ROLE OF PRICE PERCEPTIONS TOWARDS CUSTOMER SATISFACTION

Mohd Farid Shamsudin1, Syafiqah Md Nayan2, Mohd Fikri Ishak3, Siti Aisyah Esa4, Sallaudin Hassan5

1,2,3,4,5Universiti Kuala Lumpur
E-mail: mfarid@unikl.edu.my1, syafiqah.nayan10@s.unikl.edu.my2, fikri.ishak@t.unikl.edu.my3
siti.aisyah@t.unikl.edu.my4, sallaudin@unikl.edu.my5

ABSTRACT: The purpose of this study is to measure the relationship between perceived prices towards customer satisfaction on the branded apparel. Three dimensions in perceived prices, which are price magnitude, price experiences, and alternatives prices tested towards customer satisfaction. 240 questionnaires was distributed with only 176 usable responses collected. Purposive sampling method was used in this survey and data was analysed using SmartPLS. All dimensions in the perceived prices showsa positive relationship on customer satisfaction. The findings is important to the apparel market players in determining their pricing strategy and tactics. It is also important for the new or small competitors to adjust their marketing strategy in gaining market share and sustain in the market.

KEYWORDS: Customer satisfaction, price magnitude, price experiences, price alternatives

I. INTRODUCTION

Report from the department of statistics Malaysia (2019) indicates that more than 170,000 establishments operated in the area of food and beverage services in 2018. The numbers increased by more than 5% as compared to the previous year. In Malaysia, food and beverage services recorded their gross value output as high as 70 million in 2019, which is an increment by 20% from the year 2017. Food and beverage are part of the strong economy activities where it provides at least 900,000 employments, and the numbers keep on increasing from the year 2015. High numbers of the operator in the food and beverage industry mean that the competition among them based on categories are fierce[1].

It was also reported that the purchasing power of consumers from 2017 to 2019 was strong compared to a decade ago. Today, customers spend at least 30% of their income on food and beverage[2]. There are many reasons for the increase in the food and beverage service industry. Recent research on why customers prefer to eat at restaurants revealed that people are busier with their careers and prefer to eat at a restaurant rather than spend more time on the kitchen preparations. It was also mentioned that eating outside as a symbol of status. People eat outside because they want to show that they afford to pay for it. Besides that, it was also due to time-saving. Cooking may need more than just the kitchen process but involves buying groceries at the supermarket, traveling, and cooking. Such a thing seems to be costlier, especially for a small family [3].

Based on that, the service provider may need to be prepared to serve the customer at their best to win over the customer and fight in terms of market share and market growth. There is no other way to keep customers longer than one visit except making sure that they satisfied. This paper focuses on the role of price perceptions towards customer satisfaction in the food and beverage services industry [4].

II. LITERATURE REVIEW

2.1 Customer Satisfaction

Doing business in the 21st century is not easy when the customer is becoming difficult to pleased. The customer today is very demanding, and they have more bargaining power[5]. Customers today have many choices. There are so many players in the market; hence customers hold the key to business success and growth[6]. The advancement of technology provides the customer with access to information. They can evaluate the service provider information, compare the product quality among the industry players, and get information through previous customer feedback and review[7]. Based on that, the service provider needs to initiate a positive step to deliver high-quality products or services through excellent customer services. The service provider must aim to provide and deliver customer satisfaction to gain its benefits[8].

Past research indicates that the biggest challenge for the service provider is to understand their customer. The preference, trends, and consumer behaviour are not the same as the last decades[9]. The current generation has its own needs and preference. The service provider needs to understand their needs and expectations. Some customer classifications may have the same need, but some good be varies according to their different gender,
age, or race. Such a situation leads to the urge of past research [10] for the service provider to ask and talk to the customer. Communication between service providers may lead to more information that can be concluded in their preferences and needs. Recent research [11] stated that some elements are standards among customers, but some are non-negotiable. Understanding customers may provide insight into customer needs and expectations based on their opinion and suggestions. At the same time, service providers can make an effort to reach customers using all types of media available. The current trend proved that communication between the service provider and customer can be done using the web site, social media platform, and other types of a traditional method such as telephone call and email [12]. The service provider must have focused on getting feedback from a customer to close the gap between what customer needs and how they feel on the overall services delivered[13]. Effort in data collection about customer experiences is essential and necessary as part of the objective to understand for a customer experience improvement. It was also recommended by [14] that business organizations today should not only focused on meeting the expectations. It should be exceeding reasonable customer expectations. Past research[15] warned that customer expectations are continually changing, and due to that, the service provider must always be one step ahead of customer expectations. There is also a suggestion [16] that service providers should be on top of the competitors as most of the time, customer change of preferences or needs is based on the competition effort, sales promotions, or campaign in order to attract customer to their services. 

