

## **“The Impact of Customer Satisfaction on Price Sensitivity in Courier Services Sector”**

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**ABSTRACT:** - The main purpose of the study is to explore the association between customer satisfaction (economic and social) and price sensitivity and moderating impact of service quality in courier services. The findings grounds on the data collected from the students and employees who are being delivered the services by different courier service companies. Employees and students were asked about the information related economic and social customer satisfaction, price sensitivity and service quality. The findings show that there is inverse relationship between customer satisfaction (economic and social) and price sensitivity with partial moderating role of service quality in area of courier service. The major limitation of the study is that study focus on the courier services industry. The major implication of the study is that by evaluating and improving service quality companies can increase customer satisfaction and price tolerance and can retain existing highly satisfied customers. Most important implication for experts is that should deliver satisfactory services to customers beyond their expectations and which best meet their needs and should assess the quality of services because it has great influence on customer satisfaction and price will not be an issue of consideration. This is the study which investigates association between customer satisfaction and price sensitivity with moderating effect of service quality in courier services industry of Pakistan.

*Keywords: Economic Satisfaction, Social Satisfaction, Price Sensitivity, Service quality, Courier service sector*

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### **INTRODUCTION:**

Changes in industry arrangements and way of life in latest years have given the retailing industry a huge lift. Customer satisfaction has been extensively studied in marketing research. Some scholars discover the previous positions of customer satisfaction, including the effect of service quality on customer satisfaction. (e.g., Parasuraman et al., 1988; Herrmann et al., 2000; Kim et al., 2004; Gonzalez et al., 2007) and the connotation between fairness and customer satisfaction (e.g., Teo and Lim, 2001; Smith et al., 1999; Colquitt and Greenberg, 2003; Vicente et al., 2006). Others study the significances of customer satisfaction, such as customer loyalty (e.g. Anderson and Sullivan, 1993; Fornell, 1992; Yu et al., 2005; Guillaume, 2008; Vessel and Zabkar, 2009) or company profitability (e.g., Anderson et al., 1994; Anderson and Sullivan, 1993; Vinnie, 2001; Coelho and Vilares, 2010). Thus, few studies observe the relationship between customer satisfaction and price sensitivity in purchaser markets. Does a satisfied customer not be concerned about price? In many less-developed countries, price negotiation or trading in merchandising acquisitions, for the most part with smaller retailers, is still prevailing (Kaynak, 1988). Chinese consumers were found to have a great level of bargaining intention (Lee, 2000) and to use competitive approaches in conciliation (Graham et al., 1988).

Price sensitivity talks about to the change of consumer ultimatum which results from the increase or decrease of price, like ‘price elasticity’ in economics. A firm that supplies to customers with low price sensitivity enjoys greater competitive advantage in products and services, in so doing increasing company profitability (Wakefield and Inman, 2003).

Detiveaux and Rooney (2001) claim that when products can satisfy customer demands and a relationship with customers has been recognized, price becomes a much lower priority. In other words, there might be an association between customer satisfaction and price sensitivity. Satisfaction may be consequent from the product (Economic satisfaction) and /or interaction with the seller (social satisfaction), and both could influence a customer’s price sensitivity. Chinese society highlights interactive relationships (Davies et al., 1995; Leung et al., 2005), therefore the bonds, connections, and communication between the firm and their consumers may be like social relationships rather than the largely transactional business relationships in the West. Therefore, it might be better to treat the perception about customer satisfaction as dispersed and divergent. Based on this idea, this study aims to examine:

(1) The relationship between the two hypotheses of economic and social satisfaction and price sensitivity in courier service

(2) The moderating effect of service quality on the relationship between customer satisfaction and price sensitivity in courier service

In the past eras courier services, has always been supporting purpose for the production and feeding for the country. Therefore, this research aims to define the customer satisfaction and service quality that influence prices sensitivity in courier service industry. Using variables are (1) economic satisfaction (2) social satisfaction (3) prices sensitivity (4) service quality. Although many scholars have studied the relationship between customer satisfaction and price sensitivity and extent to our knowledge, work on service quality in courier service is not sufficient and not as much studied by scholars as it must be, which plays a moderating role in the relationship of customer satisfaction and price sensitivity in courier service, this is the unique in our study that we selected that area, on that sufficient research is not conducted as much as our knowledge is about this. so, the aim of our study is to examine the impact of customer satisfaction on price sensitivity that how satisfied customers respond to price sensitivity and how much they are willing to pay more when they are highly satisfied and to study the moderating effects of service quality on the relationship between customer satisfaction and price sensitivity.

