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The Factors Influence of Distributors' Satisfaction Towards LPG Cooking Gas Principals in Malaysia

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ABSTRACT

Many businesses are under pressure to become more responsive to their customers in today's markets. Suppliers must look for alternative methods to create value for their customers in today's competitive markets. This study examined the factors influence the satisfaction of distributors towards LPG principals in Malaysia. The literature shows that number of factors influence distributors' satisfaction such as support, perceived quality of training programs, perception of product/services and relationship benefits. The findings of this research will help businesses discover channel management strategies to improve distributor satisfaction and retention in the Malaysian LPG cooking gas market.

Keywords: LPG; distributors' satisfaction; supplier; Malaysia.

INTRODUCTION

Liquefied petroleum gas (LPG) is a flammable hydrocarbon gas mixture used as a fuel in heating appliances, cars, aerosol propellant, refrigerant, and culinary equipment, etc (Sangeetha A, 2020). LPG outperforms conventional fuels like coal and wood in terms of cost and environmental benefits. In reality, natural gas is being touted as a revolution fuel in a number of industries, including manufacturing, residential, chemical, automobile, and refinery. This is why LPG has a substantial market share in the residential and auto fuel sector, and the demand for LPG is expected to rise in the forecast period as well. According to Acumen Research and Consulting company (2020), the market for gas cylinders is growing at 8.7 percent per year from 2020 to 2027, and is projected to increase. The demand grows yearly and therefore is a great market to step into.

Distributors is an entrepreneur engaged in sharing the responsibilities of sales and distribution of products or services of a company (ies) as an intermediate in the channels of distribution and has invested some money for an industry standard return on investment (Sahoo, 2002). Distributors are also known as direct sellers or small business owners that work as the frontline sales force (Lee, Lau & Loi, 2016) in LPG industry. Satisfaction is a process of the difference between the perceived performance and actual expectations (Kariappa & Akv, 2016). Anderson & Narus (1990) definite satisfaction is defined as an affective state coming from the evaluation of all aspects of a firm's working connection with another firm (Chang, Lee & Lai, 2012).

The government regulates the price of LPG in the cooking gas industry, resulting in limited pricing discrepancies or indifference between suppliers (Thanabordeekij & Syers, 2020). For household use, LPG is largely supplied in 10,12 and 14kg cylinders and is sold at both domestic (subsidised)

and commercial (non-subsidised) rates (Handique & Bhowal, 2017). In Malaysia, the major players dominating the LPG market are Petronas which is 48%, followed by Petron and KUB Gas 13% each, BHP 10%, MyGaz 9% and Mira Gas 7% (KPDNHEP, 2019). Each player is principals to their distributors and most of them already have been distributorship for a long time and are inherited business (Petronas, 2018; Harian Metro, 2020). However, in a competitive environment today's the principals must look for alternative methods to create value for their customers. Understanding the principal-distributor relationship aids in long-term customer loyalty and retention (Gandhi, Sachdeva & Gupta, 2018). Therefore, the distributor will remain a distributor for a single primary brand, rather than selling many brands to beat the competition.

LPG RETAIL MARKET SHARE IN MALAYSIA FOR THE YEAR 2019 (%)

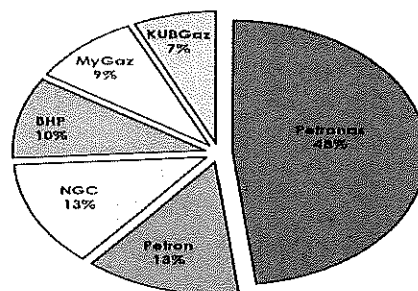


Figure 1: LPG Retail Market share in Malaysia for the year 2019 (%)
(Source: Kementerian Perdagangan Dalam Negeri Dan Hal Ehwal Pengguna, 2019)

This research is concentrated on the factors of distributors' satisfaction among LPG cooking gas distributors towards their principals in Malaysia. Many factors influence distributors, including social, psychological, economical, geographic, environmental, etc. The study considers that the four factors have the significant influence on satisfaction of distributors. The factors of distributors' satisfaction which involved principal support, perceived quality of training programs, perceptions on product/services (Lee, Lau & Loi, 2016) and relationship benefits (Patrik & Mosad, 2003; Mazilah, 2017) may have a significant effect that related to distributors' satisfaction. The objective of this study is to examine the factors influence satisfaction of distributors towards LPG principals in Malaysia.

Distributor's satisfaction

In studies on the operations of complex distribution channels, the study of channel member satisfaction has been key (Gassenheimer & Calantone, 1995; Gauzente, 2003; Ruekert & Churchill, 1984). Anderson and Narus (1990) define distributors' satisfaction as the channel members' overall assessment of the partnership (Anisimova & Mavondo, 2014). Distributor's satisfaction is a condition that occurs when an experience is fulfilled or exceeds the needs or desires of a customer (Gallan, 2013; Putra, Tarigan & Siagian, 2020). Mayer and Dornach, 1998 have stated that customer satisfaction can influence the customer retention (as cited in Stephan, 2000).

Support

From the perspective of distributors of LPG cooking gas industry, principals will appoint the distributor according the specific zone or districts and the distributor will appoint the sub-dealers. In articles on 'Rethinking Distribution' by A.Narus & C.Anderson on 1996 have found that flexibles and responsive distribution system can meet customers' most extraordinary needs by sharing resources and capabilities. The relationship between principal and their distributors are very important. Principals should consistently provide guideline and support in order to achieve the sales target (Spark & Schenk, 2006; Lee, Lau & Loi, 2016). Supply chain members' commitment and trust in ongoing interactions helps to promote efficiency and effectiveness (Johnston, McCutcheon, Stuart, & Kerwood, 2004).; Vijayasarathy,2010; Salsabil, Alam, Ahmed & Afzal, 2020). Furthermore, principals must provide emotional support, knowledge sharing, social interaction initiative, and practical aid to their distributors on a constant basis. Hence, it is envisaged that principals support will contribute to LPG cooking gas distributors' satisfaction.

