Studying Impact of Price Satisfaction on Loyalty: A Case Study in Electric Generating Plant Snowa

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Department of Management, Mobarakeh Branch, Islamic Azad University,
Mobarakeh, Isfahan, Iran
Email: amir_hortamani@yahoo.com, noosh.azar@gmail.com, makbari1391@yahoo.com

Abstract

In recent years, an increasing understanding of the necessity of making long-term relationships has been created between purchasers of commodities with services and their suppliers. This enterprise particularly confirms that long-term relationships can result in beneficial effects such as: increasing incomes, improving the right quality and related services and also improving productivity. price satisfaction is an important factor, affecting on seller-buyer relationships, since price is one of the most flexible combined factors of marketing and it is exposed to some changes after changing the characteristics of products and services. The main objective of this study is to investigate the impact of price satisfaction on loyalty of SNOWA electronic manufacturing factory located in the industrial town of Moorche-Khort in Isfahan. This is a descriptive study and also from objective perspective is an applied research. Data collection, questionnaire question its validity using the numbers 30 faculty members, advisors and specialists and management experts and its reliability by Cronbach's alpha index was equal to 0/935.The statistical population of this study, the employees and managers of sales department and marketing are 92 persons and 80 of them have been asked questions(return rate:89%). SPSS and AMOS software has been used For data analysis and hypotheses testing. The achieved results of statistical analysis validate and confirm the price reliability variables influence, relative price, Price- quality ratio and price fairness, price transparency effect on loyalty.

Keywords: Price Satisfaction, Loyalty, Snowa Company

Introduction

One important factor that has been considered in many exchange relationships is price, which is the financial value that is given out in exchange for a product. the literature on consumer studies regarding price have argued that customers hold an internal reference price which serves as a standard against which newly encoded prices are compared (Diller, 2000; Matzler *et al.*, 2006). The reference price therefore provides base for customers to determine their level of satisfaction with the exchange, the so called "Price satisfaction", which has been explored in detail by authors such as Diller (2000); Matzler *et al* (2006) in consumer markets.

Price and satisfaction that, so far only measured aspects of the financing. Although price satisfaction has been direct impact on consumer behavior and loyalty them. Obviously, this

increased loyalty can be reducing the costs of switching customer to other brand and use of marketing tool is word of mouth.

In today's competitive and turbulent environment, according to a new marketing philosophy is customer oriented, organization focused on customer and look at things from the perspective of the customer. Thus it is clear that what the customer wants and then began searching for their research.

Batt (2004) argues that while a long term business relationship may reduce some market uncertainties, it may not be enough to provide price certainty. As a result, suppliers may abandon their exchange partner from time-to-time to obtain a better and more reasonable price.

In business-to-consumer (B2C) relationships, price satisfaction plays a significant role in competitive strategies, influencing customer's purchase intentions which may eventually lead to business profitability and sustainability (Boniface *et al.*, 2011). Studies tend to operationalize price satisfaction as a unidimensional construct (Gyau and Spiller, 2008). The need for targeted projects to attract and retain loyal customers is the company's activities.

Price satisfaction is an important factor which influences buyer seller relationships. Because price is one of the most flexible elements of the mixed marketing and it varies after changing the characteristics of products and services (Dovaliene and Virvilait, 2008). Therefore, the main objective of this study was to evaluate the effect of price satisfaction.

The aim of this paper is to provide a detailed analysis of the concept of price satisfaction on the loyalty of electric Appliances factories from a supplier's point of view.

Research Background
Loyalty

A deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, *despite* situational influences and marketing efforts having the potential to cause switching behavior (0liver, 1997).