In the services industry customer satisfaction is the important component which contributes deeply to customer loyalty. Customer satisfaction that increases customer loyalty ultimately leads to business profitability. Customer's satisfaction and services quality leads to prices sensitivity, increase or decrease of the prices of the services. Where services quality refers to the "contrast between anticipated service and supposed service"

Courier services have been everywhere for many years. Courier services are a more focused delivery service, business and individual use this services when they need a package and documents to reach its journey's end as quickly as probable. Now a day there is different courier services that individual can easily use as per needs. In cities courier, can take the form of different vehicles such as bike, cars and for the large and outside of the country shipments companies use airplanes too. Whereas hiring courier services customers need supreme extent of safety for the sending the document or package for long distance and short distances as well.

Every time when consumer think about the courier services and want to deliver goods, he wants well presumed company because when consumer is paying for the services they want to deliver their goods with surety of delivery of goods within time. There are many companies of courier services which are TCS, DHL, TNT, and LEOPARD COURIER, OCS ETC. courier services should be quicker, safer and secured because it's a dedicated service. The better the quality services, the more satisfied customers, better of the existence of the company in sense of the profit.

From greatest globalized country of the world the customer's request to receive packages and products within a day or two is normal now days. Consequently, courier service plays an important role in smooth and effective operations of organizations. It does not matter that how fast you produce a product if it is not moving on right time, remaining efforts would be inefficient.

## **LITERATURE REVIEW:**

In our literature review, we have found a good illustrative literature debating the association between the customer satisfaction (Economic & Social) and price sensitivity in courier service, we also studied the moderating role of service quality and its effect on the relationship of customer satisfaction, we took customer satisfaction as independent whereas price sensitivity as dependent and service quality as moderator. We are indebted to authors who identified the factors effecting customer satisfaction and price sensitivity, by studying the relevant literature; it will assist us to understand more fully the connection between customer satisfaction and price sensitivity in courier service and how the service quality effect on the relationship of customer satisfaction and price sensitivity in courier service

Customer satisfaction is a word that is commonly used in marketing; it is how company produces product and services that meet customers need and want that they can easily earn maximum profit by satisfying those needs. (Oliver 1981). Customer satisfaction is considered an emotion-based reaction which is determined by consumer expectations for product or service in advance of purchases are stable with the real product or service gained resulting purchase (Oliver 1981). As said by the social exchange theory (Blau 1964), exchange forms can be distributed into social exchange and economic exchange. Social exchange is built on trust, responsibilities, and appreciation, while economic exchange contains prescribed responsibility.

Alike the Blau (1964), McNeil (1985), and Rousseau and Park (1993), offered an idea that transactional contract is related to economic exchanges but relational contract is alike social exchanges.

Therefore, when consumers purchase products, also the economic property of the purchase itself (economic satisfaction), non-economic exchange actions (social satisfaction) will touch customer's satisfaction. Customer

obviously, approximation their satisfaction by the supposed value of product or service at the cost they have funded and costs which incurred in attaining the product or service which is typically relate to alike purchase or which is relate to other customer with alike purchase (Wen-Shinn, Jeng-Da, and Soo-May, 2012)

There are few studies that inspect the link between customer satisfaction and price sensitivity. Doesn't a satisfied customer care about price? Price negotiation in merchandising especially with smaller retailers is widespread in many less-urbanized countries (Kaynak 1988).

When the customer demand is changed due to increase or reduce in price of product and services that is called price sensitivity and in economics it refers as "Price Elasticity", firms which provide high satisfaction level among the competitors, gain the maximums profit because it all depend on how the customer is satisfy by the services of the company (Wakefield and Inman, 2003).

One research tells that when customer demands are satisfied by products and services and a deep-rooted relationship between customer and company then price becomes less importance, there must be association between customer satisfaction and price sensitivity. Satisfaction may result from products which is called "Economic Satisfaction" or may from salesperson through interaction which called "Social Satisfaction" (Detiveaux and Rooney, 2001).

Customer satisfactions is most important issue in the marketing, companies focus on customer needs and want to satisfy their customers, because it is very difficult to retain new customers because it is expensive to attract new customer toward the company product and services.

On company profit than does inviting new customers, through customer satisfaction companies should struggle for zero defection to make the most of profits. Customer satisfaction has positive influence on various things such as purchase purposes, words of mouth, price sensitivity, and behavioral objective (Yu Kyoung and Hyung Ryong, 2009)

Per economists willing to pay is regarded as the reservation price (Monroe 1990). The concentrated sum of currency a customer is ready to pay for product or service is called willing to pay (Cameron and James 1987; Krishna 1991)

If the customer has paid the high price for a product or service and outcomes are unproductive then that customer may hesitant to bind more to that purchase or future acquisitions at the same retailer, as opposed to when customer paid high price for a product or service and is highly satisfied with outcomes then he would be ready to bind more to that buying and ready more to pay ask price which result in less price sensitivity. So, it is assumed in this study that price sensitivity decreases with an increase in social satisfaction and similarly price sensitivity decreases with an increase in economic satisfaction so there is inverse relationship between economic satisfaction and price sensitivity and inverse relationship between social satisfaction and price sensitivity, increase in independent variable causes decrease in dependent variable (Wen-Shinn et al, 2012).

Though hypothetical understanding of concepts which facilitate effects the customer satisfaction on profitability for example the concepts which are related to direct conclusions of customer satisfaction are insufficient. Per number of studies the influences of customer satisfaction on customer loyalty and price sensitivity has received unsatisfactory reflection (Anderson and Sullivan 1993; Bearden and Teel 1983; Patterson, Johnson and Spreng 1997; Zenithaml 1997).

When company provides exactly what the customer wants and has built a relationship with the customer then price becomes a much lesser significance (Detiveaux and Roonay 2001). A company when tries to understand exact customer value can touch customer satisfaction and make smaller price sensitivity, in the expectation of gaining higher prices in result many organizations struggle for customer satisfaction (Davis 2001; Harrington 2001).

Therefore, theoretical readings of the influence of customer satisfaction on price sensitivity are particularly connected as they help to deliver the answer of question whether it is true to anticipate increased price stages from increased customer satisfaction stages. To explain the association of customer satisfaction and price sensitivity equity theory and transaction cost theory. Equity theory explains that customer fight back for fairness in their business relations when a customer gets a high outcome then he capitalizes high input and when there is low customer satisfaction then there is low input which results in high price sensitivity.

Furthermore, to defend and develop the hypothesis with high opinion to the power of customer satisfaction on price sensitivity and concerning moderating effects transaction cost theory is useful (Anderson and Narus 1999; Hankinson 1982; Hutt and Speh 2001). Also in case of high satisfaction the costs of managing the relationship with suppliers are lesser than as conflicting to low customer satisfaction. It is important that the customers who are highly satisfied they carry out lower operation costs through concentrated costs of idle time. It is understood that contrary relationship between customer satisfaction and price sensitivity is stronger when product or service complexity is far above the ground as in opposition to low product or service complexity (Ruth Maria Stock, 2008)

It is assumed there is inverse negative relationship between price sensitivity and preparation, price sensitivity and relationship building, price sensitivity and information exchange, price sensitivity and intervention. As (Robinette, Brand and Lenze) point out in *Emotion Marketing*.

less price sensitive before substituting. Price sensitivity is thoroughly connected to the idea of consumer excess. The person who would be ready to pay the surplus instead of going without having an item more than what he does pay essentially is the monetary measure of his satisfaction left-over (Marshall, 1890). Therefore, we should expect customers to have lesser price sensitivity for products which provide greater satisfaction. Price sensitivity ought to decrease as the level of customer satisfaction delivered by organization increases. It is not necessary that firms which are delivering higher customer satisfaction will not have customers who are not much price sensitive, to explain this consider that in competitive classifications customer satisfaction is initiate to be higher for organization even though but price sensitivity may perhaps inferior as the superiority of subsequent best substitute is possibly to be more attractive than would be the situation in less competitive classifications (Eugene W. Anderson).

Per different studies whole valuation of the significance of product or service is grounded on observation of customers that what is expected against what is agreed (Monroe 1990; Zeithaml 1998). According to Weber's law consumers are about to be extra sensitive to a change in the price of less expensive components as compare to a change in the same entire size in the price of more expensive components (Monroe 1971), We anticipated that components which provide customer with less supposed paybacks customers are more price sensitive to those components, therefore when we compare two screens of same total price then contributors will choose partition in which price of component having low anticipated paybacks is lower (Rebecca W. Hamilton and Joy deep Srivastava, 2008)

Per the studies (Christian Homburg, Nicole Koschate and Wayne D. Hoyer 2005), in corporate strategy customer satisfaction has become an essential emphasis. Customer satisfaction would result in improved organization performance according to spontaneous sense of many officials in the preceding, therefore for enlightening and evaluating customer satisfaction many corporations have executed different programs.(Anderson, Fornell, and Rust; Reich held and Sasser 1990; Rust and Zahorik 1993), research supports the belief that there is constructive association between customer satisfaction and economic performance.(Anderson, Fornell and Lehmann 1994) higher financial yields are enjoyed by only those companies that truly accomplish customer satisfaction (MaartenTerpstra, Frank H.M. Verbeeten). Szymanski and Henard (2001) studied that Nevertheless the considerations of the ideas that help to facilitate the association between customer satisfaction and firm effectiveness are quite inadequate (Fatma Demirci Orel, Ali Kara 2013).

Exiting studies found that when there is high level customer satisfaction then that directs to superior customer loyalty (Anderson and Sullivan 1993; Bearden and Teel 1983; Bolton and Drew 1991a, b; Fornell 1992; LaBarbera and Muzursky 1983; Oliver 1980; Oliver and Swan 1989a, b), which consecutively has a constructive influence on profitability of firm (Reich held and Teal 1996). The studies of Mooradian and Olver (1997) Profitability of firm can be increased by satisfied customer in such a way when they deliver new recommendations by spreading positive words of mouth. (Christian et al, 2005)

The research studies of (Maenpaa, Kale, Kuusela, and Mesiranta, 2008), and (Nadir, Hussain, Ekiz, and Erdogan 2008), conclude that customers who are highly satisfied by the company service are ready to spread positive word of mouth rather than the customer who are not satisfied from the company services (Beerli, Martin, and Quintana, 2004).

In marketing, customer satisfaction is a section which is finest considered. In organization, to accomplish structural objectives customer satisfaction is calculated an elementary standard and for organization it is measured a starting point standard of presentation and a probable standard of distinction (Gerson, 1993; Munusamy and Chelliah, 2011). The catchphrase which highpoints a great consideration and significance of customer satisfaction is the shopper is each time correct (Fecikova, 2014).

Customer satisfaction always lead to high profits because consumer make repeat purchases (Steven et al. 2012). There are following reasons why customer satisfaction is important they are listed below:

- It's a foremost pointer of consumer repurchase objectives and loyalty
- It's a point of distinction
- It decreases customer churn
- It rises customer lifespan value
- It diminishes negative word of mouth
- It's inexpensive to maintain customers than obtain new ones
- It supports customer to ready to pay more price which results in less price sensitivity

It is common conviction that due to subjective indication customers read to pay high prices (Finkelman 1993; Reichheld and Sassar 1990). Although it is an important concern, price related consequences of customer

satisfaction and less price sensitivity has been ignored in earlier research studies. Only one research study is available that worked on link between customer satisfaction and price sensitivity and it concluded varied outcomes regarding linear connection between customer satisfaction and price sensitivity at the company level (Anderson 1996). The studies of Baron and Kenny (1986) stated that it is significant to validate that customer satisfaction facilitates the association between service quality and price sensitivity, for the facilitating role of satisfaction the outcomes of a facilitation analysis deliver support (Christian et al, 2005).

Price sensitivity is defined here; price is central element in marketing Monroe (1973). We can take Price sensitivity as observation and attitude of customers when change comes in price of product and services. However, they are many cases which are on the price sensitivity of demand and supply and response of the customers against the price and also judging the reaction of market segmentation (Gatigon, 1984; Kenetkar et al 1992). (Wen-Shinn Low a, Jeng-Da Lee, Soo-May Cheng 2013)

Per Kalyanarm and little (1994) they tell the idea of the negative and positive response towards the price. Consumer has positive reaction when price decrease and negative reaction when price increases because it all depends on the income level as well as on favorability of the product (Hardie et al., 1993; Kalwani et al., 1990; Mayhew and Winer, 1992; Putler, 1992). (Wen-Shinn Low a, Jeng-Da Lee, Soo-May Cheng 2013)

In many studies, there are different conditions which have different types of impact on price sensitivity such as pricing changes (Bolton, 1989 Keneter et al, 1992, Eskin and Penny, 1997; and Home burg, 2007), and purchasing material of product and services. (Wakefield and inam 2003), and product information (Roa and Sibben, 1992), main reason of the research on the price sensitivity is to understand that which are those marketing important weapon and variable which effect the price sensitivity so deeply. (HasanHuseyinCeylana, Bekir Koseb, Mufit Aydin\* 2014)

Customers calculate the satisfaction level of the product and services which they have paid. Per many studies reliable and trustworthy brands lessen the price sensitivity for the ardent customers and finding it very less important to conclude price at every occasion when brand is purchased and for the brand which is loyal to customers. Also, customers give importance to that brand when they compared to others brand (Swait and Erdem 2007). (Michael H. Morris Mary L. Joy)

It is very noticeable that product price has solid and strong impact on purchase choices (Monroe 1973). Research supported that consumer perception do not regularly follow standardizing perspective approach and may be followed by potential biases. Prices cut down, e.g. Not always follow by increase and sometimes decrease of demand of the product (Iea, Terpy and Welbay 1987), since consumer think that the product which has fewer prices than it must be having low quality of the product (Monroe, 1973; Tellis and Geath, 1990). (YingkuiYanga, Hans StubbeSolgaard, Wolfgang Haiderb 2006)

Price sensitivity is apprehensive by different quality related to individuals, purchasing occasions according to requirement of the product. Consumers get more aware about the price sensitivity when the product is use for high-living purpose rather than normally use of purpose. This effect is coming by income level of the consumers. customers are conscious about the price when he has low income level consumer must think about the purchasing of expensive product or those products and services which have high prices. (Wake field and Inam 2003). (Sangman Hana, Sunil Gupta, Donald R. Lehmann)

Price also has a great result on sales and productivity for the business organization (Hen at all 2001:436), price have directly effect on different area of market e.g. market segmentation, positioning, market share and different marketing program of the selling companies so that's why companies give full attention while setting price of the product and services. (Sangman Hana, Sunil Gupta, Donald R. Lehmann)

Price is directly related to consumer first choice such as product quality. That's why promotion of the product and services becoming important (Kotler at all 1999). There is diverse judgment and values of the customers, different consumer demand with the price level of the product and the price sensitivity business organization set the different strategies to understand the consumer preferences related to the price (Sexsena 2006:324). In marketing mix price is the most essential factor when change is requiring. Determining the price does not require any investment in advertising development of the product and edifice the distribution channel (Eser at al., 2011:455). (HasanHuseyinCeylana, Bekir Koseb, Mufit Aydin\* 2014)

Mangers usually use three basic strategies. Names are cost based, value based and completion based pricing. Cost based pricing is very easy to use and very frequent in business organization in this price of the product and services can easily examine when there is need to understand and change is required in pricing. (Verma, 2012:82, Kotler at al 1999:699) (Michael H. Morris Mary L. Joyce)

Next is competition base pricing it is linked with the pricing of the competitors. Consumer narrates the price of the product with the rival's product and compares the quality of the product with the price that what competitors offered. (Ester at al 2011:466), value based pricing based on the value which is emotionally involved to the consumers. (Roe 2009) (HasanHuseyinCeylana, Bekir Koseb, Mufit Aydin, 2014)

Organization should be careful in maintaining low consumer price sensitivity since it enhances their ability to extract price premiums that create place to improve their long-standing profitability, when customers are satisfy with the price of the product they will never move to the substitute, as well as quality matters in that case too. (Shankar and Krishnamurthy 1996).

The result of frequent different factors on price sensitivity has earlier been studied, including the conclusion of consumer satisfaction (Anderson 1996), the effect of brand consistency (Krishnamurthy and Raj 1991), the effect of reference price, purchase frequency, and brand reliability (Kalyanarm and Little 1994) and the outcome of advertising. (Kalra and Goodstein 1998 Krishnamurthy and Raj 1985; Papatla 1995; Wittink 1977).

The first three studies cited above paying attention on the effect of consumers' post purchase experience on price sensitivity, whereas the latter ones focused on the effect of consumers' pre-purchase knowledge on price sensitivity, here knowledge means quality, experience and price of the product. Because of these studies, we know that, whether before or after, purchase experiences must affect the price sensitivity of consumers because they go through the experience of the product good or bad.

#### ***Relationship between Customer Satisfaction and Price Sensitivity:***

This study observes the relationship between customer satisfaction and price sensitivity, that satisfied customers is agree to pay the maximum price. This study concludes that positive relationship between changes in customer satisfaction and changes in price sensitivity but negative relationship between the levels of customer satisfaction and levels of price sensitivity. This study connected with the social exchange theory and equity theory to build the relationship between customer satisfaction and price sensitivity.

Social exchange theory comes out with the intersection of economics, sociology and psychology. Per Humans (1958), it was established to be familiar with the social behavior of humans which goes around in the economy. Literature (La Gaipa, 1977; Nye, 1979; Emerson, 1981), Specifies that social exchanges follow three suppositions:

- (1) Social behaviors are the progression of give-and-take.
- (2) Individuals attempt to take advantage by the rewards and reduce costs.
- (3) When an individual gains reward from a third party, he/she feels obliged to return the approval. When a party handovers assets (Products/services vs. money /time) to another, he/she expects to receive similar response.

The parties involved attempt to reduce costs and maximize revenues, the collaboration between two parties results in different conditions. Where the parties change their capitals to fulfill the expectation of each other's (Homans, 1958). If one party senses that the exchange was balanced, then per equity theory (Adams, 1963), it will usually take no action because what it obtains from the exchange (outcomes) is coordinated with what it takes to the exchange (inputs). If one party feels that the exchange was discriminating, it will be change into the sense of injustice. Customers typically measure their satisfaction with a product or service by its imaginary value at the price they have paid and the cost experienced in attaining the product or service, normally in contrast with another similar purchase or another customer with a similar purchase. If the price paid for a product/service was high, and the outcome was not the according to the expectations, then they will take it as injustice may desire the customer to bring back equity in the exchange. The customer may become unwilling to promise further to that purchase or future purchases from same retailer because price sensitivity rises. Furthermore, if, customer satisfaction was high, then the customer would be purchase more because he or she gets the services as he thinks about it and will make repeat purchases from the same retailer. Satisfaction of the customer also have great impact on the price sensitivity, because if the customer is loyal to the company then he will make repeat purchases it is only possible when the customer is satisfied. So, that's why companies are more concern about the making their customer more loyal by satisfy the needs and want of the customers. It means that if you provide an extraordinary level of service that generates high customer satisfaction, your customers will be ready to pay more for the product and services.

#### ***Moderating Effects of Service Quality:***

Services are dissimilar from goods because services are intangible, in the sense of the production involvement and the delivery on the other hand goods quality can be calculated by objective features such as constancy and the presence of defects (Crosby, 1979; Garvin, 1983), service quality is more conceptual and difficult to understand because quality is only in part in the environment of the service maker. It is also in customers' perception and subjective reactions when the service received (WasesoSegoro2013)

Thus, at the individual level of examination researchers have focused on issues such as identifying factors that influence customers' perceptions of service (Schneider et al., 198) service quality is more conceptual and complicated to measure because quality is only partially the service rendered it is also in customers' perceptions and subjective reactions to the service received. (Jennifer M. George, Gareth R. Jones)

Above all (Parasuraman et al 1988), define service quality as the degree and direction of the inconsistency between customers' perceptions of service and their hope for service. This definition is steady with the work of other marketing researchers (e.g., Churchill and Surprenant, 1982; Gronroos, 1982; Sasser et al., 1978). By expectations for service, customers always want the services as what they think about the quality of services should be like that what they have paid for.

The distinctive characteristics of services are intangibility; perish ability, inseparability, variability, ownership simultaneity quality measurement (Parasuraman et al 1988).

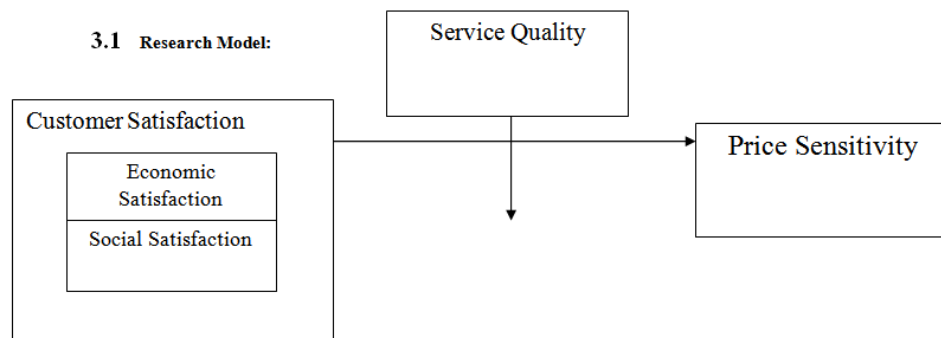
According to the American Society for Quality regarding technical usage, quality can have two meanings (1) the characteristics of a product or service that satisfy needs and wants of customers (2) a product or service without deficiencies and problems. (ASQ Website, 2014). (Rachna S. Singh 2014)

The most known experts who have been researching quality for more than 30 years are (Crosby 1979, Deming 1986 and Juran and Godfrey 1988). According Crosby 1979 defined quality as "conformance to requirements." They said quality cannot be simply define in single phrase, because it's all about the satisfaction that customer pay price for the services, whereas juran's study 1988 said quality means fitness or use.

**H1.** Price sensitivity decreases when economic satisfaction increases

**H2.** Price sensitivity decreases when social satisfaction increases.

**H3.** Service quality has moderating effect on customer satisfaction and price sensitivity.



*Fig.1. Conceptual Framework of This Study*

Grounded on theories and hypotheses of this study which is defined above in detail, the conceptual framework of this study is presented in Fig.1. in the conceptual framework of this study customer satisfaction is allocated into two parts, economic satisfaction and social satisfaction and the effect of each is inspected on price sensitivity in courier service and service quality is used to examine whether there is moderating impact on the relationship of customer satisfaction and price sensitivity in courier service. In our conceptual framework, we examined economic and social satisfaction as independent variables, price sensitivity as a dependent variable and moderating effect of service quality in the area of courier service. Therefore, our study used convenient sampling of respondents who are students and employees. Respondents were requested to answer the questions related to independents variable customer satisfaction (economic satisfaction and social satisfaction) and related to dependent variable price sensitivity and moderating impact of service quality on relationship of customer satisfaction and price sensitivity.

## RESEARCH MATHODOLOGY:

When variables are identified in problem situation and framework is developed then next step is to design the research in a way that the necessary data can be collected and investigated to arrive at a solution. Many issues for instance purpose of study (exploratory, descriptive, hypothesis testing) type of investigation, its location (e.g. Study settings), to extent to which it is manipulated or controlled by researcher (extent of researcher interference), its temporal aspects (time horizon) data collection, sampling design, and data analysis are debated in this segment (**Uma Sekaran**).

Studies can be exploratory, descriptive or hypothesis testing. Studies that involve in hypothesis testing generally explain the nature of certain relationship, or establish the differences among different groups, or the independence of two or more variables in a situation. Hypothesis testing explains the improved understanding of the relationship that happens among variables. Purpose of our study was to check relationship among variables customer satisfaction and price sensitivity. Thus, the type of our study is hypothesis testing. We made a conceptual framework of the study and then tested that framework.

Researcher should define whether a causal or a co-relational study is needed to find an answer to the problem at hand. Causal study is done when it is necessary to form a definitive cause-and-effect relationship. Though, if researcher wants an ordinary identification of the important factors which are associated with the problem, then a co-relational study is conducted. Our study is causal study in which we are interested into definite cause-and-effect relationship of independent and dependent variables.

It may be an interesting fact that sometimes attempts are made to form cause-and-effect relationships by using different type regression analyses. Whether a study is a causal or a co-relational it depends on the which type of research questions are asked and how the problem is well-defined.

When study is conducted in a natural setting that means we are simply observing our subjects of study in "life" environments. Because of no way of persuading what subjects are doing, this method can be time consuming to collect the information that we are particularly trying to attain for our project. Otherwise, the data that is gathered in a natural setting does have more exactness in reflecting "life" activities when compared to contrived behavior. Our study setting is done in natural environment where work proceeded normally so our study is non-contrived.

The degree of interference by researcher at workplace with normal course of work has a direct bearing of whether the research conducted is co-relational or causal. Our study is cause-and-effect study with normal flow of work and minimal interference and conducted in natural environment. The unit of analysis means the degree of accumulation of the data collected during the following data analysis stage. So, the respondents of our study are individuals. When data are collected just once, over a period of days, or weeks, or months to respond to research questions of study, are called one-shot or Cross-sectional studies. Our study is cause-and-effect study for which data are collected over a period of days.

The method of data collection of this study is questionnaire method; this method of data collection is very popular where there are many inquiries. Questionnaire is sent to people with request to answer the mentioned questions and return the questionnaire it can be mailed to samples who are required to read and understand the questions and write their answers in given space.

**DATA ANALYSIS:**

Data analysis is organized method of utilizing data to address research questions in which facts and figures are put together to solve research problem. We can say that it is method in which issues are broken down through consuming controlled data and information.

Descriptive statistics is one which use sample information to describe abstraction of population "phenomena". Here we will be discussing the results of our study regarding the reliability of our variables and analysis of demographics and other related material.

