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A Comparative Analysis of Individualism and Collectivism Effects on Customer Satisfaction in the Retail Sector: Examining Asian and Western Cultures

Abdul Hamid Abdul Halim* & Wan Soraya Wan Abdul Ghani
Department of International Business and Management, Universiti Teknologi MARA, Malaysia
*abdulh2949@uitm.edu.my, wansor2956@uitm.edu.my

Abstract: Customer satisfaction is the result of a customer's assessment of how well a service has performed, stemming from the differences between their initial expectations and the actual service they have encountered. While various elements play a role in shaping customer satisfaction, numerous factors come into play. This study focuses on exploring cultural differences, considering the multicultural environment of Malaysia. This is particularly intriguing since businesses in Malaysia cater to both local and international customers from Asian and Western regions. The objective of this study is to examine the correlation between individualism and collectivism about customer service satisfaction, with a specific focus on the retail sector involving multinational brands and diverse customers. The utilization of Geert Hofstede's Dimension theory is justified as it is a widely recognized framework for cultural differences research. A quantitative methodology was employed, surveying 103 participants, with 51.5% originating from Asian cultures and 48.5% from Western cultures. The findings demonstrate that while both individualism and collectivism significantly influence customer service satisfaction in the retail sector, collectivism plays a more significant role in determining overall satisfaction levels. To enhance the understanding of this topic, it is suggested that future studies expand beyond the Klang Valley area and explore additional explanatory variables that consider the impact of cultural differences on customer satisfaction.

Keywords: *Individualism; collectivism; Asian culture; Western culture; retail.*

1. Introduction and Background

This research examines the impact of cultural factors, specifically the cultural syndromes of collectivism and individualism, on customer satisfaction. While previous studies have explored individualism and collectivism, there is a growing focus on cultural classifications that consider the patterns of hierarchy and power within societies, along with the privileges and obligations associated with them. This holds particularly true for Malaysia, where businesses flourish by capitalizing on cultural diversity. By conducting an in-depth analysis of various cultures through the research literature, we aim to gain a comprehensive understanding of how customer satisfaction is perceived and how specialized services can be tailored to meet customer needs. This study seeks to provide valuable insights for those seeking a deeper understanding of how to enhance customer satisfaction in their respective contexts. Furthermore, this research aims to pinpoint the pivotal elements that exert a noteworthy influence on customer service satisfaction within the retail sector.

The retail sector in Malaysia possesses unique characteristics, as it often relies on the patronage of tourists and expatriates to drive sales. To enhance customer satisfaction in this sector, retailers must gain a profound understanding of the diverse cultural backgrounds of their customer base. Customer satisfaction is a pivotal factor in marketing and promotion, and research indicates that it is closely linked to customers' cultural backgrounds (Md. Uzir Hossain Uzir, 2020). By comprehending the cultural contrasts in customers' expectations and needs across different backgrounds, retailers can deliver services that align with customer expectations. Exploring cultural differences between Western and Asian tourists can provide valuable insights into this matter, as significant variations exist between these two cultural groups (Viken, Höckert, & Grimwood, 2021). Moreover, customers from Asian and Western countries exhibit distinct perspectives on what constitutes excellent service (Ali, et al., 2021).

Without a comprehensive understanding of cultural differences, retailers and consumers may hold divergent expectations regarding the standards of good versus poor service. What may be deemed satisfactory in one country could be deemed inappropriate in another. Therefore, retailers should not only focus on satisfying customers but also pay attention to dissatisfied customers, as they are more likely to spread negative word-of-mouth, while satisfied customers may simply move on without expressing their satisfaction. Word-of-mouth intentions serve as a crucial metric for customer evaluations of service encounters (Han & Ryu, 2012).

Customer satisfaction has emerged as a crucial topic in both marketing theory and practice. However, there is a lack of specific guidelines for studying the factors that influence customer satisfaction. It is important to recognize that customers from different backgrounds may have varied definitions and interpretations of what determines their satisfaction. Unfortunately, the role of cultural contrasts in customer satisfaction research has been largely overlooked, despite the growing focus on internationalization strategies by organizations. It is widely acknowledged that cultural backgrounds significantly influence how customers perceive their interactions with businesses, leading to differing expectations and experiences. The ongoing process of globalization and the increasing movement of people across diverse countries pose challenges for industries in accommodating these cultural variations. In Malaysia, businesses cater not only to local customers but also to individuals from foreign countries. Cultural background significantly influences an individual's comfort level in engaging with the services they receive. Conducting studies on cultural differences can assist retailers and researchers in avoiding misunderstandings that may arise due to cultural variations. A deeper understanding of these differences ultimately leads to higher levels of customer satisfaction.

2. Literature Review

With the increasing globalization of businesses, culture is recognized as a significant factor influencing marketing practices (Peprah, Ocansey, & Mintah, 2017). Cultural intelligence has been found to have a positive correlation with customer satisfaction (Hassan, Basit & Sethumadavan, 2020). Particularly in the context of differentiation, when sellers and buyers come from diverse cultures or backgrounds, it becomes crucial to adapt strategies to accommodate these differences (Arli, Bauer, & Palmatier, 2018). Cultural diversity pertains to a framework of convictions and actions that recognize the existence of varied societal groups, appreciate their cultural differences, and nurture their ongoing contributions within a comprehensive cultural environment that encompasses all segments of society (Aktar & Alam, 2021).

Hofstede's extensive research suggests that Asian cultures tend to be more collectivist, while Western cultures lean towards individualism (Power, Schoenherr, & Samson, 2010). Furthermore, service quality researchers emphasize the need for developing advanced measures of cultural dimensions, particularly individualism or collectivism (Rita, Oliveira, & Farisa, 2019). Customers from different countries or regions bring diverse perspectives, behaviors, and thought patterns (Shavitt & Barnes, 2020). An intercultural service encounter occurs when the customer and service provider come from different cultures, making communication and obtaining specific product or service information challenging. Studies have demonstrated that customers from different cultures evaluate and perceive a company's service quality differently (Mariani & Matarazzo, 2020).

Despite individuals in Malaysia sharing some cultural similarities, their buying and consumption patterns often differ due to varying cultural backgrounds. The stark differences between Asian and Western societies often give rise to cultural clashes and misunderstandings, highlighting the need for understanding and navigating these cultural variations (Le & Yazdanifard, 2014).

Collectivism: Customers hailing from collectivist cultures tend to place greater value on social influences that emphasize adapting behavior to maintain harmonious relationships with significant others. In collectivist cultures, individuals prioritize group cooperation, reliance on others, and saving "face" - a concept encompassing notions of dignity, wrongdoing, social status, character, praise, and embarrassment (Merkin, 2017). Collectivists typically favor close, enduring relationships (Cherry, 2022) and exhibit loyalty and care towards their in-group members (Honglie, Linshen, & Zhou, 2022). Even when service quality is subpar, collectivist individuals may display greater tolerance, as they perceive the service provider as part of their group. Moreover, collectivists are inclined to cultivate and sustain relationships with service providers, demonstrating commitment and loyalty to their group members. Expectations towards service quality are generally lower among collectivist customers (Lee, Kang, & Kang, 2018).

Collectivism is associated with a strong sense of responsibility, seeking advice from group members, and demonstrating commitment to the collective. Collectivist individuals are often more compliant and accommodating compared to those from individualistic cultures (Triandis, 2019). Therefore, it is hypothesized that:
H1: There is a positive relationship between collectivism and customer service satisfaction in retail sector.

Individualism: In individualistic cultures, there is a greater emphasis on individual autonomy, valuing rebellion and creativity (Triandis, 2019). Individuals in such cultures tend to join and leave groups more easily, as they prioritize personal development over long-lasting relationships with group members. According to Hofstede (2006), individualistic cultural traits are characterized by a sense of detachment between individuals. Individuals in individualistic cultures appreciate concepts such as self-liberty, competition, direct communication, personal peace, self-knowledge, and unique qualities (Hofstede, 2011). Those who prioritize their interests and the interests of their immediate family members are also considered individualistic (Fatehi, Priestley, & Taasoobshirazi, 2020). They tend to value making decisions based on their own opinions rather than relying on others' advice.

In terms of service expectations, individualistic customers anticipate respect, care, empathy, and personal attention from service providers. They also expect service providers to demonstrate confidence in the services they offer (Ali, et al., 2021). Individualistic customers are less tolerant compared to collectivists when it comes to perceiving low-quality services. Due to their inclination to easily join or leave groups, individualistic customers are more likely to discontinue services and have a higher probability of not returning if they receive poor service (Dwivedi, et al., 2021). Based on this understanding, it is hypothesized that:

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

3. Research Methodology

This study employed a correlation coefficient analysis to examine the relationship between collectivism culture, individualism culture, and customer satisfaction. The sample size consisted of 103 respondents, which the researcher considered fair in terms of representing both major cultural orientations of populations presented at the venue during the time of the data collection (about 150 to 200 visitors or shoppers were approached at the venue), consistent with the formula posited by Krejcie & Morgan (1970). The researchers opted for a quantitative technique in collecting data for several reasons; quantitative data allows for sophisticated statistical analysis, which can help identify patterns, relationships, and correlations in the data and allows for direct comparisons between different groups or variables. Researchers can use these statistical tests to determine if differences are statistically significant. This is useful for hypothesis testing and making predictions (Matthias & Marcel, 2021). Participants responded to a set of 45 questions specifically designed to address the research objective. The questionnaire utilized a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), to assess the respondents' agreement or disagreement with statements about collectivist culture and individualism culture. The questionnaire used in this study was adapted from previous research conducted in related fields.

Figure 1: Theoretical Framework

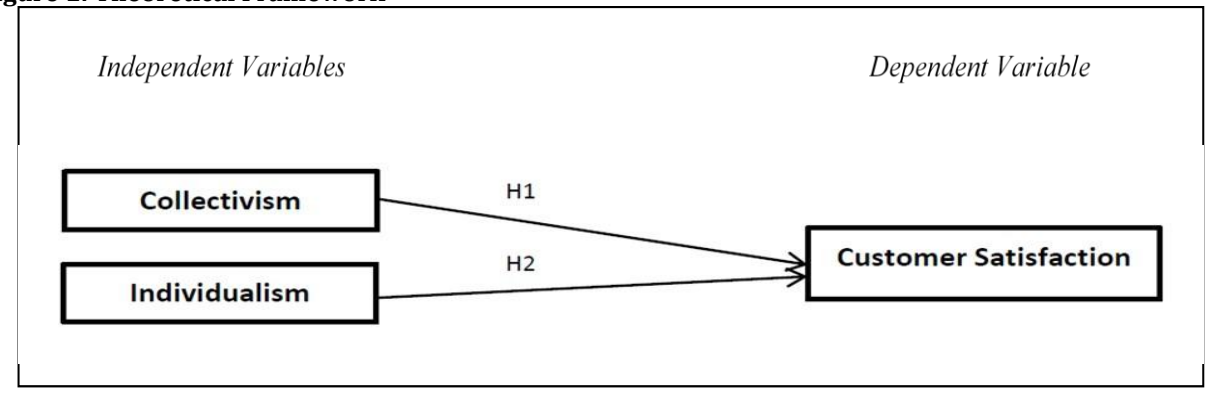


Figure 1 outlines Hofstede's foundational framework, which forms the core of cultural dimensions. Recognizing the importance of culture, the researcher chose to align with this influential theory and explore its relevance within the Malaysian context.

4. Results

A total of 103 questionnaires were gathered and analyzed from customers of selected retail stores in Suria KLCC, one of Malaysia's largest shopping centers, which provided an ideal setting to obtain respondents from both Asian and Western backgrounds. The respondents consisted of 45.6% males and 54.4% females. Among the participants, 51.5% (53) were of Asian origin, while 48.5% (50) were of Western origin, as indicated in Table 1.

Table 1: Origin of Respondents

VARIABLE	FREQUENCY	PERCENTAGE
Asian	53	51.5%
Western	50	48.5%
Total	**103**	**100%**

The relationship between collectivism and customer satisfaction: Illustrated in Table 2 is a positive, albeit modest, correlation between collectivism and customer satisfaction scores ($r = 0.232$, $p < 0.05$). This implies that with the rise of collectivist culture, there is an inclination for customer satisfaction scores to likewise experience an increase (Nickolas, Mansa, & Munichiello, 2021).

Table 2: Relationship between Collectivism and Customer Satisfaction

Variables		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

The relationship between individualism and customer satisfaction: According to Table 3, there is a moderate positive correlation between individualism and customer satisfaction scores ($r = 0.308$, $p < 0.05$). This implies that as individualism culture increases, there is a tendency for customer satisfaction scores to also increase (Nickolas, Mansa, & Munichiello, 2021).

Table 3: Relationship between Individualism and Customer Satisfaction

Variables		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

As indicated in Table 4, a one standard deviation rise in individualism culture among customers is linked to an anticipated increase of 0.287 standard deviations in customer satisfaction. Similarly, an increase of one standard deviation in a collectivist culture is connected to a customer satisfaction elevation of 0.202 standard deviations. Thus, the most potent impact is attributed to the individualism variable, with a beta weight of 0.287 and a significant positive correlation ($p < 0.05$). The data presented supports the affirmation of both hypotheses (H1 & H2).

Table 4: Coefficients (most influencing culture on customer satisfaction)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.799	.592		3.040	0.03
Individualism	.352	.115	.287	3.067	0.03
Collectivism	.261	.121	.202	2.163	0.33

5. Discussion and Recommendations

Individualism and collectivism are cultural dimensions that highlight profound differences between Asian and Western societies. In Western cultures, notably in North America and Europe, individualism is a prominent trait, emphasizing personal autonomy, self-expression, and the pursuit of individual goals and achievements. In contrast, many Asian cultures, such as those in East Asia, tend to lean towards collectivism, emphasizing group harmony, interdependence, and communal values. This distinction often manifests in various aspects of life, from family dynamics to work environments. Western societies often celebrate individual success, while Asian cultures prioritize group cohesion and loyalty. Understanding these cultural differences is crucial for effective cross-cultural communication and cooperation, as it shapes the way people perceive themselves and their roles within their communities.

When considering customer satisfaction in the retail industry, the interplay of individualism and collectivism in different cultural contexts becomes a crucial factor. Retail businesses operating in diverse regions, including both Western and Asian markets, must navigate these cultural nuances to effectively meet customer expectations and ensure high levels of satisfaction.

In Western cultures, where individualism prevails, customer satisfaction often hinges on personalized and tailored shopping experiences. Customers in these regions expect retailers to provide a high degree of individual attention, personalized product recommendations, and a seamless, self-directed shopping journey. The emphasis is on convenience, efficiency, and the empowerment of individual choice. Retailers use data analytics and customer relationship management systems to create personalized marketing campaigns and enhance the shopping experience, all to satisfy the individual customer's needs and desires.

Conversely, in many Asian cultures characterized by collectivism, customer satisfaction often extends beyond the individual. It encompasses the entire shopping group, such as families or close-knit communities. Retailers in these markets need to consider the preferences and expectations of not just the individual customer but also the larger social group. The shopping experience is often seen as a collective activity, with decisions made jointly. Customer loyalty may be built through relationships with sales staff and a sense of trust and familiarity. Word-of-mouth recommendations within these close-knit communities can significantly impact a retailer's reputation and success.

In both cultural contexts, understanding and adapting to local norms and expectations are critical for retail success. Retailers must consider factors such as the balance between individualism and collectivism, the role of social influence, and the importance of trust and relationships in shaping customer satisfaction. This can lead to tailored marketing strategies, store layouts, and customer service approaches that resonate with the values and preferences of the target market.

Moreover, technology plays a significant role in enhancing customer satisfaction in the retail industry across cultures. Mobile apps, e-commerce platforms, and online reviews provide avenues for retailers to engage with customers on an individual level while also leveraging the power of social networks to reach a broader audience. Retailers need to strike a balance between personalization and community-building, ensuring that their strategies align with the cultural context and customer expectations.

In conclusion, understanding the cultural dimensions of individualism and collectivism is crucial for achieving customer satisfaction in the retail industry, whether in Western or Asian markets. Successful retailers recognize the importance of adapting their approaches to cater to the unique preferences and expectations of

their target customer base, fostering both individualized experiences and a sense of community within their stores. Balancing these factors can lead to increased customer loyalty and satisfaction, ultimately contributing to the long-term success of retail businesses.

In the retail sector, addressing cross-cultural issues is essential. To ensure success, companies and service representatives must possess cultural awareness, adaptability, and effective communication skills to effectively meet the expectations of customers from diverse cultural backgrounds. Regardless of their race, religion, social status, or language preferences, customer demands hold significant importance. Whether customers exhibit individualistic or collectivist tendencies, it remains the responsibility of retail companies to fulfill their needs and ultimately provide satisfaction. Several recommendations are outlined as follows:

- Consider increasing the sample size. A larger sample size enhances the reliability of the findings. Moreover, with a larger sample size, more robust statistical techniques like structural equation modeling can be employed to test causal relationships among the variables.
- Conduct further studies across various regions in Malaysia. Exploring similarities or differences in findings across the country, particularly in rural areas, would provide a more comprehensive understanding of the topic.
- Broaden the scope of future investigations by encompassing a wider array of explanatory variables. For instance, delve into the exploration of additional cultural differentiators like power distance, masculinity-femininity, short/long-term orientation, and uncertainty avoidance, and how they might impact levels of customer satisfaction. The inclusion of these factors would lead to a more holistic grasp of the subject matter, enabling a more thorough comprehension of its nuances.

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