

# Exploring the influence of store attributes on customer experience and customer engagement

Suhaily Mohd-Ramly

*School of Business and Accountancy, Kolej Universiti Poly-Tech MARA,  
Kuala Lumpur, Malaysia, and*

Nor Asiah Omar

*Faculty of Economics and Management, Universiti Kebangsaan Malaysia,  
Bangi, Malaysia*

## Abstract

**Purpose** – The global retail landscape has changed drastically. The rising role of Asia as one of the fastest growing international retail penetration and expansion will continue to make the region to be the driving force in world economic growth. However, the ambitious expansion plans are making the retail sector to be more challenging. Emphasizing on the customer experience and enhancing the value proposition to customers are undeniably vital factors for the long-term survival of any retail business. Therefore, the purpose of this paper is to examine the influence of store attributes on customer experience and customer engagement in the context of department store in Malaysia. Subsequently, the influence of customer experience on customer engagement is also analyzed.

**Design/methodology/approach** – Using drop and collect survey, 484 valid responses of department store cardholders of age 18 years and above in the area Klang Valley, Malaysia, were collected. PLS structural equation modeling was used to test the hypotheses of this study.

**Findings** – Results revealed that customer experience is influenced by merchandise, store atmosphere, and loyalty program, while customer engagement is influenced by merchandise, communication, interpersonal communication, and loyalty. In contrast, post-transaction services were found to have non-significant impact on both customer experience and customer engagement. Analysis also revealed a strong relationship between customer experience and customer engagement.

**Research limitations/implications** – This study is carried out on customers of department store in Malaysia. However, the researchers urge other researchers to replicate the study from different countries and category of department stores.

**Originality/value** – Retail researchers recognize little knowledge on the contribution of store attributes to customer experience and customer engagement. This paper represents original research that encourages foreign retailers to employ service-dominant logic as a new marketing thought in designing strong customer engagement and experience strategies to capture the Malaysia market.

**Keywords** Customer experience, Service-dominant logic, Customer engagement, Loyalty programme, Store attributes

**Paper type** Research paper

## 1. Introduction

The importance of customer experience and engagement in marketing literature has become more apparent with the emergence of service-dominant logic (S-D logic) as a new marketing thought (Brodie *et al.*, 2011). Prior literature has established that customer experience as a significant determinant to satisfaction (Grzeskowiak *et al.*, 2016), behavioral intention (Ali *et al.*, 2015; Nadiri and Gunay, 2013), relationship quality (Jung and Soo, 2012), co-creation behavior and attitude (Shamim *et al.*, 2016), and brand equity (Dolbec and Chebat, 2013; Kumar, 2013). Likewise, customer engagement has become an emerging and prominent construct in the relationship marketing due to its potential in influencing brand performance (Brodie *et al.*, 2011), loyalty (Bowden, 2009; Hollebeek, 2011a), and customer relationship (Vivek *et al.*, 2012). Besides being loyal to the brand, an engaged customer is anticipated to play a vital role in new product or service development and in



co-creating experience and value (Brakus *et al.*, 2009; Prahalad and Ramaswamy, 2004; Verhoef *et al.*, 2010). In view of the potential impact of both constructs in achieving competitive advantage and relationship building, the discussion of customer experiences and customer engagement has been well highlighted in prior literatures (Bowden, 2009; Morgan-Thomas and Veloutsou, 2013; Spena *et al.*, 2012), yet none of the studies so far has empirically examined the relationship between the customer experience and customer engagement simultaneously in the context of retailing.

The study of customer experience is even more relevant when it comes to retailing as Berry *et al.* (2002) asserted that retailing is all about creating a total customer experience. Scholars, like Healy and McDonagh (2013) and Vallaster and Wallpach (2013) found that interactions between service providers and customers will co-create the brand and improve the experience with the brand. Positive customer experience promotes the creation of connectedness between the store and the customers, which in turn enhances their engagement with the store (Berry *et al.*, 2002; Spena *et al.*, 2012). Despite the high relevance of these two constructs in retailing literature, an empirical study investigating the influence of store attributes on customer experience and customer engagement seems to be lacking. The importance of store attributes is well highlighted in the retailing literature as the most important antecedents for store loyalty (Nesset *et al.*, 2011; Pan and Zinkhan, 2006; Sirgy *et al.*, 2000; Wang and Ha, 2011), store equity (Dolbec and Chebat, 2013; Jinfeng and Zhilong, 2009), store patronage (Seock, 2009), and purchase intention (Wu *et al.*, 2011). While there are a studies on customer experience in the context of retailing (Backstrom and Johansson, 2006; Bagdare and Jain, 2013; Grewal *et al.*, 2009; Verhoef *et al.*, 2009), little is known on the relative influence of various store attributes on customer experience. Furthermore, a study on customer engagement is still in its infancy and lacks empirical testing, with most studies being mainly restricted to conceptual papers (Van Doorn *et al.*, 2010; Hollebeek, 2011b; So *et al.*, 2012).

Accordingly, this study aims to explore the influence of store attributes (merchandise, post-transaction, store communication, interpersonal communication, store atmosphere, and loyalty program) on customer experience and customer engagement in the context of department store in Malaysia. Subsequently, this study aims to examine the influence of customer experience on customer engagement.

The paper is organized as follows: first, the description of department store in Malaysia, theoretical background and hypothesis are presented, followed by methodology used. Then, the results of the study are presented along with discussion and implication. The paper concludes with the limitations of the study and future research suggestion.