H1: The better support from LPG cooking gas principal company; the better the distributor's satisfaction be.

Perceived quality of training programs

Research by Divergent Insight Esomar Cooperate in 2019 mention distribution training programs are scrupulous designed around the essential building blocks of routine operations like financial controls, sales planning, management of external environment, cost-service optimization, cost management, vehicles, warehouse planning and storage practices. It will assist them in being persuasive and skilled while selling or promoting a business opportunity or product/service (Delgado, 2000; Lee, Lau & Loi, 2016). Vinayagamoorthy et.al (2007) stated that service marketers have really understood that competition can be well succeed by differentiating through quality (Amutha, 2018).

H2: The better the perceived quality of training program offered by LPG cooking gas principal company; the better the distributor's satisfaction be.

Perceptions on product/services

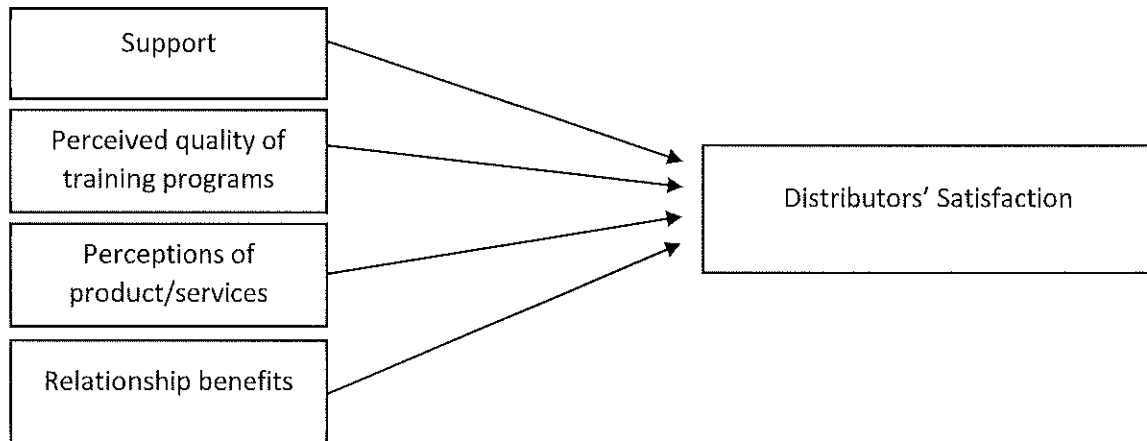
A company's products and services represent the company's identity and reputation. (Hernandez, Jaraba, Blanes & Carrasco,2020). LPG cooking gas distributors are ambassador to customer in marketing view. Distributors also add value by performing tasks like customer relationship management (CRM), order processing, lead time reduction in production and operation management and knowledge management such as technical product and service expertise, market knowledge, etc (Rajkumar, 2013; Gandhi, Sachdeva & Gupta, 2018). Perception effects on perceived product quality, a lower level of risk and ambiguity in the consumer purchasing decision, and the transferral of good assessments to new product categories are all examples of perception effects (Cretu & Brodie, 2007; Ohnemus, 2009; Low & Blois, 2002; Anisimova & Mavondo, 2014). Therefore, products that are alleged to be appealing appear to be able to satisfy and retain both distributors and consumers.

H3: The better the perception of products and services offered by LPG cooking gas principal company; the better the distributor's satisfaction be.

Relationship benefits

For a distributor, this relationship is one of the most important considerations. The way a principal treats its distributors matters a lot. Concern and care include a lot of aspects like responsiveness by logistics, finance and sales teams for resolving issues, access to the authorities of companies, easiness in registering any type of complaint etc (Divergent Insight Esomar Cooperate, 2019). Understanding the principal-distributor relationship can help develop long-term customer loyalty and retention (Ma et al, 2004; Gandhi, Sachdeva & Gupta, 2018). Distributors are awarded and rewarded for their business accomplishments in meeting set goals (C.V, Hermanth, Routroy & Mishra, 2020). Martin et al. (1998) (cites in C.V, Hermanth, Routroy & Mishra, 2020) mentioned that the incentives given to distributors show the principal's appreciation for their efforts. Hence, it can encourage better relationship and good will for principals.

H4: The better the relationship benefits offered by LPG cooking gas principal company, the better the distributor's satisfaction be.



Research framework developed for the study

RESEARCH METHOD

This study is made with the quantitative approach using design. According to Saunders, Lewis & Thornhill (1997), the survey technique can be used to generate models of specific relationships between variables and to identify probable reasons for these relationships. According to them as to how quantitative method gets the data is through study instrument for example observation and questionnaire forms. The information collection process works well with this method. The researcher may be aware of the necessary data and how to quantify the variable. The study mainly uses comprehensive review on distributors' satisfaction and its influences towards LPG cooking gas principals in Malaysia from academician writing, online news portal and also online platforms.

CONCLUSIONS

Overall, this paper highlighted some factors that influence the distributors' satisfaction. This paper urges LPG cooking gas principals to view distributors as critical to the company's success and to help them in all of their activities, including marketing initiatives, continuous information transmission, and support structure.

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