4 Distribution:

Locations for SME food and beverage product were sales and bought by customers.

1.7.5 Customer Loyalty:

Customer loyalties are measured base on faithful and trusty feeling towards SME food and beverage products.

1.7.6 Small and Medium Enterprise (SME):

SME businesses carry out manufacturing activities for food or beverage with micro, small and medium scale.

1.8 Research Organizing

This research was divided into five main chapters. First chapter explain background of research, research objective, applied research significance and research scope domain, definition also used terminology.

With first chapter, reader can understand and get early view relate to this research. Second chapter for this research is literature review. Literature review is to support the research done by the researcher.

Literature review is base on support on previous research by academician and researcher. Base on literature review, it can guide to a stronger research. Then chapter three are regarding about research methodology used by researcher. Such as explaining involved hypothesis, way of collecting data and prospective analysis.

Chapter four was analysis after research discovery done. It will involve statistical analysis base on information received from respondent from qualitative method. Final chapter is regarding about further discussion on discovered result, summarizing what researcher discovered also suggestion on future research improvement.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

In this chapter the literature reviews discussing relationship between marketing mix strategy and customer loyalty. Readers will get to know past research about marketing mix strategy with customer loyalty. Beginning of chapters, researcher explains previous discussion regarding marketing concept which is marketing mix and relationship marketing.

The marketing concepts are important to prove that marketing mix strategy still relevant to be applied nowadays and at the same time to strengthen research. Furthermore, literature reviews are focusing on relationship between marketing mix strategy with customer loyalty.

In the literature review, there are four main dimensions in the marketing mix such as products, pricing, promotion and distribution are being discussed. Understanding the research method is going to help giving comprehend and clear picture to reader regarding about the study.

2.1 Marketing Concept

Marketing is a wide activity in business world. Definition of marketing is different base on previous researcher opinion. According to Carson, Gilmore, Perry and Gronhaug (2001) academicians define marketing as a set of discipline which is responsible to society, student, marketer and academic. The marketer such as a business person sees the marketing concept as an activity to understand the market, to move along and also to develop a relation with it.

According to Lamb, Hair, McDaniel, Summers and Gardiner (2009) marketing can be divided into two which from philosophy and application aspect. Furthermore, according to Kotler and Keller (2001) marketing refers to how to know and fill up human needs also society. In society aspect marketing is about the process on how individual and society obtain their needs and intention throughout process of composing, offering also product exchange and services which have value with other party.

Beside that, from management aspect marketing is purposely to know and understanding customer also can fulfill their suitable product and services (Kotler and Keller, 2001). Base on several of opinion regarding marketing, clearly showed marketing includes big concept in business. Marketing not only focus on selling and buying product or services activity but it is more than that. Marketing also not only relies on customer decision but sellers also play a role, so that the merchandise can attract buyer.

The function of marketing activity is to fill up needs and intention of prospective customer and try to fulfill their satisfaction (Kerin, Hartley and Rudelius, 2009). The expansion in marketing field includes existence of two different marketing concepts such as marketing mix strategy and relationship marketing. Marketing mix strategy been introduced about year 1960's (Zineldin and Philipson, 2007).

After the marketing mix introduced, another new strategy introduced which is relationship marketing in 1980's. Relationship marketing become a debate and critique topic among previous researcher because the marketing concept itself replacing marketing mix strategy. The consequence, marketing mix is no more relevant nowadays.

This mean, marketing mix strategy which representing dimension of product, pricing, promotion, distribution not suitable to be apply in marketing field. Result from new research showed that marketing mix still relevant and used by trader (Zineldin and Philipson, 2007). Result from the research directly denying relationship marketing is a concept that replacing marketing mix.

According to Kotler *et al.* (2002) relationship marketing and marketing mix are two different concept and the application depend on type of customer also run business.

2.2 Relationship Marketing Appearance and Marketing Mix

The quick and unfixed growth causing the traders to restructure their business to assure the company is stable and continuously develop. It is included together with the research and enhance the applied marketing activities. This caused another new strategy in the marketing field which is relationship marketing.

It was a paradigm that appeared in the year 1983 to replace transactional marketing which focuses on the marketing mix representing product, pricing, promotion and distribution (Zineldin and Philipson, 2007). This concept appeared and expanded especially in the service and industry field (Gronroos, 1994).

“Relationship marketing is a one-to-one medium, with personalized messaging being delivered to the exceeding targeted audience” (Nelson, 2007). Compared to the marketing mix that focuses on 4P’s (product, pricing, promotion and distribution), relationship marketing was a concept to see marketing as an activity which involves all the employees in the organization develop and maintain continuous relations, a mutual communication with customers (Gronroos, 1994).

Relationship marketing focuses more on the method for developing and maintaining the existing customer rather than convincing new customers (Zineldin and Philipson, 2007). Moreover, relationship marketing put stressed on long-term relations between customer and seller also cross-functional approach. Relationship marketing is assumed to replace the marketing mix strategy because it is no more relevant to be applied in most industries.

Marketing mix strategy is limited, not fully equips needs of marketing concept and also cannot be used in servicing sector (Zineldin, 1995). There is further research proving that marketing mix strategy still important to traders and still continuously used even though been introduced more then 40 years (Brodie *et al.*, 1997).

There is no evidence show relationship marketing is a new strategy replacing marketing mix. Relationship marketing and marketing mix still relevant to use nowadays, moreover it move along depend on type of business. Base on above mentioned opinion, researcher chose to continue applying marketing mix strategy in the research. Other parts in this chapter will explain in details regarding marketing mix strategy and its relation with customer loyalty.

2.3 Marketing Mix Dimension with Customer Loyalty

Marketing mix strategy introduced since early 1960's (Gronroos, 1994). This concept was developed by Niel Borden in order to view the important of certain element in marketing. The listed dimension includes product, pricing, brand, packaging, servicing, advertising and distribution (Zineldin and Philipson, 2007).

Along with the time changed, 'P' dimension in marketing mix increase until twelve dimension of 'P' including personal aspect, physical asset and procedure (Goldsmith, 1999). Furthermore, new 'P' dimension added is politic, public relation, people and process (Brookes, 1988).

From time to time, strategy had combined the dimension and only focus on four main dimensions such as product, pricing, promotion and distribution. But, according to Gummesson (2000) additional list on 'P' dimension in marketing mix actually not a method to show improvement in marketing. This is because all mentioned elements do not mean can be found in every business.

This is clearly proven that marketing mix element which representing 4P's still can be use until now. The important thing is 4P's enforce, creating effective strategies, so that the practice of effective 4P's can help convince customer to use product and services either in short or long term. It also can increase relationship between retailer and customer. Table 2.1 shows the main elements in marketing mix (Brooksbank, 1994).

Table 2.1: Elements in Marketing Mix Dimension

Product	Pricing	Promotion	Distribution
- Quality	- Price list	- Advertising	- Distributor
- Brand	- Discount	- Direct selling	- Retailer
- Packaging	- Allowance	- Merchandise	- Location
- Service	- Postponed	promotion	- Inventory
- Guarantee	payment	- Public relation	- Transportation
- Design	- Price offered	- E-mail	
		- Pamphlet	

2.3.1 Customer Loyalty and Product

Product is divided into two which is business and customer product, Lamb, et al. (2009). Product can be from thing that can be seen such as shoes, shirt or in form of services such as consultation service. When it comes to discuss about product, there are several thing should be focus on such as brand, quality, design and packaging and lot more.

In this matter, company should come out with various strategies which can boost up the demand so that the products can success in market. Brand that cannot accept by outside market is a challenge face by the company. Furthermore, product that is produce by the company should come with its own specialty to convince prospective buyer.

Among the important elements inside product is brand and product quality. Product evaluation can be measure base on brand, price and product packaging (Selnes, 1993). According to Selnes (1993), there is a positive relationship between product brand with customer loyalty and increase buyer satisfaction toward the product.

According to Krake (2005), brand is important factor in SME's base on initiative of SME's entrepreneur itself to develop brand towards their product. Furthermore, design and product suitability is very important to customer. A designed product should be easy to use, suitable and fill up customer intention. Producer and seller should understand or know the customer needs.

Research shows that customer satisfy with product design and suit with them (Babbar, Behara and white, 2002). Beside that, quality is one of the important elements inside products. From customer aspect, quality is a product capacity that can make customer loyal to the product. There are several quality characters including information regarding product usage, product ability change base on current condition also the importance of product to different customer.

Research also proof there is relation between product qualities with customer (Yoon and Kijewski, 1997). A product was one of important dimension in marketing mix towards customer loyalty. There are various characters for product and its proven make the customer loyal to the product. Customer loyalty toward product offered can be identify through a positive relation between brand, quality, design also product suitability for customer.

2.3.2 Customer Loyalty and Pricing

Pricing was one of the marketing mix dimensions. Price means a total of money or value that can be count as change to get the product or service (Kerin, Hartley and Rudelius, 2009). Customer always wants a reasonable price in buying product and services.

If the pricing not showing value of the product, customer will not anymore loyal. Customer willing to spend certain amount of money to get product they want and fulfill their wants (Bils, 1989). Brooksbank (1994) explain the main elements in marketing mix such as discount, allowance and credit.

Previous research is regarding price discount from seller to customer. Research shown there is a positive relation between suitable prices with customer loyalty (Martin, Ponder and Lueg, 2008). In this research, customers remain loyal toward used product even though there is some increasing price towards product. Furthermore, there is other research study the relation between pricing with customer.

A research done by Cambell (1999) showed there is significant relation between pricing with customer satisfaction. Users satisfy with suitable prices and worth. There is other research show that user feel that product price sole by retailer not worth because retailers always get benefit from product sole (Kahneman, 1998; Cambell, 1999).

2.3.3 Customer Loyalty and Promotion

Promotion was type of communication used by seller to deliver, flatter and increasing prospective customer concerning showed product so that customer attract and directly buy the product (Lamb *et al.*, 2009). There are various promotion strategy used such as advertising, merchandise promotion and direct selling (Lamb *et al.*, 2009; Kotler and Keller, 2009; Kerin *et al.*, 2009; Brooksbank, 1994).

Marketing also used as method to reminding user and increasing product demand (Jager, 2007). According to Raju (1995) merchandise promotion is incentive offered by seller in certain period to user.

It can be deliver to user in form of finance or not finance. Merchandise promotion given to user also calls as user promotion. Producer and retailer should determine the best way for promoting product and service offered to user. The chosen way is by choosing most effective method that suits to product either through advertising, direct selling and others.

Latest, producer classified segments in marketing and doing the promotion base on different type of users. For example, there are users who attract more on product characteristic whereas some attract to discount price (Jager, 2007). In determining relation between promotion and customer loyalty there are difference in research result done by previous researcher.

For example, research done by Gaski and Etzel (1986) proved there is no relation between promotion and customer satisfaction. The promotion element was put aside because it does not have direct relation to user (Gaski, 2008). This is because, element of promotion in marketing more relate to retailer by doing advertising, premises environment also interaction between retailer and the user itself (Gaski, 2008).

Early research showed advertising was main factor that make user to be mistaken (Barkdale and Darden, 1972). Further more, research done in India prove that customer not satisfy with promotion done because the advertisement is confusing and cannot be trust (Vadarajan, 1990). Overall, customers in certain countries still feel doubtful with promotion.

Research done by Wee and Chan (1989) shows that no significant relation between advertising and customer satisfaction. Even though previous research proven there is no relation between promotion and customer loyalty, but researcher do a research between promotion and customer loyalty. This is base on change in promotion and advertisement nowadays stress onto Integrated Marketing Communication (IMC) strategy (Mangold and Faulds, 2009).

Nowadays, there are many method of promotion done by producer other than advertising method in mass media. Integrated Marketing Communication (IMC) is a method that can promote product at market base on market target. This method integrates mix in promotion element such as advertising, public relation, merchandise promotion also personal selling to deliver effective information to customer (Boone and Kurtz, 2007).

Nowadays, advertisement more focuses on IMC strategy because of several reasons. According to Mangold and Faulds (2009), there is relation between IMC method and customer because IMC providing base and network for customer to get connected. Furthermore, it provides complete information to customer. Customer will get to know in depth regarding company background and product produced.

Produced products also fulfill current customer needs. So that, promotion method used to influence customer. Even previous research shows no relation between promotion and customer loyalty, but the research still relevant nowadays such as applying different method of doing promotion in market.

2.3.4 Customer Loyalty and Distribution

Distribution is fourth dimension in marketing mix. Distribution include wide field such as marketing channel, retailing also logistic management (Kerin *et al.*, 2009). Distributions turn to be needs to customer and user because can make them easy and decreasing cost (Pooja and Andotra, 2007). According to Wagner (1992), one of the ways to satisfy customer and user in distribution activity is by doing research towards services provided to them.

According to Kerin *et al.* (2009) customer will get benefit from way of managing affective distribution. But, only several direct research relate to distribution and customer satisfaction (Gaski, 2008). This base on previous research, regular method to study the relation between distribution and customer satisfaction more to element in distribution itself such as retailers factor and buying environment.

There are no research relate to distribution because dimensions to distribution more focus on interaction element between customer and retailer, also customer satisfaction base on services provided at buying place (Gaski, 2008). This research also agreed by Ferdous and Towfique (2008) shows the element of retailing had significant relation with customer satisfaction.

2.4 Customer Loyalty

The term *customer loyalty* is used to describe the behavior of repeat customer, as well as those that offer good ratings, reviews or testimonials. Some customer do a particular company a great service by offering favorable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customer. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

Customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customer who will return to purchase again and persuade others to use that company's products or services. This equates to profitability, as well as happy stakeholders.

Customer loyalty may be a one-time program or incentive, or an ongoing group of programs to entice customers. Buy-one-get-one-free programs are very popular, as are purchases that come with rebates or free gifts. Another good incentive for achieving customer loyalty is offering a risk free trial period for a product or service.

Also known as *brand name loyalty*, these types of incentives are meant to ensure that customer will return, not only to buy the same product again and again, but also to try other products or services offered by the company. Excellent customer service is another key element in gaining customer loyalty.

If a client has a problem, the company should do whatever it takes to make things right. If a product is faulty, it should be replaced or the customer's money should be refunded. This should be standard procedure for any reputable business, but those who wish to develop customer loyalty on a large-scale basis may also go above and beyond the standard. They may offer even more by way of free gifts or discounts to appease the customer.

Base on literature review, can be summarize marketing mix covered up wide field. It covered product dimension, pricing, promotion and distribution. There are many researches proved a significant relation between dimensions in marketing mix strategy with customer loyalty. Base on literature review and also previous supported research, marketing mix relation with customer loyalty is explaining at surface level.

There is not much research done in marketing mix relation towards SME's product with customer loyalty. Almost all research regarding SME's more focus on marketing strategies which done by SME's entrepreneur with related concept with SME's business such as entrepreneurs characteristics, marketing aspect in SME's, entrepreneurial marketing and lot more (O'Donnell and Cummins, 199; Siu and Kirby, 1999; Hill, 2001; Morris, Schindehutte and LaForge, 2002).

Researcher chooses to apply the marketing mix relation with customer royalty towards SME's product. This is because SME's food and beverage product was an important product to customer. Beside that, SME's entrepreneur is doing marketing mix strategy within their own way. Researcher want to study are there any relation between marketing mixes which is used by SME's entrepreneur. This research hope can be a new view of SME's marketing in Malaysia.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explains on used method while doing the research. Within this chapter reader can know used research design, sampling design, research instrument design, data analysis technique and determination of reliable research data. Base on explanation in this chapter, readers can get clear view regarding about the research. SME's product was chose to study loyalty phenomena.

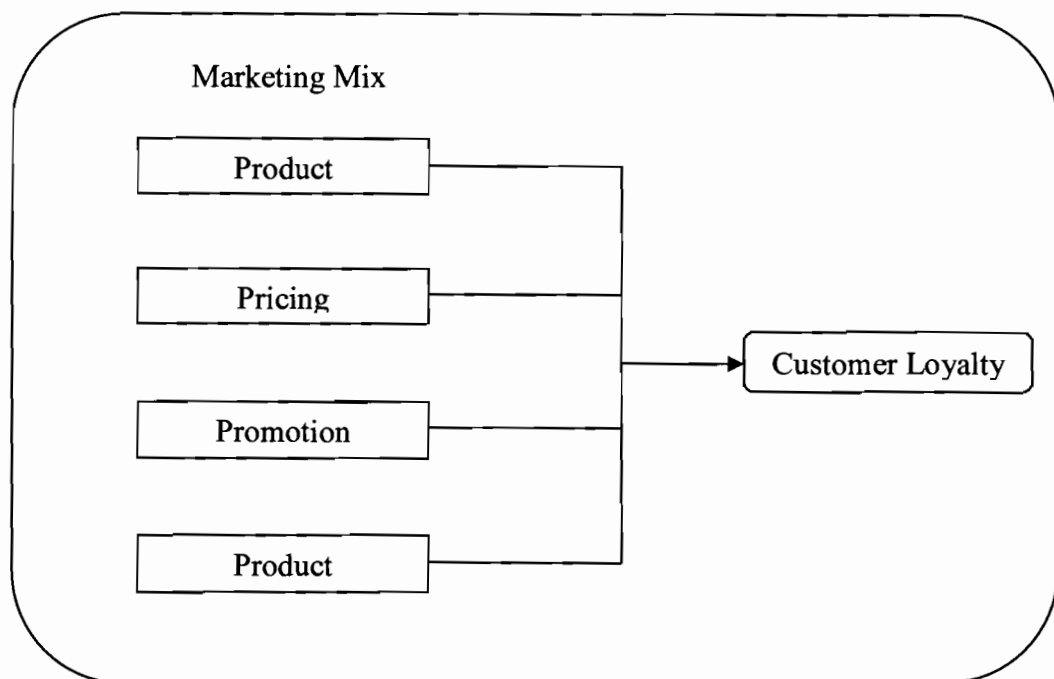
3.1 Relationship on Marketing Mix Strategy With Customer Loyalty

As explained in chapter 1, research connected with SME choose because base on newspaper reports and customer grumble towards SME food also beverage product. In chapter 2, base on previous research, there is significant relationship between marketing mix strategy with customer loyalty.

In fact, to depend on research problem and the relation with customer loyalty the research held is to study relation between marketing mix practices in SME product with customer loyalty. Base on table 3.1, there is two variables tested in the research which are independent variable and dependent variable. Independent variables come from four strategies in marketing mix such as product, pricing, promotion and distribution.

For dependent variable, the customer loyalty is chosen. Refer to table 3.1, this research is conducted to study are there any relation between practices of marketing mix strategy in local SME's food and beverage product with customer loyalty.

Diagram 3.1: Relationship between Marketing Mix Strategies and Customer Loyalty in Food and Beverage Sector



3.2 Research Hypothesis

Hypothesis is the early assumption created base on literature review, research question and theory use to test some facts or discovery (Hair, Money, Samouel & Page, 2007). In this research, several hypotheses were developed. The hypothesis base on literature reviews and develop research model.

Basically, there is independent variable will be tested such as marketing mix that come with four dimension; product, pricing, promotion and distribution. Independent variable was chose to test the relationship with dependent variable which is customer loyalty. In this research, five hypotheses were developed.

Hypothesis 1

- Ho1: There is no relationship between product dimension in local SME food and beverage product with customer loyalty.
- H1: There is relationship between product dimension in SME food and beverage product with customer loyalty.

Hypothesis 2

- Ho2: There is no relationship between pricing dimension in local SME food and beverage product with customer loyalty.
- H2: There is relationship between pricing dimension in SME food and beverage product with customer loyalty.

Hypothesis 3

- Ho3: There is no relationship between promotion dimension in local SME food and beverage product with customer loyalty.
- H3: There is relationship between promotion dimension in SME food and beverage product with customer loyalty.

Hypothesis 4

- Ho4: There is no relationship between distribution dimension in local SME food and beverage product with customer loyalty.
- H4: There is relationship between distribution dimension in SME food and beverage product with customer loyalty.

Hypothesis 5

- Ho5: There is no relationship cause consequence between marketing mix strategy in local SME food and beverage product with customer loyalty.
- H5: There is relationship between marketing mix strategy in SME food and beverage product with customer loyalty.

3.3 Research Design

There are three research designs in carry out research such as exploratory, descriptive and causal design (Hair *et al.*, 2007). This research is base on descriptive method or 'descriptive study'. The main purpose of descriptive study is to give a clear view on some phenomenon (Hair *et al.*, 2007).

Descriptive study is suitable with the research conduct because the research help in giving view for future research (Sekaran, 2003). Further more, the research not hold to any focus group to be respondent.

Beside that, descriptive method is the most suitable method to be practice in this research as to understand the issue systematically within use of structured data collection (Cavana, 2000).

3.3.1 Quantitative Method

Quantitative method is being used trough out this research. This method is chose because the suitability with questionnaire distribute to respondent. The received data is primary data which is received from respondent. This method is suitable to be use for many respondents (Hair *et al.*, 2007).

3.4 Sampling Design

In determining sample size, there are several factors that have to be count including time factor, accuracy prediction and faith level (Hair *et al.*, 2007). Population for the research is the total of customer using SME food and beverage product. Because of big total on population, numbers of sample representing population are difficult to recognize.

Furthermore, base on Hair *et al.*, 2007, number of sample actually not representing accurate result in the research. In this research, researcher is using cluster sampling method (Hair *et al.*, 2007; Sekaran, 2003). Base on the selected method, customer population are from different group or heterogeneous. Examples for the method are base on ethnic, race, company, business unit and group of student.

Respondent are selected randomly from Kolej Universiti INSANIAH student. Student of Kolej Universiti INSANIAH been selected because of the characteristic which from customer population using SME product. Student in KUIN also have various demographic characteristic from age and race. Base on these factors, researcher chooses to take KUIN student as a respondent for this research.

3.5 Research Instrument Design

Base on the selected quantitative method in this research, the research instrument through set of questionnaire. This is a suitable method because of respondent limited location factor at certain area only. Further more, researcher can collect the questionnaire data at that area in a short while (Sekaran, 2003).

Type of questionnaire used is base on personally administrated questionnaire (Sekaran, 2003). Within this way, researcher have chance to get accurate information because the respondent can ask question directly if they hesitant toward distributed questionnaire.

3.5.1 Questionnaire Instrument

There are two type of questionnaire such as Open-Ended and Close-Ended. Researcher chooses to do the research in Close-Ended question. By using this method, respondent have to answer set of question regarding practice of marketing mix relation with customer loyalty.

Questionnaire instrument already modified from questionnaire series, The Index of Customer Sentiment Toward Marketing (ISCM) by Gaski (2008). This index is including some part such as demographic, question on marketing mix and customer loyalty.

Researcher already modified the question so that relevant with the research handled. Because of time consuming, researcher narrow the question scope. Questionnaire determination reliable is base on reliability test result done to 30 respondents.

3.5.1.1 Questionnaire on Marketing Mix

In the questionnaire, there are 53 close ended questions which have to be filled up by respondent. It comes with Part A: demographic question, Part B dimension in marketing mix such as product, pricing, promotion and distribution also Part C: customer loyalty. Demographic come with 5 questions from items gender, age, race, field of study and education level.

Part B including question connected to marketing mix, there are four dimensions will be test such as product, pricing, promotion and distribution. There are 39 items that will be test out. Lastly, Part C comes with 9 questions about customer loyalty with marketing mix strategy on local SME food and beverage product.

Table below show studied dimension also question sequence for every items:

Table 3.1: Question Segment for Marketing Mix Dimension

Item Number	Dimension	Question Number
10	Product	1 until 10
10	Pricing	11 until 20
10	Promotion	21 until 30
10	Distribution	31 until 39

A good set of questionnaire have to possess certain characteristics including prepare negative questions (Sekaran, 2009). In this research, questionnaire also include item with negative sentence. Table 3.2 shows items for negative questions.

Table 3.2: List of Total Negative Question in Questionnaire

Item Number	Dimension	Question Number
4	Product	3, 4, 5, 6
3	Pricing	11, 12, 15
3	Promotion	22, 23, 25
3	Advertising	32, 35, 39

3.5.1.2 Questionnaire Measuring Scale

There are two types of measuring scale in used questionnaire. In Part A, demographic question to respondent, used scale is nominal scale. Nominal scale is the most suitable to apply at this part, because demographic question is mutually exclusive (Sekaran, 2009).

This show, there is no overlaying between items questioned to respondent such as age and gender. There are five (5) total items in Part A. For Part B and C, researcher chooses to use Likert scale 5-point to measure.

Likert scale used to test the respondent interest level towards test item (Sekaran, 2009). Likert scale is the most suitable to assess behavior in research or study (Salkind, 2009). Base on previous research, Likert scale chosen to see relation between two variables (Ferdous and Towfique, 2008; Norkhazainna, 2009).

In Part B, base on the scale respondent have to choose only one standard of agreement from five standards such as; 1-Very Disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree. In Part C, the respondent have to evaluate their loyal towards local SME food and beverage product base on mentioned standards; 1-Very Loyal, 2-Loyal, 3-Neutral, 4-Unloyal, 5-Very Unloyal.

3.6 Data Analysis Technique

In this research, researcher use quantitative method for data collection. Quantitative data are using statistical analysis method. To analyze quantitative data, there are several techniques done. Distribute questionnaire to respondent is in objective form. In order to collect data from result receive which are in objective forms, there are five (5) statistical analysis used to answer the question.

The said analysis is Reliability Test, Factor Analysis, Descriptive Analysis, Correlation Pearson Test and Multiple Regression Analysis. In the research, there are four dimensions which will be tested such as product, pricing, promotion and distribution. All dimensions have 42 items to be analyzed. These items need factor analysis in order to reduce big variables to be meaningful factor, interpreted and can be guarded (Cavana *et al.*, 2000; Norkhazzaina, 2009).

Factor analysis was done to all items that can form customer loyalty variables in order to recognize main factor to influence customer loyalty towards local SME food and beverage product. Reliability analysis used to evaluate strength and validity research data base on analysis towards Cronbach Alpha value (Norkhazzaina, 2009). In this research, researcher dividing respondent base on demography such as gender, age and job.

The analysis descriptive will apply to data in Part A in order to get general information on respondent background. Correlation Pearson Test used to see relation between product strategy, pricing, promotion and distribution with customer loyalty. Multiple regression analysis is to see the relation between independent variables with dependent variables. In the research, this analysis applied is to see are there relation between marketing mix strategy in local SME food and beverage product with customer loyalty.

3.6.1 Reliability Test

Distributed questionnaire to respondent is adopted from Index of Customer Towards Marketing (ICSM) (Gaski, 2008). The questions are edited base on SME food and beverage product. Pilot test were used to test the questionnaire reliability. There are 30 set of questionnaire were distribute to respondent. Results from pilot test are base on Table 3.3.

Table 3.3: Cronbach's Alpha Value (Pilot Test)

Dimension	Cronbach's Alpha Value
Product	0.224
Pricing	0.466
Promotion	0.561
Distribution	0.538

Base on Rules of Thumb (Hair et al, 2007), Cronbach Alpha value reached at level ≥ 0.9 is excellent, 0.8 until < 0.90 is very good, 0.7 until < 0.8 is good and 0.6 until < 0.7 is moderate. Refer to Pilot Test values, questionnaire reliability are at high level. Product dimension achieve reliability at very good level, followed by distribution dimension with good value. Whereas reliability dimension for pricing and promotion are at moderate level.

CHAPTER 4

ANALYSIS AND RESEARCH DISCOVERY

4.0 Introduction

This chapter will discuss research discovery from data collection from quantitative method. To analyze quantitative data, researcher use Statistical Process for Social Science (SPSS 12.0) software. In research, there are several tests done by using the software such as Reliability Test, Factor Analysis, Descriptive Analysis, Pearson Correlation Test and Multiple Regression Analysis.

Reliability test and factor analysis is to test reliability standard and validity in measuring research model (Hair *et al.*, 2001; Sekaran, 2003). Descriptive analysis also tested to respondent demographic characteristic which is come from KUIN student. Lastly, this chapter focuses on hypothesis testing by using Pearson Correlation Test and Multiple Regression Analysis. Both tests are important to answer research question in the research.

4.1 Validity and Research Reliability Instrument

There are two test done in this part to ensure questionnaire instrument have high reliability and validity. The tests is factor analysis and reliability test.

For validity purpose, origin questionnaire gets from The Index of Customer Sentiment Towards Marketing (ICSM) by (Gaski, 2008). The origin questionnaire was modified to be more specific question relate to SME food and beverage product. Questionnaire was divided into parts base on product dimension, pricing, promotion and distribution. Table 4.1 show the item sequence for every dimension before doing factor analysis.

Table 4.1: Marketing Mix Items (Before Factor Analysis)

Item	Question No.	Dimension
p101, p102, p103, ...p110	1 - 10	Product
p201, p202, p203, ...p210	11 - 20	Pricing
p301, p302, p303, ...p310	21 - 30	Promotion
d01, d02, d03, ...d09	31 - 39	Distribution

4.1.1 Factor Analysis

Purpose of doing factor analysis is to identify the validity of marketing mix towards product, pricing, promotion and distribution. According to Coakes and Steed (2003), factor analysis can be use in order to reduce too many number of variable to a small set base on only selective items for the variable. Thus, before run the reliability test, researcher did the factor analysis towards set of question distributed to respondent.

4.1.1.1 Product

Base on Table 4.2, they are ten (10) identified items to be measured as product dimension. After one varimax rotation, product item divided into two factors. Base on analysis, item p103 as Factor 1 and identified to be SME's food and beverage product quality. While item p109 and p110 in Factor 2 is about SME's food and beverage packaging. Item p103 is question about difficulty in getting SME's food and beverage product at market. This item dropped from product dimension because it related to distribution dimension.

4.1.1.2 Pricing

There are ten (10) items measurement pricing dimension identified. After one varimax rotation, pricing item divided into three factors. Furthermore, item p210 is the only item for Factor 3. Further analysis result about p202 found that the question related to dealer role in product pricing. Item p210 related to discount promotion method and in scope of promotion dimension.

4.1.1.3 Promotion

There are ten (10) items identified as measurement tools for promotion dimension. After one varimax rotation, promotion item divided into three factors. Analysis found that p301 is one item that not reach cut of label level. Further analysis of item p308 and p310 has same meaning and at Factor 3.

After identified, found that the question are alike, which related to SME's food and beverage product information deliverance. The selected question are lead to advertisement promotion which done to SME's food and beverage product.

4.1.1.4 Distribution

There are nine (9) items identified as distribution dimension tools. After one varimax rotation, distribution item divided into two factors. Analysis found that all the items reach cut of label. Further analysis found that there are three items in the same factor which is item d01, d02 and d05, but d01 are not dropped in this research because it still in Factor 1. Researcher issue item d02 and d05 because it in same factor. Item d02 and d05 is regarding about salesperson role by the time needed.

4.1.2 Reliability Test

Reliability test was done to 170 samples. This is in order to test degree of reliability towards distributed questionnaire to respondent (Hair *et al.*, 2007). In this research researcher did the reliability test twice. The first test was done before factor analysis. The test result as Table 4.2

Table 4.2: Cronbach's Alpha Value (before Factor Analysis)

Dimension	Cronbach's Alpha Value
Product	0.224
Pricing	0.466
Promotion	0.561
Distribution	0.538

After done factor analysis, Cronbach Alpha Value will increase, but researcher still continue doing research because this type of research field still new and not yet extensively done in Malaysia.

4.2 Descriptive Analysis

Descriptive analysis done is to review research result by reviewing collected data characteristics (Coakes and Steed, 2007). In this research, descriptive analysis delivers information about respondent demography such as gender, age, race, and faculty also education level. This analysis can give a clear and general view about respondent characteristics in the research.

4.2.1 Research Sampling

As mentioned in previous chapter, sample of respondent is student at Kolej Universiti Insaniah. 190 set of questionnaire distributed to respondent and only 175 are returned. Five (5) of the questionnaire are incomplete and excluded. Only 170 set of questionnaire being used for analyze purpose.

4.2.2 Gender

Table 4.3 representing analyze respondent frequency base on gender. Base on sample total, 90 respondents from male student and balance representing female student. Male student representing 52.9% from total respondent and 47.1 is female respondent.

Table 4.3 Distribution of Respondent Gender

Gender	Frequency	Percent (%)
Male	90	52.9
Female	80	47.1
Total	170	100.0

4.2.3 Age

Descriptive analysis is on age respondent. Research respondent are from various level of age because education level at Kolej Universiti Insaniah is starting from Diploma, Degree, Master Degree and Ph.D. Table 4.4 shows the distribution of respondent age.

Table 4.4 Distribution of Respondent Age

Age	Frequency	Percent (%)
18-22 years old	43	25.3
23-27 years old	64	37.6
28-32 years old	54	31.8
33-37 years old	9	5.3
Total	170	100.0

4.2.4 Race

Respondent are divided into three main races which is Malay, Chinese and others. Result from analyze data collection, majority respondent is Malay. Form 170 respondent, 104 respondent or 61.2% is Malay, 16.5% is Chinese (Muslim) and 22.4% is others (Muslim) representing international student.

Table 4.5 Distribution of Respondent Race

Race	Frequency	Percent (%)
Malay	104	61.2
Chinese	28	16.5
Others	38	22.4
Total	170	100.0

4.2.5 Faculty

Table 4.6 shows respondent distribution base on faculty. Kolej Universiti Insaniah has (KUIN) have eight (8) faculties which is Muamalat, Engineering, Multimedia, Nursing, Syariah, Usuluddin, Arabic Language and Tahfiz. From total respondent, 50 students from Faculty of Muamalat with 29.4%, 28 students from Faculty of Syariah with 16.5%, and 25 students from Faculty of Multimedia with 14.7% and balance with 67 students are form Faculty of Nursing, Arabic Language, Tahfiz, Usuluddin and Engineering.

Table 4.6 Distribution of Respondent Faculty

Faculty	Frequency	Percent (%)
Muamalat	50	29.4
Engineering	3	1.8
Multimedia	25	14.7
Nursing	18	10.6
Syariah	28	16.5
Usuluddin	14	8.2
Arabic Language	17	10.0
Tahfiz	15	8.8
Total	170	100.0

4.2.6 Education Level

There are four (4) education level offered at Kolej Universiti Insaniah such as Diploma, Degree, Master Degree and Ph.D. Result from analyze data collection shows that 89 or 52.4% student are from Degree program, 76 or 44.7% student are from Diploma program and 5 or 2.9% student are from Master Degree program which contribute in giving respond to this research. There is no feedback from Ph.D program because they are part-time student.

Table 4.7 Distribution of Respondent Education Level

Education Level	Frequency	Percent (%)
Diploma	76	44.7
Degree	89	52.4
Master Degree	5	2.9
Total	170	100.0

4.3 Hypothesis Testing

Refer to previous chapter, there are five (5) main hypotheses will be tested in this research which will answer question and research objective. Hypothesis test refer to method for testing hypothesis statement structured base on research model (Cavana *et al.*, (2000); Norkhaizana, (2009). Hair *et al.*, (2001) viewed the hypothesis test as a systematic procedure either to 'accept' or 'reject' the said hypothesis regarding design or relation. Hypothesis test process includes statistic analysis which help researcher to decide either reject the structured hypothesis statement (H_0) or otherwise. In this research, there are two (2) statistic tools used to answer research question which are Correlation and Regression test.

4.3.1 Correlation Pearson Testing

Correlation is technique to determine strong relationship between two variables with index call correlation coefficient (Abdul Rahim, 1999). In this research determination relation of independent variables (product, pricing, promotion and distribution) with dependent variable (costumer loyalty) is base on Rules of Thumb about Correlation Coefficient Size from Hair *et al.*, (2007). Person correlation test are used to test Hypothesis 1, 2, 3 and 4.

Table 4.8 Relation between 4P's Dimension with Customer Loyalty

Correlations

		product	pricing	promoting	Distrubtion	loyalty
product	Pearson Correlation	1	.432(**)	.286(**)	.351(**)	.306(**)
	Sig. (2-tailed)	.	.000	.000	.000	.000
	N	170	170	170	170	170
pricing	Pearson Correlation	.432(**)	1	.583(**)	.699(**)	.508(**)
	Sig. (2-tailed)	.000	.	.000	.000	.000
	N	170	170	170	170	170
promoting	Pearson Correlation	.286(**)	.583(**)	1	.873(**)	.347(**)
	Sig. (2-tailed)	.000	.000	.	.000	.000
	N	170	170	170	170	170
Distrubtion	Pearson Correlation	.351(**)	.699(**)	.873(**)	1	.436(**)
	Sig. (2-tailed)	.000	.000	.000	.	.000
	N	170	170	170	170	170
loyalty	Pearson Correlation	.306(**)	.508(**)	.347(**)	.436(**)	1
	Sig. (2-tailed)	.000	.000	.000	.000	.
	N	170	170	170	170	170

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

4.3.2 Multiple Regression Analysis

Multiple regression analysis used to test final hypothesis in this research.

Multiple regression analysis means using more then one variables to predict other variables (Abdul Rahim, 1999). In this research there are four (4) independent variables used to test dependent variables which are marketing mix dimension representing product, pricing, promotion and distribution.

Table 4.9 Multiple regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.530	0.280	0.263	0.35775

The analysis survey on marketing mix factors which influence customer loyalty. Tested regression model is as below:

$$Y = a - b1 \times 1 + b2 \times 2 + b3 \times 3 + b4 \times 4$$

Where;

Y is Customer Loyalty

A is constant

b1 x 1 is product dimension

b2 x 2 is pricing dimension

b3 x 3 is promotion dimension

b4 x 4 is distribution dimension

Table 4.10 Relation between Marketing Mix Strategies and Customer Loyalty
Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.955	.357		2.676	.008
	product	.131	.100	.096	1.309	.193
	pricing	.407	.110	.357	3.701	.000
	promoting	-.100	.148	-.092	-.676	.500
	Distrubtion	.258	.171	.233	1.506	.134

a Dependent Variable: loyalty

CHAPTER 5

DISCUSSION AND RECOMMENDATION

5.0 Introduction

On previous chapter explain research result regarding marketing mix relation and SME's product with customer loyalty. In this chapter, researcher focus on further explanation about research result. Within this chapter, there are several suggested proposal by researcher to other parties involve in SME especially to SME's entrepreneur.

Hope that suggestion given contributes to SME's producing productivity benefit and increasing customer loyalty. This chapter was divided into several parts. Part one, researcher are focusing on hypothesis test result. Researcher also gave several proposal bases on collected research result. Finally, researcher also mention several faced limitation in the research also the additional action that can be apply in future research.

5.1 Customer Loyalty

Customer loyalty level on SME's food and beverage product at min 0.00 values. Research result shows that customer loyal to SME's food and beverages product but then still at medium level as a whole.

There are several causes encouraging the customer loyalty. Factors that encourage customer loyalty can be known base on research analyze received from previous chapter. Overall, there are several factors encourage the increase of customer loyalty. From product aspect, customer satisfied because SME's product have its own identity compare to other product in market.

Further more, produced SME's products are quality. SME's product packaging also stands good level. Beside that, other factor of loyalty because customer satisfied with the suitable pricing offered. Information appeared at food and beverage product label also help customer to know buying product and increase their loyal.

Even though customer loyal with product promotion done by SME's but there are still customer who is loyal not base on product promotion. Some of the customer becomes loyal toward SME's food and beverage product promotion which is done at supermarket, night market, farm market by MADA and any open exhibition by government and non-governmental organization (NGO's).

On the other hand, result of low level customer loyalty is due to several factors. Research result discovered that customer not loyal to the product because there are defect at product purchased. Further more, the SME's food and beverage product advertisement sometimes cannot attract the customer to be loyal towards said products.

This is due to result shows that customer agreed that SME's advertisement not include with complete information that a customer need. Customer also feels that the advertisement advertise done only to influence customer to buy the product rather than delivering needed information. This kind of advertisement concept will not last long as to gain customer loyal.

5.2 Research Hypothesis Discussion

Base on analysis result from previous chapter, result has shows that there is significant relationship between all five tested hypotheses. This part will explain hypothesis tested result in depth to help strengthen the research as well as commit in future research contribution.

5.2.1 Hypothesis 1

H1: There is relationship between product dimension in SME's food and beverage product with customer loyalty.

Research result shows that there is significant relation between SME's food and beverage product strategy with customer loyalty. This is supported with research done by Yoon and Kijewski (1997) shows that, there is relation between product quality and customer loyalty also satisfaction. This relation supported by previous research shows that, there is positive relation between product brands with customer loyalty.

Further more, research also supported by Babber *et al*; (2002) proofed that customer are loyal to the product which can fulfill their needs. Base on significant result; show that customer put attention on buying food and beverage with characteristics such as fresh and healthy ingredient. There are some element forced by customer in buying food and beverage product.

Customer is very sensitive to SME's food and beverage product quality. This is base on research result shows that customer become unfaithful towards SME's food and beverage product they bought because of the product defect. Customer still found defect SME's food and beverage product at market. Beside that customer on SME's food and beverage product became loyal because it have own identity compare to other product in market such as Power Root Ali Café.

Other example on SME's food and beverage product is *serunding*, *kuih-muih tradisional*, nourishing drink such as coffee and lot more. A unique character on SME's food and beverage product is different compare to other product such as snacks, chocolate and carbonated drink. The difference had provided choice to customer in buying SME's food and beverage product.

5.2.2 Hypothesis 2

H2: There is relationship between pricing dimension in SME's food and beverage product with customer loyalty.

Result shows there is significant relation between pricing strategies with customer loyalty. Research results also support previous research. Research done by *Martin et al*; (2008) had proof that there is relation between pricing and customer loyalty. Research also being support by Cambell, (1999) whereby there is significant relation between pricing and customer loyalty. Customer will be loyal to the product if price offered reasonable.

In detail discussion refers to item that most influence customer loyalty toward SME's food and beverage product. Average min analyzed that customer loyalty towards SME's food and beverage product with pricing found customer will be loyal to the offered price while buying SME's food and beverage product. In addition, customers also agree that SME's food and beverage product sold is reasonable because it match with received quality.

This mean, customer willing to spend more as to get product they want and will develop their loyal. Fortunately, research result also found that customer not loyal because of food and beverage product different pricing sold at grocery shop and supermarket. This proven that, product are sold at different price at different premises. This factor probably because of retailer or supermarket face premise utility, rental also fees or staff salary. Customer opinion, because of different cost faced by trader they put high pricing equal to their profit margin.

5.2.3 Hypothesis 3

H3: There is relationship between promotion dimension in SME's food and beverage product with customer loyalty.

Research result shows there is significant relation between promotion and customer loyalty. The value achieve at moderate level, result found not supported by previous research whereby there is no relation between promotion with customer loyalty (Gaski and Etzel, 1986). Furthermore, research is supported by Vadarajan (1990) where advertisement and promotion exhibit is confusing and cannot be trust.

Factors that encourage to research result can be analyze base on min value achieve in promotion dimension. Research result shows that customer loyal to SME's food and beverage product but still at low level. Customer also becomes loyal with the SME's food and beverage product base on product promotion at expo or open exhibition. From complete information, customer can get to know in depth regarding product they want or interest to buy.

This also proven by Bernama newspaper dated 4th September 2008 report that customer nowadays are clever in finding information about food. Furthermore, research results also proof that customer being loyal sometime because of SME's food and beverage advertisement method. Base on analysis, customer become loyal to SME's food and beverage product.

Form this advertisement, customer can get useful information. Customer sensitivity towards information are supported by newspaper report that customer are more clever in finding product information and content.

5.2.4 Hypothesis 4

H4: There is relationship between distribution dimension in SME's food and beverage product with customer loyalty.

Base on research result, there is significant relation between distributions with customer loyalty. But the relation is at low level, and the significant result supported by previous research Gaski 2008 found that retailer play important role and have relation with consume r loyalty. This result also supported by Ferdous and Towfique (2008) said that retailing, is one of the distribution element which have significant relation with customer loyalty base on how frequent customer buy the product.

Customer viewed that SME's food and beverage product can be found at suitable location with reasonable price. Anyhow, distribution items on average analyzed result found that loyal customer are due to smooth distribution process but still at low level. This is because, even the product can be found easily at market but some respondent still facing problem to get SME's food and beverage product needed. This matter is equivalent to newspaper report that the distribution stock of SME's product not consistent.

5.2.5 Hypothesis 5

H5: There is relationship between marketing mix strategy in SME's food and beverage product with customer loyalty.

Research result found that, a significant relation between SME's food and beverage product and marketing mix strategy with customer loyalty. The dimension contribute to this relation are product, promotion and distribution, whereas the pricing dimension also influencing customer loyalty. This shows that, pricing also contribute to customer loyalty. So, SME's food and beverage pricing supply have to be base on economics condition, which cannot be offered base on retailer profit margin.

This is due to influence of product strategy, promotion and distribution activity. For example, customer will attract to SME's food and beverage product which have certain characteristics such as interesting in design, effective promotion method and convenience to get the product. If the entrepreneur can apply this strategy successfully, pricing are not main reason for customer to be loyal with SME's food and beverage product. In fact, the different price offered between premises giving chance for customer to value more reasonable price.

5.3 Improvement Recommendation

Base on research result, customers are loyal with SME's product but improvement is encouraged so that the SME's product can get attention, place and success in market.

Researcher giving idea and improvement proposal for SME's food and beverage product base on customer loyalty.

5.3.1 Creating Loyal Costumer

To create loyal customer, it is not necessarily have to work harder but work "smarter." Concentrate on things that entrepreneur and retailer can do which can help to keep customer happy. Make changes before have to. Ask what changes need to make in business in order to give customer a great experience. Then start the changes that make sense. Sell the service with personality.

It is the sales person that can generate real customer loyalty. To be consistent in business, retailers need to create a system. Think about what can do to generate loyalty with the customer before they even call or visit the premises. Think how can to stay in touch and build a long-term relationship for many future sales. Be different from competitors. Create a unique point of difference that sets apart.

If a customer can't tell the difference between the competitors, they will make a choice based on price and not on the value of product or service. Keep in regular contact with customer. Make sure business is somewhere in customer's mind as the next time they need to make a purchase. Ask customers for feedback. See what they would like retailer to change. Try organizing a seminar or a "Customer Care Meeting". Retailer can send articles to customer that might be of interest.

5.3.2 The Application of Relationship Marketing Concept

Relationship marketing is changing the way marketers use traditional media channels to build brand image and awareness. Marketers are not just re-allocating ad budget between existing media products, they are taking advantage of whole new set of media choices. The aim is to build relationship instead of a one-time sale, which is termed as a transaction.

With more companies turning into relationship, marketing more money is being funnel into proprietary media for communicating directly with customers. Relationship marketing centers are developing an on-going relationship with customers across a family of related products and services. Its purpose is to build a long-term bond between the company and customer.

As a practice, Relationship Marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages. With the growth of the internet and mobile platforms, Relationship Marketing has continued to evolve and move forward as technology opens more collaborative and social communication channels.

This includes tools for managing relationships with customers that go beyond simple demographic and customer service data. Relationship Marketing extends to include Inbound marketing efforts (a combination of search optimization and Strategic Content), PR, Social Media and Application Development.

Just like Customer Relationship Management (CRM), Relationship Marketing is a broadly recognized, widely-implemented strategy for managing and nurturing a company's interactions with clients and sales prospects. It also involves using technology to, organize, synchronize business processes (principally sales and marketing activities) and most importantly, automate those marketing and communication activities on concrete marketing sequences that could run in autopilot (also known as marketing sequences).

The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service. Base on research result, researcher found that Relationship Marketing run along with marketing mix strategy. Researcher suggest SME's food and beverage entrepreneur should produce product not only base on marketing mix strategy which consist product, pricing, promotion and distribution dimension but also using Relationship marketing strategy.

In Relationship marketing concept, marketing not only start at product level, but involving all activity which includes all worker in organization developing and preserving continuous relation, interact with customer (Gronroos, 1994). Relationship Marketing is more focusing on method for develops and preserve existing customer rather than finding new customer. (Zineldin and Philipson, 2007). In Relationship Marketing strategy, researcher suggests producing product should focus on target customer such as food for kids, teenagers and adult.

5.3.3 SME's Product Improvement

Researcher opinion, SME's product should have strong brand which can attract buyer attention. Base on Krake (2005), almost all SME's entrepreneur not care about their product brand management. This is because; the awareness of branding is not the main attraction to SME's entrepreneur in setting marketing costs. Base on listing from SME Corporation websites, researcher found that several SME's food brand is the founder's name.

Such as *Jalen*, *Tamin* and *Zuza*. Further more there are SME's product brand raising a controversy such as *Kopi Janda* said to insult women and widow (Utusan Malaysia, 23rd October 2009). Through commercial branding, hope can help to attract customer to use SME's product. SME's food and beverage product packaging is also important. Usually, when we talk about SME's product, appeared in committee or customer mind regarding product of *kerepek* and snacks with transparent plastic packaging.

Even though the taste delicious, but some time way of product packaging make it easy to defect. This is base on research found there are defect on SME's product. Researcher suggest SME's entrepreneur put serious on product quality. By interesting and strong quality packaging, this can convince customer to buy the product. This method is same with Customer-Oriented Value method by Woodruff, (2004); Andotra and Pooja (2007). This shows that, customer more conscious on value product itself, high or low prices is not the issue anymore.

5.3.4 SME's Promotion Strategy Improvement

There are a lot of choices on SME's food and beverage product at market. SME's entrepreneur has to compete in order to distribute their product comparable to other international company at market. So the researcher suggests to wider the promotion strategy. Nowadays, there are many methods to promote food and beverage product. Cannot be denied, advertising cost at mass media such as television is very high. To small and micro scale entrepreneur, they don't have enough source of capital to do so.

Thus, SME's entrepreneur can apply Integrated Marketing Communications for example; SME's entrepreneur can create personal sites for business purpose such as Facebook and MySpace. Base on personal sites by SME's entrepreneur, customer is near to SME's food and beverage product. SME's entrepreneur can receive feedback from customers. Cost for product advertising through sites can be much cheaper and worth to SME's entrepreneur.

5.3.5 SME's Product Distribution Improvement

Base on research result, there are several customer facing problem to get SME's food and beverage supply. SME's entrepreneur should wider their food supply distribution network. Consistent in food supply, so that SME's product can easily find at market. Further more, retailer also play role in developing customer loyalty. Service given to customer can encourage then to be loyal in using product they bought.

SME's entrepreneur should choose the appropriate distribution channel so the food and beverage product sole can reach customer easily. There are reason why have to choose correct distribution channel because customer able to get need SME's food and beverage product easily. This can guarantee quality on SME's product because it can reduce risk on product defect while doing distribution. As conclusion, research proof that SME's food and beverage product have big potential to be expanding in future.

This because, in general customer can become loyal and loyal can be developing base on SME's product marketing mix strategy. But there is still lot of improvement should be done so that SME's product can sustain at market. Thus, marketing activity should enhance in future. The government provided many incentives to increased SME's productivity. Entrepreneur should grab the opportunity, so that SME's food and beverage product can compete with comparable other famous brand.

5.4 Research Limitation and Proposal for Future Research

This research is using quantitative method in collecting research data. Trough this method, research result limited to one method only. To solve customer problem in depth regarding develop and maintain the customer loyalty against food and beverage product cannot be identified. For future research, researcher suggests that qualitative method also applied in the research.

From qualitative method, researcher can get a clear and deep picture regarding customer loyalty against SME's product. Further more, researcher only choose one type of business in SME's which are food and beverage product produce by SME's entrepreneur. There are lot more business SME's entrepreneur involved in such as craft, batik and weave. Beside that, selected SME's food and beverage product cover in small, medium and micro industries. These three combination industries caused customer facing problem to understand and answer distributed questionnaire.

Thus, for future research researcher suggest other type of SME's business reviewed. Future research should focus only one sector such as SME's micro business. This is because; focusing on one sector can bring to understand clearly against distributed questionnaire. Lastly, researcher also proposes research that focuses on customer acceptance. In business and engineering, new product development (NPD) is the term used to describe the complete process of bringing a new product or service to market.

There are two parallel paths involved in the NPD process: one involves the idea generation, product design and detail engineering; the other involves market research and marketing analysis. Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management used to maintain or grow their market share. Thus, this type of research can be apply in order to develop strengthen of SME's product with customer choice connection.

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UNIVERSITI UTARA MALAYSIA

MASTER PROJECT PAPER (PMZ 6996)

**THE RELATIONSHIP BETWEEN MARKETING MIX
STRATEGIES AND CUSTOMER LOYALTY:
A STUDY IN FOOD AND BEVERAGE SECTOR**

Respective respondent,

This research is to study the marketing mix relation on food and beverage sector (Example: chili, tomato and soy sauce, local cordial and carbonated drink) in local SME towards customer loyalty. You are required to answer all questions in this questionnaire. All the information or feedback is only for research purpose and will not be spread to any outsiders. Feedback from respondent is guaranteed secret and confidential.

All help and support are appreciated. Thank you.