## 2. Department store in Malaysia

Malaysia has emerged as the promising site for department stores (the context of the study) because of its growth potential owing to the limited choice of fashion brands in the country and its attractiveness as a shopping destination. International department store retailers such as Galeries Lafayette and Takashimaya Co. Ltd were reportedly seeking entry to penetrate Malaysia's local market (*The Borneo Post*, 2014). AEON, the well-established foreign department store, with 27 outlets and 22 shopping centers in Malaysia, allocated RM700 million in capital expenditure in 2014 for the opening of three new stores (Jayaraman, 2014) and RM450 million in 2015 in opening two new stores (Inside Retail Asia, 2015). Debenhams, one of the leading UK department stores, set up two outlets in Klang Valley and one outlet in Penang and intends to open up eight more outlets all over Malaysia (*Bernama*, 2013).

Department stores in Malaysia is chosen as a research context in this study as it poses special influence in the retail environment due to its important role as anchor store in a dominant shopping area, service to large number of customers, national profiles, lifestyle

positioning, and distinctive value proposition (Davis and Dyer, 2012). Furthermore, with the increasing number of foreign department stores in Malaysia such as AEON, Debenhams, Isetan, KLSogo, and Robinson's, together with the existing local department stores such as Metrojaya, Parkson, The Store, and Pacific, the competition between these department stores is expected to be very intense in order to retain and attract more customers to their stores.

According to Retail Group Malaysia retail industry report, the growth of retail industry is expected to increase by 6 percent in 2014; however, retailers may face a big challenge due to the rising cost of living and declining purchasing power as a result of the hike in prices of goods and services as well as a higher borrowing costs (Kay, 2014). To lure customers to the store for their shopping needs, the department store provides luxurious shopping atmosphere, good customer services, friendly salespersons, and various merchandise assortments. Moreover, the application of customer relationship management system has made loyalty program as part of the department store retention strategy in order to create customer database, increase sales revenue, and build the bond between the store and the current customers (Uncles *et al.*, 2003).

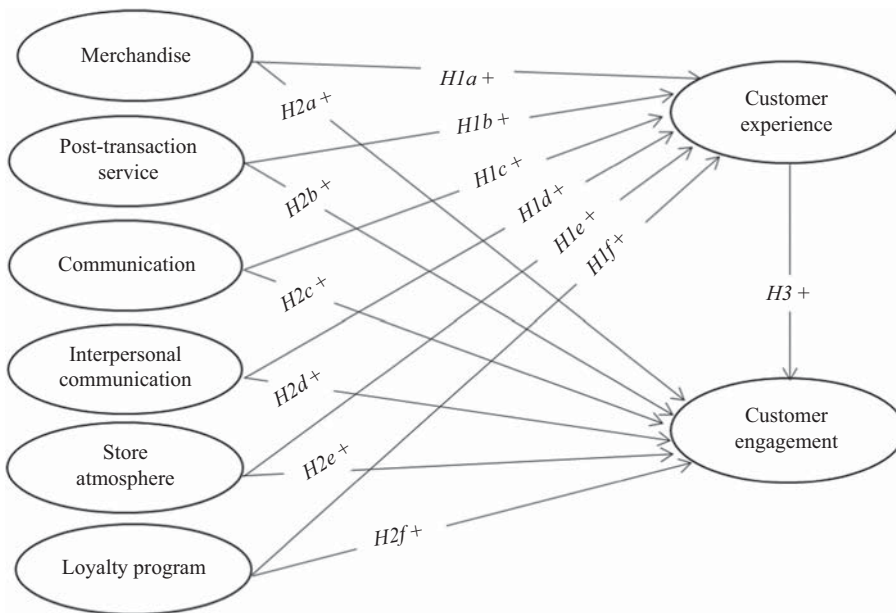
The presence of department stores that can provide better offering and more satisfying loyalty program can push customers to reciprocate the store's effort by making the store as their first choice. Palmatier *et al.* (2009) highlighted the importance of reciprocity and gratitude in relationship formation and put forward that retailers should design their loyalty program attributes that can generate high level of gratitude. Despite all department stores in Malaysia practice the use of loyalty cards, some of the department stores are putting more values in their relationship with the cardholder by offering rewards that go beyond financial reward such as providing their cardholders with the latest information or special events of the store, making their website more interactive, where the cardholder can check and redeem their points, ask questions, and online shopping. The feelings of gratitude toward the services provided by the retailer can further enhance customer assessment toward the store (Palmatier *et al.*, 2009). To date, there has been no empirical study examining the effect of loyalty program attributes on cardholder experience, even though the importance of customer experience is frequently highlighted in retailing literature (Bowden, 2009; Palmer, 2010; Verhoef *et al.*, 2009). Bowden (2009) commented that cardholders who have experience in dealing with the store's loyalty program and the store itself has the ability to isolate essential attributes of the experience that are considered relevant in their evaluation and further make comparison of their experience to their last experience, be it with the current focal store or its competitors.

Indeed, department stores in Malaysia were reported to have high potential growth relative to other retail formats (*The Borneo Post*, 2014), this promptly indicates that the findings of the study are of great relevance and interest in retailing studies, both practically and academically.

### 3. Theoretical background

Underpinned by S-D logic perspective, this study includes customer experience and customer engagement to illustrate the notion that the co-creation value is realized when the offering is experienced, consumed, and assessed by customers through the customer interaction with value proposition provided by the retailer (Schau *et al.*, 2007). This study chooses merchandise, post-transaction service, communication, interpersonal communication, store atmosphere, and loyalty program as the components of store attributes to be evaluated. Figure 1 illustrates the proposed model for this study.

