ROLE OF PRICE TOWARDS CUSTOMER SATISFACTION

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Abstract

This study aims to measure the relationship between perceived rates on the branded apparel to consumer satisfaction. Price magnitude, price perception, and alternative prices tested for customer satisfaction are three dimensions of perceived prices. Two hundred and forty questionnaires were distributed, obtaining only 176 available answers. In this survey, a purposive sampling method was used, and information was analyzed using SmartPLS. All aspects of the perceived prices demonstrate a positive relationship with consumer satisfaction. In deciding their pricing strategy and tactics, the findings are essential to the apparel market players. In gaining market share and retaining the market, it is also necessary for new or small competitors to change their marketing strategies.

Keywords Customer satisfaction, price magnitude, price experiences, price alternatives

1.0 Introduction

A report from the department of statistics Malaysia (2019) indicates that more than 170,000 establishments operated in 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, increasing by 20% from 2017. Food and beverage are part of the strong economy activities where it provides at least 900,000 employments. The numbers keep on rising from the year 2015. High numbers of the operator in the food and beverage industry mean that the competition based on categories is fierce (Koo et al., 2014).

It was also reported that consumers' purchasing power from 2017 to 2019 was strong compared to a decade ago. Today, customers spend at least 30% of their food and beverage (Haque et al., 2017). There are many reasons for the increase in the food and beverage service industry. It was highlighted that eating outside is 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 (Oluwafemi & Dastane, 2016).
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 to make sure they are satisfied. This paper focuses on price perceptions towards customer satisfaction in the food and beverage services industry (Saw Eng Hai et al., 2017).

2.0 Literature Review

2.1 Customer Satisfaction

Doing business in the 21st century is not easy when the customer is becoming difficult to pleased. Customer today is very demanding, and they have more bargaining power (Kotler, 2017). Customers today have many choices. There are so many market players; hence customers hold the key to business success and growth (N. Kumar et al., 2000). 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 (B. Kadir & Shamsudin, 2019). 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 (Hasim et al., 2018).

Past research indicates that the biggest challenge for the service provider is to understand their customer. The preference, trends, and consumer behavior are not the same as in the last decades (S. Hassan et al., 2019). 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 condition, but some good be varies according to their different gender, age, or race. Such a situation leads to the urge from past research (Moghavvemi et al., 2018) for a service provider to have proper communications with customers. Communication between service providers may lead to more information that can be concluded in their preferences and needs. Recent research (Ahmed et al., 2017) 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 service provider must have focused on getting feedback from a customer to close the gap between customer needs and how they feel about the overall services delivered (Razak & Shamsudin, 2019). 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 (Adams et al., 2019) that today's business organizations should not only focus on meeting the expectations. It should be exceeding reasonable customer expectations. Past research (Shurair & Pokharel, 2019) warned that customer expectations are continually changing. Due to that, the service provider must always be one step ahead of customer expectations. There is also a suggestion (Raza et al., 2015) that service providers should be on top of their competitors. Most of the time, customer change of preferences or needs is based on the competition effort, sales promotions, or campaign to attract customers to their services.
According to (V. Kumar & Hundal, 2018), another critical element that the service provider needs to do is being consistent. The rule of customer satisfaction is that the overall service delivery meets the expectations. The research claimed (Shamsudin, Azmi, et al., 2020; Shamsudin & Hassim, 2020) 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 will lead to customer frustration, and the chance of losing one customer is very high. Therefore, a service provider needs to get skilled employees as their front-liners (B. Kadir & Shamsudin, 2019). 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 (Shamsudin, Hassan, et al., 2020).

The service provider and the employee must understand that the customer is their revenue source (Uddin, 2019). They earned from revenue to survive and sustain in the business (van der Westhuizen, 2018). It is a must that service providers change their business directions from product-based towards customer-driven (Khan & Rahman, 2016). Past research (Shafiq et al., 2019) stated that customer-driven services would help the service provider be more consistent in delivering services and achieving customer satisfaction. Recent research (Merrilees, 2016) emphasized that customer-driven service provider will make an effort to appreciate customers 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 (Uddin, 2019). According to past research (Shafiq et al., 2019), satisfied customers will return for repeat purchases. Returning the customer can be considered acceptable as customer acquisition (Shamsudin, Ishak, et al., 2020; Shamsudin, Nayan, et al., 2020b). Past research (Amin & Isa, 2008) 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 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 providers increase their level of concern in providing quality and overall customer experiences since a 5% increase in customer retention will increase profits by 75% to 95% (Ahmad et al., 2019).

Satisfied customer at the same time tends to give kind remarks about their experiences. They will share their customer experiences with others, especially with 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 (Khan & Rahman, 2016). 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. Still, they used electronic versions to upload photos or moments, and even videos to share their experiences live (Shamsudin, Nayan, et al., 2020a; Shamsudin, Rasol, et al., 2020). Social media got unlimited coverage, 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. Still, negative word of mouth due to customer frustrations or dissatisfaction will lead to high recovery costs (Izogo
It was also said that satisfied customers would communicate with at least nine people. However, a dissatisfied customer will communicate to 22 people (van der Westhuizen, 2018), such a perilous and high risk for any service provider to face during the time of fierce competition.

A business reputation can be gained through customers where they help communicate the right things to their networking. Satisfied customers have been said (Zhang et al., 2013) as very supportive of the service providers. They do not only help to do marketing but insensitive towards the price. A slight price increase will not make them churn or switch. The satisfied customer put a high value on the service than the price (Merrilees, 2016). Satisfied customers are 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 (Shamsudin, Johari, et al., 2020; Shamsudin, Yazid, et al., 2020).

Overall, many researchers have studied customer satisfaction 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 (B. Kadir & Shamsudin, 2019). There is no reason behind any service provider's deliberate inaction to keep delivering high-quality services to meet customer satisfaction. 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 past researcher's service providers (Quoquab et al., 2019).

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 (Cakici et al., 2019), price is critical in customer decision-making (Konuk, 2019). Customers will decide based on various priority and problem-based. The price is still among the list included for evaluation and comparison before the customer makes decision-making (Sallaudin Hassan & Shamsudin, 2019). That is why understanding the right role of pricing from both perspectives, service providers and customers, is essential (Konuk, 2019).

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 (Cakici et al., 2019). In this sense, demand is the ability of a customer to pay for the product or services. Customers may want high quality and consequences with expensive elements. Still, they need to balance the needs and desires with their ability to pay (Shafei & Tabaa, 2016). 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 (Shamsudin, Johari, et al., 2020). The service providers can use many ways to set the price. Still, the most important things are the results that will lead to mutual acceptance by customers as an exchange within
the products and cost paid (Konuk, 2019). Price if it was too high, it will eventually lead to losing sales (Kaura et al., 2015). Simultaneously, if it were set too low, it would lose business (Minbashrazgah et al., 2017). In the underlying economy, scholars recommended that service providers either raise the price or increase sales volume. If the price is high, fewer customers will come, but more customers would come if the service provider reduced the price, although the margin is small (Shafei & Tabaa, 2016). It was stated by (Shamsudin, Ramle, et al., 2020) that price is among the simplest thing in business but most complex in decision making as it impacts the sustainability of the business organizations.

In the same vein, service providers need to ensure that the price setting and its role meet customer expectations. Price can lead to a business's survival (Weisstein et al., 2014). Customers enjoyed the services but may not afford to come regularly. The outrageous price will tarnish the overall customer experience from satisfaction with frustration. The role of price towards service providers may lead to the maximization of cash flow and improved profit (Shafei & Tabaa, 2016). The proper implementation of a 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 (Shamsudin, Nayan, et al., 2020d), customers 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 (Gallarza et al., 2019) indicates that the customer is looking for low-price but high-quality products. Simultaneously, it was also stated by (Kaura et al., 2015) 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. 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 (Shamsudin, Nayan, et al., 2020c), customers may not concern about the price if the product is not on their wish list of consumption. It may also due to the customer's lack of strong preferences towards the products or brand loyalty (Sallaudin Hassan & Shamsudin, 2019). 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 (Razak & Shamsudin, 2019). Price perceptions may also be not applicable in terms of luxury items. The demand will be in reverse compared to a staple good. Service providers need to focus more on the price when the customer can compare and review other competitors' prices.