Dimensions of Price Satisfaction

Price Reliability: Customers will perceive high price reliability if there are no hidden costs, if prices do not change unexpectedly (Diller, 1997). Reliable prices would enable suppliers to plan their activities and reduce the risk of financial loss when the prices they receive are relatively stable (Somogyi & Gyau, 2009). Price reliability is also related to reference prices which are based on the past price of the same product at different occasions (Mayhew & Winer, 1992). Thus no unexpected changes in market prices and conditions are also reasonably priced appliance is effective in attracting and retaining customers. According to this, H5 addresses the relationship between price and price reliability customer loyalty:

H1: price reliability has significant impact on loyalty in business

Relative Price: competitive environment in the industry sector to which a firm belongs significantly influence the firms performance. Competitive factors consist of number of the competitors, the size of the competitors, the specific target market and customers, industry structure and the intensity of rivalry. The airline sector is highly commoditized and generally possesses low loyalty (Gerzema, 2007).

Customers choose an appliance companies normally are driven by the price, convenience and availability. In this study, the price of the product compared to the

competitor is labeled as relative price. Therefore, the optimal level of this case can lead to satisfaction and loyalty. Therefore, the following hypothesis is proposed:

H2: Relative price has significant impact on loyalty in business

Price-quality ratio: Consumers describe value to a product or service subject to their perception of two factors: perceived price and perceived quality, or, in other words, the price-quality ratio. If perceived quality exceeds perceived costs, customer value is high, if cost exceeds quality, customer value is low. One of the most widely used definitions stems from Zeithaml (1988). She defines perceived value as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. In any case, a favorable price-quality ratio in (i.e. high customer value) will enhance customer satisfaction and in turn loyalty. With this in mind, the following hypothesis is proposed:

H3: price-quality ratio has significant impact on loyalty in business

Price Fairness: Perception of price unfairness will affect consumers' perception of product value and perceived price fairness or unfairness is one psychological factor that has an important influence on the customers' reaction to price satisfaction. Consumers are not willing to pay a price that is perceived unfair. Consumer reactions can result in boycotts, civil action or in lower sales (Campbell, 1999). Dual prices can be so different from fair being expressed. First, one is the price and the quality perceived by the customer, second is comparing offered price and competitive price accepted and norms of society (Xia et al., 2004). The following hypothesis can be formulated:

H4: Price Fairness has significant impact on loyalty in business

Price transparency: By having easier access to information, having more alternatives and substitutes, to simplify transactions, increasing customer power are involved. Normally it can be concluded that customers need more honesty, transparency and full information on products and prices. Thus, price transparency can be considered aspect of pricing policy. Price transparency exists when the customer can easily get a clear, comprehensive, current and effortless overview about a company's quoted prices. As a consequence of a high price transparency, customers' search and evaluation costs will diminish, which should lead to higher price satisfaction. Several companies have installed software-based advisors which help the customers get all the product- and price-related information they need for their buying decisions (Matzle *et al.*, 2006). Therefore, changes in home appliances products market price and timely forecasts of price transparency can also lead to greater customer loyalty and commitment. Thus, based on the theoretical and empirical background the following hypothesis was derived:

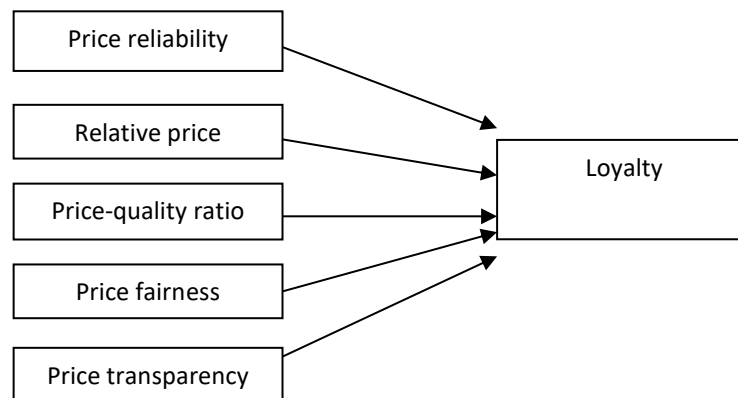*H5: Price transparency has significant impact on loyalty in business.*

Figure 1. Conceptual research model (Boniface *et al.,* 2011)

Methodology of Research
Data Collection

Information was obtained from the employees and managers of sales department and marketing in SNOWA electronic manufacturing factory located in the industrial town of Moorche-Khort in Isfahan, through survey questionnaires during June-July 2013.

The questionnaire was standard and confirmed the validity of it and reliability of it was calculated and confirmed by Cranach's Alpha.

The results obtained in Table 1, shows that due to the significant fixed value greater than 5percent, the fixed value has no significant difference with zero and for this reason it doesn't insert into the regression coefficients. Also, due to the significant smaller (sig) of the dependent variables of price reliability, relative price, price-quality ratio, price fairness, price transparencyof5percent,these variables with beta relations(0/280,0/301,0/162,0/104,0/179)are put in the regression equation respectively. The relation between dependent variables and independent variables is direct relation. Because the beta coefficients are positive.

This means that the increase in the value of this variable is associated with an increase in the dependent variable.

Considering the standardized coefficients (beta) the impact of the fairness variable of the price range (330/0 = beta coefficient) is more than other dependent variables.

According to the results table can be say that hypothesis first to fifth are confirmed. Results of hypothesis first to fifth are shown in table 1.

Table 1. Regression coefficients, hypothesis testing first to fifth

Significant	T-statistics	Coefficients Standardized	Coefficients Not the standard		Model
		Beta	standard error	B	
0/495	-0/686		0/171	-0/117	fixed amount
0/005	2/881	0/200	0/062	0/179	price reliability
0/038	2/108	0/127	0/049	0/104	relative price
0/006	2/802	0/160	0/058	0/162	price-quality ratio
0/000	4/448	0/330	0/068	0/301	price fairness
0/000	4/515	0/297	0/062	0/280	Price transparency

Dependent variable: loyalty

The regression equation of the first to fifth hypothesis test is as follows:

$$Y = 0.179X_1 + 0.104X_2 + 0.162X_3 + 0.301X_4 + 0.208X_5$$

Discussion and Conclusion

The purpose of this study is analyzing the effects of dimensions of price satisfaction on loyalty in business electric generating plant Snowa by analyzing the output resulting from testing hypotheses it can be concluded that dimensions of price satisfaction have Positive influences on loyalty in business.

According to the first hypothesis, it is suggested: product pricing by considering the perceptual quality of customer, second, pricing products according to brand value among customers.

According to the second hypothesis, it is suggested: first, compare prices and features of products with competitors in order to improve the effectiveness of customer loyalty. Second create a balance of price, convenience and availability of the products with respect to customer requirements. According to the third hypothesis, It is suggested: providing sense of satisfaction to the customer by improving quality, flexible production and sale with respect to the variables affecting on maintain of customer satisfaction. According to the Fourth hypothesis, It is suggested: understand how the customer's perception of the fairness of the price, increase customer loyalty by doing some marketing activities (public relations and branding).

According to the Fifth hypothesis, it is suggested: Setting up a website and electronic information to deliver information about the goods and services required by customers. The more companies' efforts to provide clear information and honest price components to reduce the cost of search and evaluation. Compare prices and features of products with competitors in order to improve the effectiveness of customer loyalty.

Future research should therefore develop a measurement scale for the price satisfaction dimensions in the B2B context through exploratory studies. the validity of the dimensions can then be tested by collecting empirical evidence from industrial suppliers concerning their attitudinal response to these variables, and analyzed through confirmatory factor analysis and the relationships between the variables can be modeled via techniques such as Structural Equation Modeling (SEM).

This study has some limitations. First, attention to personal and organizational consideration by people in answer to questionnaire questions. Second, several factors can

have an impact on loyalty in business, but in this study due to time constraints, it is possible all factors affecting on loyalty in business has not investigated.

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