Another important element that the service provider needs to do, according to [17], is being consistent. The rule of customer satisfaction is that the overall service delivery meets the expectations. The research claimed [18] that satisfied customers may tend to come back for repeat purchases. Therefore, the service provider needs to ensure that the same service quality is served to the customer to keep customers satisfied. Failing which, will lead to customer frustration, and the chance to lose one customer is very high. Therefore, a service provider needs to get skilled employees as their front liners [7]. The service provider must ensure that their staff got skilled and well trained in facing customers. The employee is a medium of communication between service providers and customers. The excellent service of employees will contribute to the customer's overall customer experiences [19]–[21].

Service provider and the employee must understand that customer is their source of revenue [22]. They earned from revenue to survive and sustain in the business [20]. As such, it is a must that service provider change their business directions from product-based towards customer-driven [19]. Past research [23] stated that customer-driven services would help the service provider be more consistent in delivering services and achieving customer satisfaction. Recent research [21] emphasized that customer-driven service provider will make an effort to appreciate customer, and cultivate a positive culture towards customer-first culture. The culture must be practiced across the organizations and functional. As a result, the customer will get satisfied, the business will have enjoyed the growth rate, and market share increased.

Customer satisfaction provides a more significant advantage to the service provider and helps businesses survive [22]. According to past research [23], satisfied customers will return for repeat purchases. Returning the customer can be considered as good as customer acquisition [24]. Past research [25] indicates that retaining customers is 7 to 8 times cheaper than acquiring a new one. Therefore, having customer satisfaction will reduce the customer acquisition cost that is not only getting higher but uncertain. It was also stated that returning customers tend to spend at least 25% more than their previous purchases. Therefore, marketers recommended that service provider increase their level of concern in providing quality and overall customer experiences since a 5% increase in customer retention will help to increase profits by 75% to 95% [24].

Satisfied customer at the same time tends to give kind remarks about their experiences. They will share their customer experiences with others, especially within family and friends. In the past, a satisfied customer will talk good to others through word of mouth to 7 to 10 people, and the people will also do the same to their next level of networking [19]. The positive word of mouth will spread and thus create a positive brand image for the service provider. Today, customers hardly used word of mouth, but they used electronic versions where they can upload photos or moments and even videos to share their experiences live [26]. Social media got unlimited coverages, and therefore the effect is expected to be exponential rather than the traditional method. The service provider may have enjoyed the benefits of word of mouth in the case of both situations. Positive word of mouth leads to business prosperity, but negative word of mouth due to customer frustrations or dissatisfaction will lead to high cost for recovery [18]. It was also said that satisfied customers would communicate to at least nine people, but a dissatisfied customer will communicate to 22 people [20]; such thing is a perilous and high risk for any service provider to face during the time of fierce competitions.

A business reputation can be gained through customers where they help communicate the right things to their networking. Satisfied customers have been said [27] as very supportive of the service providers. They do not
only help to do marketing but insensitive towards the price. A slight increase in price will not make them churn or switch. The satisfied customer put a high value on the service compared to the price [21]. Satisfied customers also not easily influenced by promotions or acquisition campaigns conducted by competitors. They put competitors away from them and, as such, let the service providers in a more comfortable market positioning [23].

Overall, customer satisfaction has been studied by many researchers in the past, with regards to business survival and growth. The importance of customer satisfaction has been established that it can support business growth, sustain in the market, and increased profits [7]. There is no reason behind the deliberate inaction of any service provider to keep delivering high-quality services to meet customer satisfaction. The challenge that also being highlighted with regards to meeting the customer expectations is their frequent or rapid changes based on many elements such as new products, competitor movement, trends from outside or even about market concern about food quality and food safety[28]. Customers started to be concerned about the contents of their food, the nutrition is taken, and the safety of food from chemicals and hazards. People also concerns about obesity and health consciousness. Those things add new challenges to the service providers that may not found or concluded by the past researcher[29].