Overall, price perceptions are essential for positive business growth by maximizing positive customer experiences (Lynn & Brewster, 2018). Most service providers concerns deliver top or best services and quality. Still, 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 (Shamsudin et al., 2021). Reducing the cost may help customers to achieved tremendous
benefits and thus create more value easily. Right pricing perceptions can avail the service provider to sustain in business and lead the industry.

3.0 Methodology

The population of this research is the customer of branded apparel. Overall, the study took more than six months to collect the data. The method of collecting data used was purposive sampling. Two hundred forty questionnaires were distributed in at least a five-branded boutique in Kuala Lumpur. The selection of the top 5 boutiques was based on recommendations from BlogSpot. Areas chose based on the location of outlets and ranking in the market based on sales volume. At the end of the data collection period, only 176 were valid to be used and process for the next step of action. There are altogether 20 questions, not including demographic questions. The most time it takes is 5 minutes. On average most customers will complete the survey within 2 minutes. 7 Likert scale was used to provide more choices to customers in selecting their answer. Besides that, the 7 Likert points will enable the research to gather more accurate answers.

4.0 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. 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>
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<tbody>
<tr>
<td>Price Magnitude</td>
<td></td>
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<td></td>
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<tr>
<td>PM 1</td>
<td>0.89</td>
<td>22.59</td>
<td>0.72</td>
<td>0.53</td>
<td>0.87</td>
<td>0.91</td>
</tr>
<tr>
<td>PM 2</td>
<td>0.81</td>
<td>20.24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM 3</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>PM 4</td>
<td>0.88</td>
<td>18.21</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>PM 5</td>
<td>-</td>
<td>-</td>
<td></td>
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<td></td>
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<tr>
<td>PM 6</td>
<td>0.92</td>
<td>20.08</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>PM 7</td>
<td>0.85</td>
<td>18.68</td>
<td></td>
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<tr>
<td>Past Experiences</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>PE 1</td>
<td>0.92</td>
<td>21.22</td>
<td>0.70</td>
<td>0.62</td>
<td>0.89</td>
<td>0.90</td>
</tr>
<tr>
<td>PE 2</td>
<td>0.94</td>
<td>22.28</td>
<td></td>
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<tr>
<td>PE 3</td>
<td>-</td>
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<tr>
<td>PE 4</td>
<td>0.87</td>
<td>18.91</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>PE 5</td>
<td>0.81</td>
<td>18.98</td>
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</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 3: Means, standard deviations and correlations of study constructs

<table>
<thead>
<tr>
<th></th>
<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>Price magnitude</td>
<td>4.25</td>
<td>0.73</td>
<td>(0.92)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Past experiences</td>
<td>4.50</td>
<td>0.85</td>
<td>0.84 (0.95)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative prices</td>
<td>4.75</td>
<td>0.75</td>
<td>0.63 0.75 (0.85)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>4.00</td>
<td>0.83</td>
<td>0.65 0.73 0.82 (0.83)</td>
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<td></td>
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</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>
</tbody>
</table>
In the present study, the hypotheses were tested using structural equation modeling. Therefore, the appropriate model's fit indices values and path estimates are shown in table 4. Price magnitude influences customer satisfaction positively ($\beta = 0.28 \ p < 0.001$), supporting H1. Further, past experiences influences customer satisfaction positively ($\beta = 0.25 \ p < 0.001$), thereby supporting H2. Simultaneously, alternative prices positively influenced customer satisfaction ($\beta = 0.18 \ p < 0.001$); therefore, H3 is accepted.

5.0 Discussions

The study results 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. Customers will evaluate the cost against the benefit they earned overtimes. Today, the customer has access to information, which leads to more tough competition among the market players. Customers can compare a product's price 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. Still, advertisements and campaigns by competitors will not easily influence a satisfied customer who tends to be loyal.

References:


towards organic food restaurants. *Journal of Retailing and Consumer Services*, 50(February), 103–110. https://doi.org/10.1016/j.jretconser.2019.05.005