Vargo and Lusch (2004) proposed the concept of S-D logic, which highlights service as the common core element in marketing and the role of customers in the co-creation of value that happens throughout the pre-consumption, consumption, and post-consumption of



**Figure 1.**  
Proposed researched model

products and services (Brodie *et al.*, 2013; Payne *et al.*, 2007; Tynan and McKechnie, 2009). This perspective acknowledges that customer behavior outcome and benefits are generated by customers' focal interactions and interactive experiences with the company and their stakeholders (Brodie *et al.*, 2013). Accordingly, this perspective suggests that retailers should emphasize customizing their offerings, recognizing that the customer is always a co-producer, and striving to maximize customer involvement in the customization to better fit their needs (Vargo and Lusch, 2004).

S-D logic places a high priority on customer experience because the customer is always a co-creator of value as they experience, consume, and perceive the benefits offered within the company's value propositions (Kumar, 2013; Vargo and Lusch, 2008). Prahalad and Ramaswamy (2004) claimed that customers assess the company's offerings to the extent to which it provides them with anticipated experiences, suggesting that customer experiences are unique offerings and perceived differently by each customer. Similarly, in the context of retailing, while customers play a key role in co-creating their own experiences, retailers obviously play the part in offering value propositions by providing suitable products and services and store attributes with the aim of triggering the value co-creation processes through interaction and collaboration with both customers and retailers (Andreu *et al.*, 2010; Spena *et al.*, 2012; Wikstrom, 2008). Numerous research studies have been conducted to identify the type of experience with regard to the value co-creation process; however, most of these works are theoretically based, indicating the need for empirical research to validate the measurement suggested.

The concept of customer engagement has been regularly associated with S-D logic as it relates to customers' proactive and interactive contribution and co-creative experience with the company and the company's stakeholders (Hollebeek, 2011a). The company can gain a competitive advantage if it can manage to increase customer engagement, which reflects the intensity of customers' participation and connection with the company's offerings and activities, whether initiated by the customer or by the company itself (Lusch *et al.*, 2007;

Vivek *et al.*, 2012). Brodie *et al.* (2013) conducted a study exploring the theoretical basis of customer engagement based on relationship marketing theory and S-D theory, in which they contend that customer engagement resulted from “the concept’s interactive, experiential nature inherent in specific service relationships” (p. 252). They claim that four of the FPs underlying the S-D logic (FP6: “The customer is always a co-creator of value,” FP8: “A service-centered view is inherently customer-oriented and relational,” FP9: “All social and economic actors are resource integrators,” and FP10: “Value is always uniquely and phenomenologically determined by the beneficiary.”) are relevant and associated with the conceptualization of customer engagement.

### 3.1 Store attributes

Store attributes is defined as an overall assessment of the store as described in the cardholders’ mind, which reflects the attributes related to the store. Store attributes allow customers to form the perception of a store’s image (Ghosh *et al.*, 2010). Prior research on store image has yielded various types of store attributes (Jinfeng and Zhilong, 2009; Martineau, 1958). Martineau (1958) identified four store attributes: layout, symbols and colors, advertising, and sales personnel. Lindquist (1974) produced nine categories of store attributes, namely merchandise, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional factors, and post-transaction satisfaction out of 35 store attributes that originated from 21 earlier studies. Over a period of time, more dimensions of store attributes have been introduced in the retail literatures; some have been generated from the statistical procedures due to grouping and are renamed differently, and some are from arising retailing scenarios such as preferential treatment and tangible rewards (Wang and Ha, 2011; De Wulf *et al.*, 2001), safety, and leisure (El Hedhli *et al.*, 2013). The increasing importance of customer loyalty building has led scholars to include loyalty programs as part of store attributes (Allaway *et al.*, 2011; Friedman *et al.*, 2011). In fact, De Wulf *et al.* (2001) have associated preferential treatment with customer perception of the loyalty program. Accordingly, this study chose merchandise, post-transaction service, communication, interpersonal communication, store atmosphere, and loyalty program as the components of store attributes to be evaluated.

### 3.2 Customer experience

Creating a distinctive customer experience is critical in today’s retailing. A favorable customer experience is potential source for competitive advantage and store differentiation (Bagdare and Jain, 2013; Schmitt, 1999). Customer experience has been variously defined by different scholars. Some scholars conceptualize customer experience as familiarity from the number of exposures to the store (Söderlund, 2002). Some scholars include the notion of emotional significance, which is due to the customer’s interaction with particular stimuli (Carù and Cova, 2003; Holbrook and Hirschman, 1982). Some scholars explored customer experience by highlighting events that induce memorable experiences such as providing entertainment, adventure, and education (Gilmore and Pine, 2002; Jones *et al.*, 2010). Even so, many scholars conceptualize customer experience based on Holbrook and Hirschman (1982), emphasizing the interaction between customers and the brand. The interaction between customers and all stimuli linked to retailers such as store atmosphere, employees, location, servicescape, and loyalty program encourage a certain form of experience and also trigger the process of value co-creation (Spena *et al.*, 2012).

Prior studies recognize the importance of store attributes in influencing the customer environment with regard to retailing, as was studied by Grewal *et al.* (2009) in their conceptual paper that identified promotion, price, merchandise, supply chain, and location as macro factors that have the potential to influence a customer’s store experience. The co-creation

value is determined when the offering is experienced, consumed, and perceived by the customer through mutual interaction with attributes associated to the store (Schau *et al.*, 2007). Interestingly, Verhoef *et al.* (2009) proposed potential drivers of customer experience such as social environment, service interface, retail atmosphere, assortment, price, and retail brand.