2.2 Perceived Price

The competition in the market with a limited number of customers and high numbers of competitors adds more challenge to the service provider in winning the market. The competition is not only related to customer satisfaction that will lead to various benefits, but it also involved the role of price in their products and services offered. According to [30], price is one of the important elements in customer decision-making [31]. Customers will make a decision based on various priority and problem based, but the price is among the list included for evaluation and comparison before the customer makes decision-making [32]. That is why understanding the right role of pricing from both perspectives, service providers, and customers is essential [31].

In marketing, the service provider needs to ensure that they understand the customer's needs and wants to be followed by demand. Needs and wants can be easily determined based on their situation and requirements [30]. In this sense, demand is the ability of a customer to pay for the product or services. Customers may want high quality and products with expensive elements, but they need to balance the needs and wants with their ability to pay [33]. Those abilities to pay is closely related to pricing. The price set by the service providers leads to the gates of whether the customer is willing or able to buy or consume the products or services.

Service providers are always in a dilemma on the price-setting [34]. The service providers can use many ways to set the price, but the most important things are the results that will lead to mutual acceptance by customers as an exchange within the products and cost paid [31]. Price if it was too high, it will eventually lead to losing sales [35]. At the same time, if it were set too low, it would let to lose business [36]. In the underlying economy, scholars recommended that service providers either raise the price or increase the volume of sales. Meaning that if the price is high, less customer will come, but if the service provider reduced the price, more customer would come although the margin is small [33]. It was stated by [35] that price is among the simplest thing in business, but most complex in decision making as it impacts the sustainability of the business organizations.

On the same vein, service providers need to ensure that the price setting and its role meet the customer expectations. Price can lead to a business survival[37] as customer although enjoyed the services but may not afford to come regularly. The unreasonable price will tarnish the overall customer experience from satisfied with frustration. The role of price towards service providers may lead to the maximization of cash flow and improved profit[33]. The right implementation of pricing strategy will lead to maximum sales growth by the service provider.

Price perception is the distinction between the actual price of a product as compared to the customer perceived. The perception is varying between one customer to another or between one segment to another. According to [30], [38], customer perceived, whether it is low or high based on their comparison against referent price. Customers will make a comparison of the price against the price offered by competitors in the market. Reference pricing is also related to psychological pricing, where it may influence customers to purchase with positive price perceptions. Recent research [34] indicates that the customer is looking for low-price but high-quality products. At the same time, it was also stated by [35] that service providers need to carefully tag the prices as high prices may have perceived to be quality. Service providers must ensure that the price is representing the quality of the products and services. Failing to meet customer expectations will lead to slow business growth as customers will start to talk and spread their experiences that may hinder other customers from coming.
The service provider needs to ensure that the price-setting could influence customer perceptions based on market sensitivity and elasticity. According to [39], customers may not concern about the price if the product is not in their wish list of consumption. It may also due to that customer's lack of strong preferences towards the products or brand loyalty[32]. Customers may also not be sensitive to the price if they do not fall into the category of target markets due to the ability to pay[13]. Price perceptions may also be not applicable in terms of luxury items where the demand will be in reverse compared to a staple good. Service providers need to focus more on the price when the customer has access to compare and review the prices by other competitors.

Overall, price perceptions are essential for positive business growth by maximizing positive customer experiences[40]. Most service provider concerns in delivering top or best services and quality, but the additional correct pricing may add more value to customers. The basic concept of value is when the overall benefits are more than the cost[41]. Reducing the cost may help customers to achieved tremendous benefits and thus create more value easily. Right pricing perceptions can help the service provider to sustain in business and lead the industry.

III. METHODOLOGY

Population of this research are the customer of branded apparel. Overall research took more than 6 months in collecting the data. Method of collecting data used was purposive sampling. 240 questionnaires were distributed in at least five-brandedboutique in Kuala Lumpur. Selection of top 5boutique was based on recommendations from the BlogSpot. Areas chose based on the location of outlets and ranking in market based on sales volume. In the end of data collection period, only 176 were valid o be used and process for next step of action. There are all together 20 questions not including demographic questions. The most time take is 5 minutes. On average most of customer will completed the survey within 2 minutes. 7 Likert scale was used to provide more choices to customer in selecting their answer. Beside that the 7 Likert points will enable for the research to gathered more accurate answer.

IV. RESULTS

Table 2 indicates the results of CR and AVE above the minimum acceptable values. CR is recorded within the range of 0.89 and 0.94, while AVE is between the range of 0.87 and 0.92. Besides that, the ASV was recorded between the range of 0.52 and 0.61, while MSV is between the range of 0.56 and 0.78.