Muhammad Hafiz bin Azizan
Master Science (Management)
College of Business, Universiti Utara Malaysia

PART A: Personal Details**Instruction: Please MARK () at appropriate choice.**

1. Gender ☐ Male ☐ Female
2. Age ☐ 18-22 years old ☐ 23-27 years old
☐ 28-32 years old ☐ 33-37 years old
☐ 38 years old and above
3. Race ☐ Malay ☐ Chinese
☐ Others: _____ (Please Specify)
4. Faculty ☐ Muamalat ☐ Engineering
☐ Multimedia ☐ Nursing
☐ Syariah ☐ Usuluddin
☐ Arabic Language ☐ Tahfiz
5. Education Level ☐ Diploma ☐ Degree
☐ Master Degree ☐ Ph.D

PART B: Marketing Mix

Instruction: This part contains set of question regarding Marketing Mix such as Product, Price, Promotion and Distribution in food and beverage sector (i.e.: soy sauce and local cordial) which influence customer loyalty. Please CIRCLE only ONE (1) number to describe your opinion

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Perceived that...**Product**

1.	The quality of SME's food and beverage product I bought are good then what I expected	1	2	3	4	5
2.	I'm satisfied with the SME's food and beverage product I bought	1	2	3	4	5
3.	SME's food and beverage product I want to buy easily finish out	1	2	3	4	5
4.	The SME's food and beverage product manufactured not following the right method	1	2	3	4	5
5.	Sometime SME's food and beverage product I bought defective	1	2	3	4	5

6.	Producer of SME's food and beverage product not care about the product achievement	1	2	3	4	5
7.	Quality on SME's food and beverage product I bought improvising every year	1	2	3	4	5
8.	SME' food and beverage product are worth to buy	1	2	3	4	5
9.	SME's food and beverage product have their own identity compare to other products	1	2	3	4	5
10.	SME's food and beverage product packing is good	1	2	3	4	5

Pricing

11.	SME's food and beverage product I bought is expensive	1	2	3	4	5
12.	If trader put lower price on SME's product, it is still profitable	1	2	3	4	5
13.	SME's food and beverage product price are reasonable with cost of doing business	1	2	3	4	5
14.	Competition between trader caused SME's food and beverage product price reasonable	1	2	3	4	5
15.	Trader remark unreasonable price toward trade SME's food and beverage product	1	2	3	4	5
16.	SME's food and beverage product price are quit same	1	2	3	4	5
17.	In general, I am satisfy with price that I pay to buy SME's food and beverage product	1	2	3	4	5
18.	SME's food and beverage product price match with its quality	1	2	3	4	5
19.	Price for SME's food and beverage product at groceries shop and supermarket are same	1	2	3	4	5
20.	SME's food and beverage product offering discount on certain occasion	1	2	3	4	5

Promotion

21.	Advertisement of SME's food and beverage product contain complete information that a customer need	1	2	3	4	5
22.	I'm not comfortable with the advertisement on food and beverage product by SME's	1	2	3	4	5
23.	User would feel more comfortable if no advertisement on SME's food and beverage product	1	2	3	4	5
24.	I attracted to SME's food and beverage product advertisement	1	2	3	4	5
25.	Most of SME's food and beverage product advertisement purposely to influence rather than delivering information to customer	1	2	3	4	5
26.	SME's Food and beverage product often participate in exhibition	1	2	3	4	5
27.	Information on SME's food and beverage product useful	1	2	3	4	5
28.	SME's food and beverage product are being promoted more by word of mouth	1	2	3	4	5
29.	I know about SME's food and beverage product from mass media advertisement	1	2	3	4	5

30.	I choose SME's food and beverage product because of suggestion from family and members	1	2	3	4	5
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Distribution

31.	Most of grocery shop give a good services to their customer	1	2	3	4	5
32.	I'm not comfortable with the services given by retailer while doing purchasing	1	2	3	4	5
33.	Retailer at grocery shop very helpful while I'm doing purchasing	1	2	3	4	5
34.	Most of grocery shop provide variety and sufficient to buy	1	2	3	4	5
35.	It is hard to get assistance or help from retailer when needed	1	2	3	4	5
36.	Retailer providing a complete service to their customer	1	2	3	4	5
37.	SME's food and beverage product are available within a right time and place at reasonable price	1	2	3	4	5
38.	SME's food and beverage product easy to get from wholesaler/ retailer	1	2	3	4	5
39.	SME's food and beverage product are difficult to get at market	1	2	3	4	5

PART C: Customer Loyalty

Instruction: Please CIRCLE only ONE (1) number to describe your opinion.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1.	I still buying SME's food and beverage product even though price increased	1	2	3	4	5
2.	When buying SME's food and beverage product, price not important to me	1	2	3	4	5
3.	I'm willing to pay more for new SME's food and beverage product packaging	1	2	3	4	5
4.	I'm loyal to the SME's food and beverage product	1	2	3	4	5
5.	I will always buy the same SME's food and beverage product	1	2	3	4	5
6.	I will not buy other then SME's food and beverage product for daily usage	1	2	3	4	5
7.	I'm loyal to SME's food and beverage product even the packaging changed	1	2	3	4	5
8.	Way of SME's food and beverage product packaging do influence my loyalty	1	2	3	4	5
9.	If the SME's food and beverage product packaging not quality, I still buy the product	1	2	3	4	5

- Thank You -

APPENDIX

Frequencies

Statistics

		gender	Age	race	faculty	Education
N	Valid	170	170	170	170	170
	Missing	0	0	0	0	0

Frequency Table

gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	90	52.9	52.9	52.9
	Female	80	47.1	47.1	100.0
	Total	170	100.0	100.0	

age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-22	43	25.3	25.3	25.3
	23-27	64	37.6	37.6	62.9
	28-32	54	31.8	31.8	94.7
	33-37	9	5.3	5.3	100.0
	Total	170	100.0	100.0	

race

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Malay	104	61.2	61.2	61.2
	Chinese	28	16.5	16.5	77.6
	Others	38	22.4	22.4	100.0
	Total	170	100.0	100.0	

faculty

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Muamalat	50	29.4	29.4	29.4
	Engineering	3	1.8	1.8	31.2
	Multimedia	25	14.7	14.7	45.9
	Nursing	18	10.6	10.6	56.5
	Syariah	28	16.5	16.5	72.9
	Usuluddin	14	8.2	8.2	81.2
	Arabic Language	17	10.0	10.0	91.2
	Tahfiz	15	8.8	8.8	100.0
	Total	170	100.0	100.0	

education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	76	44.7	44.7	44.7
	Degree	89	52.4	52.4	97.1
	Master Degree	5	2.9	2.9	100.0
	Total	170	100.0	100.0	

Correlation

Correlations

		product	pricing	promoting	Distrubtion	loyalty
product	Pearson Correlation	1	.432(**)	.286(**)	.351(**)	.306(**)
	Sig. (2-tailed)	.	.000	.000	.000	.000
	N	170	170	170	170	170
pricing	Pearson Correlation	.432(**)	1	.583(**)	.699(**)	.508(**)
	Sig. (2-tailed)	.000	.	.000	.000	.000
	N	170	170	170	170	170
promoting	Pearson Correlation	.286(**)	.583(**)	1	.873(**)	.347(**)
	Sig. (2-tailed)	.000	.000	.	.000	.000
	N	170	170	170	170	170
Distrubtion	Pearson Correlation	.351(**)	.699(**)	.873(**)	1	.436(**)
	Sig. (2-tailed)	.000	.000	.000	.	.000
	N	170	170	170	170	170
loyalty	Pearson Correlation	.306(**)	.508(**)	.347(**)	.436(**)	1
	Sig. (2-tailed)	.000	.000	.000	.000	.
	N	170	170	170	170	170

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

Regression

Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.530(a)	.280	.263	.35775

a Predictors: (Constant), Distrubtion, product, pricing, promoting

b Dependent Variable: loyalty

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.228	4	2.057	16.072	.000(a)
	Residual	21.118	165	.128		
	Total	29.346	169			

a Predictors: (Constant), Distrubtion, product, pricing, promoting

b Dependent Variable: loyalty

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.955	.357		2.676	.008
	product	.131	.100	.096	1.309	.193
	pricing	.407	.110	.357	3.701	.000
	promoting	-.100	.148	-.092	-.676	.500
	Distrubtion	.258	.171	.233	1.506	.134

a. Dependent Variable: loyalty

Reliability

Product

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.224	.130	10

Price

Reliability Statistics

Cronbach's Alpha	N of Items
.466	10

Promotion

Reliability Statistics

Cronbach's Alpha	N of Items
.466	10

Distribution

Reliability Statistics

Cronbach's Alpha	N of Items
.538	9

Consumer Loyalty

Reliability Statistics

Cronbach's Alpha	N of Items
.468	9