The paper also suggested that the role of customer experience in store performance should be explored in future research (Verhoef *et al.*, 2009). Backstrom and Johansson (2006) asserted that personnel, service elements, selection, price, design, display, layout, atmospherics, and other social aspects affect store experience. An empirical study conducted by Ismail (2011) reveals that store environment, service interfaces, store atmosphere, service quality, and price are significantly and positively related to store experience, while other attributes such as servicescape, advertising, and employee performance were found to be insignificant. The effects of service outcome quality, interaction quality, and peer-to-peer quality are found to be significantly and positively related to customer experience (Kim and Choi, 2013). Additionally, Keh and Lee (2006) indicated that the effectiveness of a retailer's loyalty program depends on customer experience with the rewards. Liu (2007) asserted that cardholders may experience different kinds of reactions based on the expected rewards and suggested that the loyalty program induces co-creation of value in the marketing process. Berezan *et al.* (2013) highlighted that the company created information that is transmitted through the website, e-mail, short message service to members and/or non-members about the store, and the loyalty program can both directly and indirectly affect cardholders' experience. Based on the above reasoning and previous findings regarding the influence of number of store attributes on customer experience, this study proposes the following hypotheses:

- H1a. Merchandise provided by the store positively influences customer experience.
- H1b. Post-transaction service provided by the store positively influences customer experience.
- H1c. Store communication positively influences customer experience.
- H1d. Interpersonal communication positively influences customer experience.
- H1e. Store atmosphere positively influences customer experience.
- H1f. Loyalty program positively influences customer experience.

### 3.3 Customer engagement

Many scholars are in consensus that customer engagement deals with the connection and relationship between the customer and the product or services, but due to the difference in perspective and research emphasis, the measurement and the dimensions used differ among scholars. Van Doorn *et al.* (2010) and Verhoef *et al.* (2010) depicted customer engagement in terms of behavioral perspective, defining the term as a customer's behavioral manifestations toward products and services that goes beyond purchase, arising from motivation drivers. Kumar *et al.* (2010) described customer engagement in terms of value, using the term of customer engagement value. Scholars include cognitive, emotional, and behavioral perspectives to conceptualize customer engagement; however, there is still a lack of consensus in terms of the dimensions used. For example, McEwen (2004) proposed confidence, integrity, pride, and passion; Patterson *et al.* (2006) suggested vigor, dedication, absorption, and interaction; Bennett (2013) proposed enthusiasm, passion, and fascination; Cheung and Lee (2011) proposed vigor, absorption, and dedication; Vivek (2009) proposed enthusiasm, conscious participation, and social interaction; and So *et al.* (2012) proposed identification, attention, vigor, absorption, and interaction.

Study on the antecedents of customers engagement has received widespread attention from marketing scholars and practitioners (Hollebeek, 2011a; Kuvykaite and Tarute, 2015; Wirtz *et al.*, 2013). Store engagement involves customer enthusiasm, social interaction, and conscious participation in the store's programs (Vivek *et al.*, 2012). A high level of customer engagement implies a strong connection or relationship between customers and the store or to the brand (Islam and Rahman, 2016). Prior literature has proposed a number of potential antecedents of customer engagement. Wirtz *et al.* (2013) proposed brand-related drivers, social drivers, and functional drivers as antecedents of customer engagement in the context of an online brand community. Xie and Chen (2013) proposed marketing efforts and loyalty programs as mechanisms to be utilized by service providers in order to target customers who are seeking engagement with their product or service. Nguyen *et al.* (2014) examined the impact of customer engagement tactics on customers, in which the tactics used in the study are similar to the concept relationship marketing tactics used in De Wulf *et al.* (2001). Based on Nguyen *et al.* (2014), store attributes and loyalty program attributes are also part of customer engagement tactics. Although Nguyen *et al.* (2014) did not test the relationship between customer engagement tactics and customer engagement as a construct, the capability of customer engagement tactics to influence customer engagement is highly likely. Based on the above argument, this study proposes the following hypotheses:

- H2a.* Merchandise provided by the store positively influences customer engagement.
- H2b.* Post-transaction service provided by the store positively influences customer engagement.
- H2c.* Store communication positively influences customer engagement.
- H2d.* Interpersonal communication positively influences customer engagement.
- H2e.* Store atmosphere positively influences customer engagement.
- H2f.* Loyalty program positively influences customer engagement.

### 3.4 Customer experience and customer engagement

Bowden (2009) recognized customer experience as antecedent to customer engagement. Hayes and MacLeod (2007) argue that a meaningful customer-store experience can create a closer link between the customers and the store, leading to stronger customer engagement with the store, which provides a marketing advantage to the retailer. Customer experience is seen as a means for customers to engage physically, mentally, socially, and emotionally with products or services that promote more meaningful interactions between customers and company (Carù and Cova, 2003). The link between customer experience and engagement is also highlighted by Vivek *et al.* (2012) emphasizing the importance of an interactive experience as a value determinant for the exchange to occur in illustrating the incorporation of relationship marketing with customer engagement. While the association between customer experience and customer engagement is mentioned in the prior literature in the context of education (Shernoff and Vandell, 2007) and charity donation (Bennett, 2013), empirical studies investigating the relationship in a context of retailing are still scarce.

Using qualitative and quantitative method in their study, Hayes and MacLeod (2007) explored on how to maximize visitor engagement by providing the right experience in the context of place marketing. The finding suggests the need for the company to design their offerings with memorable, worthwhile, and interactive experience resulting in more customer participation and involvement in the consumption process in order to maximize customer engagement.

The positive experience of customers interacting with the store attributes is expected to influence customers to engage with the store by being more enthusiastic about the store, consciously paying attention to and interested in knowing anything associated with the store and developing the motive to shop more due to social interaction (Vivek, 2009). Based on the above explanations, the following hypothesis is proposed:

*H3. Customer experience positively influences customer engagement.*

## 4. Research method

### 4.1 Data collection

The target population for this study consists of individuals who have been department store cardholders for at least 12 months, are above 18 years of age, and live and work within Klang Valley. Klang Valley is the most appropriate region to choose from. First, its geographical location lies between Selangor state and the Federal Territory, which includes the capital of Malaysia, Kuala Lumpur, and other large cities in Malaysia such as Kuala Lumpur, Putrajaya, Petaling Jaya, Shah Alam, Kajang, Ampang, Klang, and Selayang. Those states are located in Klang Valley where its current population is about 7.2 million people, which is more than a fifth of Malaysia's total population. Furthermore, it is one of the fastest growing metropolitan cities in the region. The population growth of this area is estimated to reach 10 million people by the end of the decade (Lee, 2013).

Second, Klang Valley is situated in the location of the highest concentration of modern retail establishments, such as Mid-Valley Megamall, Suria KLCC, One-Utama, IOI Mall, and Alamanda Mall. It is also regarded as the commercial heart of the country which plays crucial component in transforming Malaysia into high-income nation. Services and retailing are among the major activities to transform the region as a world class metropolis (PEMANDU, 2015).

The department stores chosen for this study are mostly from foreign countries, which include AEON, Isetan, KLSogo, Metrojaya, Parkson, Robinsons, and The Store, and are largely located in Klang Valley and hence it is reasonable to assume that it is much easier to search for department store customers and cardholders in this area. Although some department stores such as AEON, Debenhams, Metrojaya, Parkson, and The Store are available in other areas in Malaysia, many of their outlets are located in Klang Valley. In addition, there are also some department stores that are only available in the Klang Valley such as KLSogo, Robinsons, and Isetan. Since the study involves examining loyalty programs as one of the store attributes, it was decided that the respondents must also be department store cardholders.

The original English version of the questionnaire was translated to Bahasa Malaysia, as the study was conducted in Malaysia. A back translation procedure as prescribed by Brislin (1980) was applied. To substantiate the appropriateness of the items used in the study, two experienced researchers and practitioners were invited to assess the content validity of each item with respect to the definition and study context. Slight changes were made following comments and suggestions, but none that substantially altered the questionnaire. Prior to real data collection, the questionnaire was pre-tested with 30 department store customers to provide preliminary evaluation and refinement of the measurement scales. The questionnaires were distributed using drop-and-collect techniques in the area of Klang Valley. Most of the questionnaires were distributed in offices located in large cities in the area.

### 4.2 Operational measures

The items of construct were measured on seven-point Likert scales ranging from 1 = strongly disagree to 7 = strongly agree. All the constructs were adopted and adapted



from the prior study. Store attributes measurement was adopted from Wang and Ha (2011) and was comprised of merchandise (four items), post-transactional service (three items), communication (three items), interpersonal communication (three items), and store atmosphere (four items). Loyalty programs were measured with 13 items adopted from Bridson *et al.* (2008). Customer experience was measured by 14 items adopted from Brakus *et al.* (2009) and 10 items were used to measure customer engagement, which were adopted from Vivek (2009).

## 5. Data analysis and results

Prior to data analysis, the data were analyzed in SPSS 21 and subjected to a number of standard procedures such as examining for missing values, outliers, and data distribution. In total, 484 valid responses were obtained with 82.5 percent response rate, with a quota sampling taking into consideration age and gender distribution of department store cardholders. Respondents were asked to assess the most preferred department store. Out of 484 respondents, 27.9 percent were males and 72.1 percent were females. The high percentage of female respondents was considered to be appropriate in view of females being more responsive to promotional elements compared to males (Mortimer and Clarke, 2011; Zeithaml, 1985). The major age group was comprised of mostly 30- to 39-year-olds which was 39.7 percent, followed by 29.8 percent for those in the age group of 20- to 29-year-olds, and 25.4 percent for the age group of 40-49 years (Table I).

PLS-SEM was used to test the soundness of the data and the hypotheses. Hair *et al.* (2013) commented that PLS-SEM is recommended in the study involving investigation of the potential significant relationships. Some of the relationships proposed in this study have not

Variable	Level	Percentage
Gender	Male	27.9
	Female	72.1
Age	Less than 20	1.4
	20-29	29.8
	30-39	39.7
	40-49	25.4
	50 and above	3.7
Marital status	Single	25.8
	Married without children	13.4
	Married with children	59.1
	Widowed/divorced	1.7
Income	Less than RM2,000	14.5
	RM2,000-RM3,999	30.4
	RM4,000-RM5,999	20.7
	RM6,000-RM7,999	8.9
	RM8,000-RM9,999	11.2
Education	RM10,000 and above	14.5
	High school	11.8
	Certificate/diploma/STPM	24.0
	Bachelor degree	44.4
Work	Post-graduate	19.8
	Private sector	58.5
	Government	34.1
	Own business	2.7
	Student	3.7
	Not working	0.6
	Others	0.4

**Table I.**  
Respondents' profile

been subject to empirical testing and are regarded as new emerging constructs, such as customer engagement. To date, there has been no empirical study examining the link between store attributes and customer engagement. In fact, this study also examines the relationship between customer experience and customer engagement, which has never before been empirically tested in the field of retailing. Exploring and predicting the relationship between the constructs in the model is in line with the rationale for choosing PLS-SEM, as highlighted by Hair *et al.* (2013).