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor loading</th>
<th>t-value</th>
<th>MSV</th>
<th>ASV</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Magnitude</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM 1 0.89</td>
<td>22.59</td>
<td>0.72</td>
<td>0.53</td>
<td>0.87</td>
<td>0.91</td>
<td></td>
</tr>
<tr>
<td>PM 2 0.81</td>
<td>20.24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM 3 -</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM 4 0.88</td>
<td>18.21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM 5 -</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM 6 0.92</td>
<td>20.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM 7 0.85</td>
<td>18.68</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past Experiences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PE 1 0.92</td>
<td>21.22</td>
<td>0.70</td>
<td>0.62</td>
<td>0.89</td>
<td>0.90</td>
<td></td>
</tr>
<tr>
<td>PE 2 0.94</td>
<td>22.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PE 3 -</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PE 4 0.87</td>
<td>18.91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PE 5 0.81</td>
<td>18.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative Product Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APP 1 0.87</td>
<td>21.06</td>
<td>0.78</td>
<td>0.61</td>
<td>0.88</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>APP 2 0.91</td>
<td>21.39</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APP 3 0.80</td>
<td>18.25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APP 4 0.82</td>
<td>17.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CS1 0.91</td>
<td>21.77</td>
<td>0.56</td>
<td>0.52</td>
<td>0.92</td>
<td>0.94</td>
<td></td>
</tr>
<tr>
<td>CS2 0.90</td>
<td>21.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3 confirmed discriminant validity. These results also demonstrated that all measures were reliable (Bagozzi and Yi, 1988). Means, standard deviations, and correlations of latent variables are presented in Table 2. The results in Table 3 indicate that all correlations are significant.

<table>
<thead>
<tr>
<th>Mean</th>
<th>SD</th>
<th>Price magnitude</th>
<th>Past experiences</th>
<th>Alternative prices</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.25</td>
<td>0.73</td>
<td>(0.92)</td>
<td>0.84</td>
<td>(0.95)</td>
<td></td>
</tr>
<tr>
<td>4.50</td>
<td>0.85</td>
<td>0.84</td>
<td>0.75</td>
<td>(0.85)</td>
<td></td>
</tr>
<tr>
<td>4.75</td>
<td>0.75</td>
<td>0.63</td>
<td>0.75</td>
<td>0.82</td>
<td></td>
</tr>
<tr>
<td>4.00</td>
<td>0.83</td>
<td>0.65</td>
<td>0.73</td>
<td>(0.83)</td>
<td></td>
</tr>
</tbody>
</table>

Notes: All correlations are significant at the 0.01 level (two-tailed test). SD: Standard Deviation. The numbers in the cells of the diagonal line are squared root of AVE

Table 4: Path estimates of structural models

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Standardized path coefficients</th>
<th>t-values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Price magnitude → Customer satisfaction</td>
<td>0.28</td>
<td>5.72</td>
<td>Supported</td>
</tr>
<tr>
<td>H2 Past experiences → Customer satisfaction</td>
<td>0.25</td>
<td>4.88</td>
<td>Supported</td>
</tr>
<tr>
<td>H3 Alternative prices → Customer satisfaction</td>
<td>0.18</td>
<td>2.12</td>
<td>Supported</td>
</tr>
</tbody>
</table>

In the present study, the hypotheses were tested using structural equation modeling. Therefore, the fit indices values of the appropriate model, the values for path estimates are shown in table 4. Price magnitude influences customer satisfaction positively (β = 0.28 p < 0.001), supporting H1. Further, past experiences influences customer satisfaction positively (β = 0.25 p < 0.001), thereby supporting H2. At the same time, alternative prices were found to positively influence customer satisfaction (β = 0.18 p < 0.001); therefore, H3 is accepted.

V. DISCUSSIONS

Results from the study indicate that respondents are very concerned about the price when it comes to purchasing decisions. The results are parallel with past research [42], [43] when it comes to the pricing. Customers today have more bargaining power. They have more choices and alternatives in getting the products that they want and to satisfying their needs. Customer purchase intentions are more on the value-based concept, where customers will evaluate the cost against the benefit that they earned overtimes. Today, the customer has access to information, and such a situation leads to more tough competition among the market players. Customers can compare the price of a product and decide the best upon details evaluation and review from past users or customers.

The competition among industry players’ created an advantage for the customers to enjoy more benefits in terms of choices. The profit margin for business organizations could be reduced slightly, but advertisements and campaigns by competitors will not easily influence a satisfied customer who tends to be loyal.

VI. REFERENCES:


