
The Effect of Individualism and Collectivism on Customer Satisfaction in Retail Sector: Asian versus Western Culture

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Abstract — Customer satisfaction is defined as the customer's attitude towards the perceived service performance, which results from the differences in pre-existing expectations and the actual service performance. There are many factors that can lead to customer satisfaction, but instead of looking into all factors, it is interesting to look at cultural differences since the study focuses on the Malaysian setting, which is known for the multicultural environment. More interestingly, businesses in Malaysia not only involve local customers, but as well as customers from Asian and Western regions. The aims of this study are to determine the relationship between individualism and collectivism towards customer service satisfaction, specifically in the retail sector which involves multinational brands as well as multicultural customers. The use of Geert Hofstede Dimension theory in this study is because it is one of the most important theory in cultural differences studies and has generated a large body of research. A quantitative method has been used and the study has been conducted on 103 respondents, 51.5 % are from Asian origin and 48.5% are of Western origin. Although both individualism and collectivism have a significant impact on customer service satisfaction in the retail sector, it is proven in this study that collectivism has more to do in determining the satisfaction level as a whole. It is recommended that further studies should be done outside of Klang Valley. Furthermore, future research should seek to expand the pool of potential explanatory variables such as how cultural differences factor can help influence customer satisfaction.

Keywords - individualism; collectivism; customer satisfaction; Hofstede theory; cultural differences

ARTICLE INFO

Received 5 November 2018

Received in revised form 15 November 2018

Accepted 10 December 2018

Published 28 December 2018

I. Introduction

Customer satisfaction has become a critical issue in marketing theory and practice. It is too general on how to study what can influence customer satisfaction. However, customer satisfaction from a different background will be having different definition and interpretation on how to determine their satisfaction. As a result of increasing concern about internationalization strategies of organizations and companies, the aspect of cultural contrast has been limited in customer satisfaction research. Society comprehends that cultural backgrounds affect how customer depict their experiences with businesses. These cultural differences interpret expectation causing discrepancies in the experiences they encounter. With globalization in full speed and the people who go to outside countries to and from the distinctive countries, the industry is standing up to numerous troubles in obliging these different cultural impacts. Businesses in Malaysia not only give their services to visitors locally, as well as to the individuals who originate from abroad.

This research investigates the effects of cultural factors in two specific cultural syndromes - collectivism and individualism toward customer satisfaction. Although extensive research has addressed individualism and collectivism, there is still increasing attention to cultural classifications that address how hierarchy and power are patterned across societies, and their associated privileges and obligations. This is mostly true in Malaysia, where businesses thrive on the differences in culture.

This research intends to discover the relationships between collectivism and individualism towards customer satisfaction that can be applied for those that want a deeper understanding of how to achieve their customer satisfaction. With close inspection of different cultures through research literature, a clearer understanding of the perception of the customer's satisfaction and specialized services for customers can be reached.

Hence, the objective of this research is to investigate the relationships between collectivism and individualism towards customer satisfaction in the retail sector. Besides that, this research aims to identify the most influence working element on customer service satisfaction in the retail sector.

II. Problem Statement

The retail sector is a unique industry in Malaysia. In many circumstances, tourists and expatriates contribute to sales. To increase the customer satisfaction level in the retail sector, retailers need to understand the culture of their vast customers' pool. Customer satisfaction is the most essential factor in marketing and promotion. Researches also showed that satisfaction and dissatisfaction are related to the cultural background of the customers (Overby, 2015). An unambiguous understanding of cultural contrasts in the expectation and needs of the customer from various backgrounds will make it possible to provide the services that meet the customer's expectations. Studies on the cultural differences between Western and Asian tourists will help to better understand this. After all, the greatest cultural differences appear among Asian and Western cultures (Thitthongkam & Walsh, 2010). Moreover, customers from Asian and Western countries have a different perspective on what makes the services good to them (Voldnes, et al., 2012).

Without truly understand how cultural differences work, retailers and consumers will have different expectations on the standard of good versus bad services. What is considered a good service in one country could be inappropriate in another country. As such, retailers must pay attention to dissatisfied customers as much as to those who are satisfied because dissatisfied customers are more likely to spread the bad news as compared to satisfied customers who would just go home and enjoy the day. Unhappy customers usually don't complain directly, they usually exit, walk and talk and start spreading negative word-of-mouth. Word-of-mouth intentions also constitute a central measure of customer evaluations of service encounters (Whipple, et al., 2010).

Cultural background can have a significant impact on how comfortable someone feels opening up to services that they receive. Study about culture differences will help retailers and researchers to prevent misunderstandings that may arise from different cultures. High understanding of these differences will bring higher customer satisfaction.

III. Literature Review

Given the growth of internationalization business, culture is getting more and more accepted as to be the impact on marketing (Laroche & Park, 2013). Cultural intelligence and customer satisfaction are positively correlated (Kopalle, et al., 2010). When it comes to differentiation, especially within this topic, seller and buyer that comes from different cultures or background, need to be prepared to adjust the strategy to contribute exactly this difference (Cannon, et al., 2010). As such, culture difference is a system of beliefs and behaviors that acknowledge the presence other diverse groups in society, and values their cultural differences, and enables their continued contribution within an inclusive cultural context that allows all in the society (Ahmed, et al., 2016).

Hofstede, in much of his researches, concludes that Asian culture is more collective while Western culture tends to be more individualistic (Hofstede, 1984; Hofstede, 2001; Hofstede, 2010). Furthermore, some service quality researchers also suggest that there is a need to develop an advanced measure of the cultural dimensions of service, particularly on individualism or collectivism (Ladhari, 2008).

Customers from different countries or region contribute in many different ways of the feeling, act and think (Hofstede & Minkov, 2010). Intercultural service encounter means where the customer and the service provider are from different cultures. Thus, customers may find it difficult to communicate or even get specific information regarding products or services. Concerning the cultural aspect of services, studies have shown that customers from different culture differently assess and sees a company's service quality (Zhang, et al., 2008).

Even though people who lived in Malaysia, who shares some of the culture ground, they tend to have different patterns of the way they buy and consume because they have a different cultural background. The Asian and Western societies differ so much from each other that cultural clashes and misunderstandings are not uncommon.

a. Collectivism

Customers from collectivism culture are likely easier to appreciate expressive social influences, in which behavior is adapted to fulfill the relationship that determines itself with the other important ones. It discourages individuals from arguing and standing out. Collectivism people highlighted the compliance, respect for the group, they tend to cooperate with the group, including relying on each other and most interesting about collectivist is to save the "face" (Holmes, 2017). The word "face", according to Thompson (2015) is related to nobility, wrongdoing, rank, personality, praise, and embarrassment.

The collectivist prefers a close and long relationship (Frank, et al., 2015). People who are in-groups of collectivism will take care of each other as they are loyal to the group (Laroche & Park, 2013). Even though the service quality is quite low, the collectivism people can be more tolerant as the service provider is a member of their group. Furthermore, collectivists are more preferred in creating and continuing their relationship with the service provider because they will not abandon their members easily. Collectivism customer tends to have a low level of expectation toward the service quality given (Guilbault & Omanwa, 2014).

Collectivism is also known with a strong motivation of responsibility, seek for members' advice and give a commitment to the group and it is said that collectivism group is more acquiescent than those in individualism group (Ihtiyar, et al., 2013).

b. Individualism

Individualistic cultures are more self-ruled, accepting rebellion and creativity (Meng, 2010). It was found that they are easily joined and leave groups as they are not emphasizing to develop and have a long-lasting relationship with members. According to Hofstede (2006), the cultural traits of individualism is that the ties between individuals are detached. The interesting about individualism is that they appreciate self-liberty that includes competitions, face to face communications, peace, self-knowledge and specialties (Hofstede & Minkov, 2010). People who take into considerations about themselves and their close family members are also considered as individualistic (Panda & Das, 2015). They believe of making a decision regarding their own opinions will bring the best outcomes, instead of listening to others' advice.

Individualist customers would expect service providers to respect and care about them, show empathy and personal attention, and display confidence about the services they are receiving (Kim & Cho, 2011). Individualistic customers are less tolerant than collectivists in terms of perceiving low-quality services because individualists can easily join and leave a group, they also can easily leave the service provider with poor services and have a very high probability of not coming back for the services (Matos, et al., 2013).

IV. Research Hypothesis

Hypothesis 1 (H1): There is a positive relationship between collectivism and customer service satisfaction in the retail sector.

Hypothesis 2 (H2): There is a positive relationship between individualism and customer service satisfaction in the retail sector.

V. Research Framework

Table 1: The Research Framework (adapted from Hofstede)

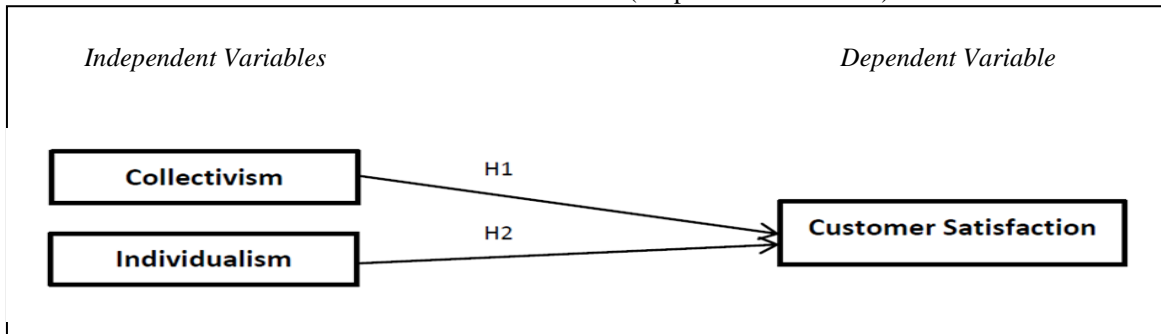


Table 1 shows the very basic framework posited by Hofstede himself. As this is also the very essence of culture, the researcher decided to adhere to the main theory and test it in Malaysia's settings.

a. Research Methodology

In this study, the method used is the correlation coefficient study where it measures the strength and direction of the linear relationship between collectivism culture and individualism culture with customer satisfaction. One hundred and three (103) respondents were involved in the study. The distribution of the respondents' origin is considered fair in the researcher's opinion as it represents both sets of the so-called 'big culture' in the world. The respondents were asked to answer 45 questions that were related to the research objective. These questionnaires used 5 Likert scales, and the respondents were asked to indicate their level of agreement or disagreement ranging from 1 strongly disagree to 5 strongly agree on the statement regarding collectivism culture and individualist culture. The instrument used for this study is a questionnaire which was adapted from several types of research in the past.

VI. Findings and Discussions

103 questionnaires were collected and analyzed among the selected retail stores' customers in Suria KLCC; one of the biggest shopping centers in Malaysia and also the perfect venue to obtain respondents from Asian and Western backgrounds. Among them, 45.6% are males and 54.4% are female. Of all the respondents, it is found that there are 51.5% (53) of the respondents were from Asian origin and 48.5% (50) were from the Western origin (Table 2).

Table 2: Origin of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Asian	53	51.5	51.5	51.5
	Western	50	48.5	48.5	100.0
	Total	103	100.0	100.0	

a. The relationship between collectivism and customer satisfaction

Table 3 illustrates that there is a weak positive relationship between collectivism and customer satisfaction scores ($r = 0.232$, $p < 0.05$). Therefore, the higher the collectivist culture, the higher the customer satisfaction scores will be obtained.

b. The relationship between individualism and customer satisfaction

Table 4 illustrates that there is a moderate positive relationship between individualism and customer satisfaction scores ($r = 0.308$, $p < 0.05$). Therefore, the higher the individualism culture, the higher the customer satisfaction scores will be obtained.

Table 3: Collectivism versus customer satisfaction

		Customer Satisfaction	Collectivism
Customer Satisfaction	Pearson Correlation	1	.232**
	Sig. (1-tailed)		.009
	N	103	103
Collectivism	Pearson Correlation	.232**	1
	Sig. (1-tailed)	.009	
	N	103	103

** . Correlation is significant at the 0.01 level (1-tailed).

Table 4: Individualism versus customer satisfaction

		Customer Satisfaction	Individualism
Customer Satisfaction	Pearson Correlation	1	.308**
	Sig. (1-tailed)		.001
	N	103	103
Individualism	Pearson Correlation	.308**	1
	Sig. (1-tailed)	.001	
	N	103	103

** . Correlation is significant at the 0.01 level (1-tailed).

c. The most influencing working element

Table 5 indicates, as the level of individualism culture among customer increase by one standard deviation, customer satisfaction will increase by 0.287 of a standard deviation. Furthermore, customer satisfaction will increase by 0.202 of a standard deviation as collectivism culture level increase by one standard deviation. Therefore, the most influence would be the individualism variable with a beta weight of 0.287, where the individualism variable is positive significance ($p < 0.05$). Based on the data presented above, both hypotheses (H1 & H2) are accepted.

Table 5: Coefficients (most influencing culture on customer satisfaction)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.799	.592		3.040	.003
	Individualism	.352	.115	.287	3.067	.003
	Collectivism	.261	.121	.202	2.163	.033

a. Dependent Variable: Customer satisfaction

VII. Conclusion and Recommendations

Majority of the respondents are female and single. Most of the respondents are in the age range from 25 years old and under. The findings show that most of the respondents originated from Asian countries. The result shows that understanding individualism contributes more towards customer satisfaction, even though the differences between the two variables is not that big of a gap.

In the retail sector, a cross-cultural issue is something that needs to be dealt with. In order for a company or service representatives to success, abilities like cultural awareness, adaptability, and powerful communication are basic for a customer representative to legitimately manage the desires of a customer from various cultural backgrounds. Customer's demands are very important, regardless of their race, religion, social status, or languages they use. Whether they are of individualism or collectivism, retail companies are responsible to meet their needs, and ultimately, satisfy them.

Several recommendations are laid out here:

- 1) The sample size should be larger. It is because a large number of sample size will improve the reliability of the finding. Furthermore, more robust techniques in hypothesis testing such as structural equation modeling could be executed with larger sample size, allowing causal relationships among the variables to be tested.
- 2) It is recommended that further studies should be carried out all over Malaysia. The researcher has the need to see whether there are any similarities or differences of findings in other parts of the country, especially in rural area.
- 3) Future research should seek to expand the pool of potential explanatory variables. For example, conduct the research on how other cultural differences factor can help influence customer satisfaction level such as the level of power distance, masculinity-femininity, short/long term orientation as well as uncertainty avoidance.

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