### 5.1 Measurement model

The assessment of the measurement model involves examining the relationship between the construct and its items. The common rule of thumb for item loading is 0.7 or higher (Chin, 2010; Fornell and Larcker, 1981). However, according to Hair *et al.* (2013), it is common to observe weaker item loadings in social science studies, and removing items with low loadings has to be done with care because it may affect the content validity of the constructs. Three items from loyalty program attributes were removed due to low loadings. However, we retained some items with loading above 0.6 due to their content validity. With regard to reliability, the examination of the composite reliability revealed that the value exceeded the cut-off value of 0.7 and the average variance extracted (AVE) was also above 0.5 (see Table II). These results indicate that the eight constructs in this study possess a high level of internal consistent reliability.

Next, discriminant validity was assessed by examining the Fornell-Larcker criterion, cross-loadings, and HTMT criterion of the items. For this purpose, individual item reliability was further examined for its cross-loading. All item loadings were checked to ensure that the loadings were higher in its corresponding construct than others. As recommended, each item loading should exceed the cross-loading by at least 0.10 (Gefen and Straub, 2005; Gorla *et al.*, 2010). The results also satisfy the Fornell-Larcker criterion, in which the square roots of AVE of all the constructs are higher than the correlation with the other constructs (see Table III). Another approach to assessing discriminant validity is through the HTMT criterion. The HTMT approach is proposed due to low-sensitivity issue of cross-loading and Fornell-Larcker criterion, which only works well in situations with heterogeneous loading patterns and high sample sizes (Henseler *et al.*, 2015). The HTMT result of this study revealed that the findings satisfy the threshold criteria of HTMT 0.85. The findings suggest adequate discriminant validity of the constructs and items tested for this study.

In the current study, the measurement of the construct was based on the assessment of customers who were loyalty cardholders of more than one department store. As the data were gathered from the same survey instrument and the same respondents, the possibility of common method bias could be present in the data. In order to test the presence of common method bias in data, Harman's single factor test was conducted to determine whether a single factor accounts for a majority of the variance explained (Podsakoff and Organ, 1986). The results demonstrated the presence of 16 factors with eigenvalues greater than 1.0, explaining 76.3 percent of the variance. The test also demonstrated that the first single factor accounted 42 percent of the variance which was less than threshold value of 50 percent (Podsakoff and Organ, 1986). Therefore, the common method bias was not viewed as a major issue in this study.

### 5.2 Structural model

The assessment of a structural model involves determining how well empirical data support the theory, and therefore to decide if the theory or concept is empirically verified for the predicted hypotheses. Collinearity among the predictor constructs in this study was not an issue, as the VIF output for each construct was less than the cut-off threshold of 5 (see Table IV).

Constructs	Items	Loadings	Indicator	Cronbach's $\alpha$	Composite reliability	AVE
Merchandise	MERC1	0.850	0.723	0.921	0.940	0.760
	MERC2	0.885	0.783			
	MERC3	0.898	0.806			
	MERC4	0.849	0.721			
	MERC5	0.875	0.766			
Post-transaction service	SERV1	0.880	0.774	0.898	0.937	0.831
	SERV2	0.939	0.882			
	SERV3	0.915	0.837			
Communication	COMM1	0.959	0.920	0.962	0.975	0.929
	COMM2	0.972	0.945			
	COMM3	0.959	0.920			
Interpersonal communication	INCOM1	0.873	0.762	0.915	0.947	0.856
	INCOM2	0.956	0.914			
	INCOM3	0.945	0.893			
Store atmosphere	ATM1	0.863	0.745	0.924	0.946	0.814
	ATM2	0.919	0.845			
	ATM3	0.920	0.846			
	ATM4	0.906	0.821			
Loyalty program	LPAT4	0.642	0.412	0.934	0.945	0.633
	LPAT5	0.678	0.460			
	LPAT6	0.807	0.651			
	LPAT7	0.875	0.766			
	LPAT8	0.882	0.778			
	LPAT9	0.882	0.778			
	LPAT10	0.853	0.728			
	LPAT11	0.831	0.691			
	LPAT12	0.751	0.564			
	LPAT13	0.711	0.506			
Customer experience	CEX1	0.873	0.762	0.979	0.981	0.786
	CEX2	0.901	0.812			
	CEX3	0.897	0.805			
	CEX4	0.895	0.801			
	CEX5	0.906	0.821			
	CEX6	0.889	0.790			
	CEX7	0.893	0.797			
	CEX8	0.894	0.799			
	CEX9	0.896	0.803			
	CEX10	0.906	0.821			
	CEX11	0.914	0.835			
	CEX12	0.854	0.729			
	CEX13	0.879	0.773			
	CEX14	0.808	0.653			
Customer engagement	CENG1	0.725	0.526	0.944	0.953	0.669
	CENG2	0.850	0.723			
	CENG3	0.879	0.773			
	CENG4	0.777	0.604			
	CENG5	0.879	0.773			
	CENG6	0.870	0.757			
	CENG7	0.885	0.783			
	CENG8	0.798	0.637			
	CENG9	0.793	0.629			
	CENG10	0.698	0.487			

**Table II.**

Constructs, items, indicators reliability, and AVE

The conceptual model displays a moderate to large portion of the variance in the endogenous construct as  $R^2$  values for customer experience, and customer engagement were 0.630 and 0.663, respectively. Additionally, the blindfolding procedure (with omission distances of 7) yielded positive  $Q^2$  values for all endogenous construct, suggesting the predictive relevance

of the model (Chin, 2010; Hair *et al.*, 2013) (see Table V). The significance of the model's structural path was further inspected by running the bootstrapping procedure in SmartPLS 3.0 with 5,000 samples and 484 cases. Table VI exhibits the significance of the testing results encompassing the path coefficient, the standard error, *t*-statistic, and the significance level of the analysis.

	MERC	SERV	COMM	IN. COMM	ATM	LP	CEXP	CENG
Merchandise	0.872							
Post-transaction service	0.710	0.912						
Communication	0.395	0.409	0.964					
Interpersonal communication	0.198	0.340	0.458	0.925				
Store atmosphere	0.673	0.577	0.288	0.123	0.902			
Loyalty program	0.613	0.628	0.425	0.400	0.522	0.796		
Customer experience	0.681	0.612	0.384	0.262	0.674	0.684	0.886	
Customer engagement	0.568	0.532	0.365	0.477	0.479	0.698	0.733	0.818

**Table III.**  
Discriminant validity – Fornell-Larcker criterion

Predictors	Dependent variables	
	Customer experience	Customer engagement
Merchandise	2.767	2.884
Post-transaction service	2.447	2.453
Communication	1.467	1.472
Interpersonal communication	1.435	1.435
Store atmosphere	1.958	2.231
Loyalty program	2.058	2.374

**Table IV.**  
VIF values among model predictors

Endogenous latent variable	R <sup>2</sup> value	Q <sup>2</sup> value
Customer experience	0.630	0.495
Customer engagement	0.663	0.443

**Table V.**  
Results of R<sup>2</sup> and Q<sup>2</sup> measures

Hypothesized path	Path Coeff.	t-stats	Decision
H1a Merchandise → customer experience	0.207	3.694***	Supported
H1b Post-transaction service → customer experience	0.050	0.977ns	Not supported
H1c Communication → customer experience	0.042	0.997ns	Not supported
H1d Interpersonal communication → customer experience	0.011	0.331ns	Not supported
H1e Store atmosphere → customer experience	0.316	6.735***	Supported
H1f Loyalty program → customer experience	0.339	6.479***	Supported
H2a Merchandise → customer engagement	0.115	2.073**	Supported
H2b Post-transaction service → customer engagement	-0.057	1.357ns	Not supported
H2c Communication → customer engagement	0.074	2.162**	Supported
H2d Interpersonal communication → customer engagement	0.275	8.667***	Supported
H2e Store atmosphere → customer engagement	-0.055	1.278ns	Not supported
H2f Loyalty program → customer engagement	0.276	5.557***	Supported
H3 Customer experience → customer engagement	0.495	9.407***	Supported

**Table VI.**  
Significance testing results of the structural model path coefficients

**Notes:** ns, not significant; \*Significant at  $p < 0.05$  ( $t > 1.96$ ); \*\*Significant at  $p < 0.01$  ( $t > 2.57$ ); \*\*\*Significant at  $p < 0.001$  ( $t > 3.29$ )

Based on Table VI, eight out of 13 hypotheses were statistically significant at the 0.05, 0.01, and 0.001 levels. The path coefficient was statistically significant for the effect of merchandise, store atmosphere, and loyalty program on customer experience, with path coefficients of  $\beta$  equal to 0.207 ( $p < 0.001$ ), 0.316 ( $p < 0.001$ ), and 0.339 ( $p < 0.001$ ), respectively. Thus *H1a*, *H1e*, and *H1f* were supported. However, the effects of post-transaction service ( $\beta = 0.05$ , ns), communication ( $\beta = 0.042$ , ns), and interpersonal communication ( $\beta = 0.011$ , ns) on customer experience were not significant; thus *H1b*, *H1c*, and *H1d* were not supported. Store atmosphere displays the largest path coefficient on customer experience compared to other elements of store attributes.

With regard to the effect of store attributes on customer engagement, merchandise ( $\beta = 0.115$ ,  $p < 0.05$ ), communication ( $\beta = 0.074$ ,  $p < 0.05$ ), interpersonal communication ( $\beta = 0.275$ ,  $p < 0.001$ ), and loyalty program ( $\beta = 0.276$ ,  $p < 0.001$ ) were significantly and positively related to store engagement; thus, *H2a*, *H2c*, *H2d*, and *H2f* were supported, but *H2b* and *H2e* were not supported. Finally, as expected, customer experience was significantly and positively related to customer engagement ( $\beta = 0.495$ ,  $p < 0.001$ ), and thus *H3* was supported.

## 6. Discussion and implications

This study proposes that store attributes may play a significant role in influencing customer experience and customer engagement in the context of department stores. Additionally, this study proposed the relationship between customer experience and customer engagement. A total of 13 hypotheses were tested, eight of which were supported. The effectiveness of store attributes has been empirically studied in marketing literature; however, few studies have considered loyalty programs as part of store attributes. The suggestion to include loyalty program attributes to be tested together with other store attributes has been recommended by marketing scholars (Dorotic *et al.*, 2012; Vesel and Zabkar, 2009) so as to capture the relative importance of the influence of loyalty programs compared to other store attributes. Additionally, the increasing importance of customer experience and customer engagement should not be taken lightly by retailers, due to their major influence on the relationship between the customer and the store (Van Doorn *et al.*, 2010; Vivek *et al.*, 2012).

The findings show store atmosphere as the most significant antecedent to customer experience, followed by loyalty programs and merchandise. The significant relationship between store atmosphere and merchandise on customer experience was in line with the proposition of prior literature (e.g. Backstrom and Johansson, 2006; Grewal *et al.*, 2009; Verhoef *et al.*, 2009) and in an empirical study conducted by Ismail (2011) and Lucia-Palacios *et al.* (2016). The significant relationship between loyalty programs and customer experience is in accordance with prior loyalty program literature (Bolton *et al.*, 2000; Keh and Lee, 2006; Lin *et al.*, 2014; Liu, 2007), indicating a possible association between the two constructs. Nevertheless, despite the important role of communication, interpersonal communication, and post-transaction service, those constructs are not significantly related to customer experience. A possible explanation for this result could be due to the self-service nature of department store which is the context of this study. This particular result is inconsistent with Berezan *et al.* (2013), which highlighted the importance of communication in influencing customer experience. However, this study confirmed the results of Wang and Ha (2011), which exhibits that post-transaction service is not significant in the customer-store relationship. As suggested by past studies, the importance of store attributes varies with retail format (Brosdahl and Carpenter, 2012; Seock, 2009). Interpersonal communication and direct communication may be viewed more important in the context of specialty store (Ma and Niehm, 2006). Although this study is confined to department stores, the same department stores may provide different attributes depending on the shopping mall in which they are located. For instance, a store located at a high-end mall may display different attributes than a store situated in a mid-range mall.

The attempt to investigate the relationship between store attributes and store engagement was driven by the reasoning of S-D logic, which argued that customer participation and interaction with the retailer are initiated by the environment or attributes created by the retailer through their value proposition (Dolbec and Chebat, 2013; Hollenbeck *et al.*, 2008). This study found a significant positive relationship for all the store attributes examined in the study except for post-transaction service and store atmosphere. Interpersonal communication, described as staff members' interaction with customers in a friendly manner, was found to be the highest contributor to customer engagement. The significant relationship between loyalty program attributes and store engagement is in accordance with the study conducted by Xie and Chen (2014), which suggested that customers who assessed highly on loyalty program attributes are assumed to be more engaged with the store. A possible reason for the relatively insignificant relationship between store atmosphere and customer engagement could be due to a lack of interactive elements in the store atmosphere. Moreover, customer engagement is also considered to be a higher-order construct compared to customer participation and customer involvement because it not only deals with physical presence but also with psychological presence (Nammir *et al.*, 2012) and therefore it is highly related to the co-creation of values between buyers and sellers.

The results of the study demonstrate a significant positive relationship between customer experience and customer engagement. Prior studies (Bowden, 2009; Vivek *et al.*, 2012) have stressed the importance of customer interactive experience as a value determinant for the engagement to happen. The finding of this study confirmed the association of both constructs as indicated by prior literature (Bennett, 2013; Hayes and MacLeod, 2007; Shernoff and Vandell, 2007).

Recent developments in the field of relationship marketing, particularly with the emergence of S-D logic perspective, have heightened the need for retailers to look into customer experience and customer engagement in building customer relationships. Most importantly, the attributes offered by the store need to apply the concept of "experience space," which focuses on customer involvement and personal interaction and allows customers to play an active role in generating a unique customer experience, which in turn initiates and encourages customer engagement with the store. Thus, store managers might want to consider investing in store atmosphere, retention programs, and merchandise to facilitate the formation of customers' positive experience and can induce customer engagement. To achieve this, stores may also choose to pay attention to interpersonal communication, direct communication, loyalty programs, and merchandise, as these constructs appear to be highly relevant in influencing customer engagement. Additionally, retailers should focus on providing a pleasant and memorable experience in order to stimulate customer engagement. For example, retailers could organize store-sponsored activities and programs designed to create daily or special store-related interactions, provide online activities and programs designed to engage customers directly or indirectly with store activities, provide well-trained salespersons to assist customers, and set up the store atmosphere in a manner designed to influence emotional and behavioral response.

The tremendous growth in retail sector is also positive in Malaysia as the predictions for 2017 gross domestic product growth range between 4.3 and 4.7 percent (Handley, 2017). Hence, this presents more opportunities to both Malaysia and foreign retailers to expand their business in Malaysia. As a pioneer in the ASEAN countries in accepting foreign direct investment, this move is aligned with government's intention to attract foreign firm to in more years to come (Mohamed, 2017). The finding of this study accordingly offers invaluable suggestions to help foreign retailers in developing effective and efficient customer engagement and experience strategies to capture the Malaysia market.

## 7. Limitation and future research

The finding of this study is specific to department store customers in Malaysia. Hence, the finding of this study may vary if it was tested in different retail format and different country. Next, this study is based on non-probability sampling and the survey was conducted through “drop and collect” in the area of Klang Valley, Malaysia; therefore, the sample population may not be representative of the overall Malaysian population. Moreover the findings of this study rely on cross-sectional data where the survey was taken at one point of time. Therefore, the strong conclusion regarding the true dynamic effects of the model cannot be drawn compared to if this study was conducted using a longitudinal design. Additionally, this study does not classify the department store into category. The store may fall into a few categories as these retail stores have different target markets and marketing strategies. In fact, the same department stores may provide different attributes depending on the shopping mall they are located. Thus, future research is recommended to examine if the conceptual model utilized in this study would work differently by different category of department stores. Another limitation to be noted is that the study uses PLS-SEM; hence, the analysis does not include the concept of overall goodness of model fit as in CB-SEM. While the lack of model fit is consider the major drawback in PLS-SEM, the quality of the model in PLS-SEM is assessed on the basis of heuristic criteria that are determined by the model predictive capabilities (Hair *et al.*, 2017). In spite of these limitations, PLS has become a standard in marketing research (Hair *et al.*, 2011; Hennigs *et al.*, 2016) due to its ability to assess latent variables at the observation level (outer or measurement model) and test relationships between latent variables on the theoretical level (inner or structural model) (Hair *et al.*, 2017). Moreover, PLS-SEM has also been deployed in many fields such as behavioral science, organization, strategic management, and management information system (Wong, 2013).

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**Corresponding author**

Suhaily Mohd-Ramly can be contacted at: [suhaily@kuptm.edu.my](mailto:suhaily@kuptm.edu.my)

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