Value of Alpha for independent variables economic satisfaction and social satisfaction were .689 and .519 respectively which were a reliable values and total numbers of items/questions of economic satisfaction were 4 and for social satisfaction the number of items were also 4. Dependent variable was price sensitivity and value of Alpha for price sensitivity was .567 which was reliable and total numbers of questions for price sensitivity were 3. Service quality is our final variable which is a moderator and value of Alpha for service quality was .826 which was very good and total numbers of items for this variable were 15. Thus, our pre-testing was reliable so we didn't exclude any of the items from our variable and moved forward to our respondents for further responses.

**Table no 2**  
**Reliability analysis**

S.NO	Construct	Chronbach's Alpha
1	Economic satisfaction	.689
2	Social satisfaction	.519
3	Price sensitivity	.567
4	Service quality	.826

After getting response from our desired and required numbers of respondents which were 300 we did final reliability testing. Value of Alpha for independent variables economic satisfaction and social satisfaction were .820 and .713 respectively with 4 number of items of social satisfaction and 3 number of items of economic satisfaction, we have excluded one of the item of economic satisfaction for better results, for dependent variable



which is price sensitivity our reliability was .809 with 3 numbers of items and for moderator which is service quality value of Alpha was .825 with 15 numbers of items. Thus, our questionnaire was reliable and all variables of questionnaire had reliable value.

**Table no 3**  
**Reliability analysis**

S.NO	Construct	Chronbach's Alpha
1	Economic Satisfaction	.820
2	Social Satisfaction	.713
3	Price Sensitivity	.809
4	Service quality	.825

**Table no. 4 Profile of respondents**

Variable	Category	Frequency	(%)
Age	Under 20	122	40.7
	21-25	132	44.0
	26-30	13	4.3
	31-35	13	4.3
	36 and above	20	6.7
Gender	Male	120	40.0
	Female	180	60.0
Job status	Employed	47	15.7
	Student	228	76.0
	Unemployed	25	8.3
Education	Under graduation	126	42.0
	Graduate	62	20.7
	Post graduate	105	35.0
	Other	7	2.3

Data from our respondents was collected from the Rawalpindi and Islamabad and all the respondents were students and job holders. The table no is the profile table of the respondents. As we could see that mostly the numbers of respondents were between the age of 21-25 and under 20 and their percentages are almost 44% and 40.7% respectively followed by 26-30 4.3%, 31-35 is also 4.3% and 36 and above 6.7%. The reason for most students between the ages of 21-25 is that they belong to masters and under graduation level and most students in the universities are studying under graduation and master's level that's why most of our respondents were under graduation and master's level. We tried to have balance between males and females, as we know that courier services are the common way to deliver important documents, gifts, parcels etc. from one place to another. Thus 40% of our respondents were male and 60 % were female and all of them were using different courier services.

The above table exhibits the different preferences of courier services by our respondents. As we can see that local and international courier services are working in the markets of Pakistan thus we listed the most popular international and local courier services companies being used by our respondents. We had discussed it earlier in

industry review that TCS is leading the courier services sector in Pakistan with market share of 45%. Our findings demonstrate that 58.3% of respondents are using TCS, 12% DHL, 10% TNT, and almost 17.7% are using Leopards courier, other 2% were using comprising of other courier services FedEx, OCS, UPS etc. Our study is limited to two cities not all over Pakistan and our respondents were students and employed persons.

The second method of statistical/mathematical is inferential statistics which use sample statistics to conclude some “phenomena” of population limitations.

**Table no. 5 Coefficients**

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	std. error			
Economic satisfaction	-.130	.058	-.124	-2.258	.025
Social satisfaction	-.511	.070	-.421	-7.555	.000
a. Dependent Variable: price sensitivity					

**R<sup>2</sup>: .226**

**F value: 43.299**

**Sig: .000**

From the above table of reliability of individual coefficient, we can find out whether H1 is accepted or rejected. If the value of “sig” is less than 0.05 then we can assume that the estimate in column "B" of coefficient table can be asserted as true with a 95% level of significance. If the value of "sig" is above 0.05, then the estimate in "B" is unreliable and statistically insignificant, this means the hypothesis we assumed is rejected. Thus from the above table value of “sig” of economic satisfaction is .025 and the value of “sig” of social satisfaction is .000 and the value of “t” for both the independent variables are -2.258 and -7.555 respectively thus the un standardized value of “B” for economic satisfaction is -.130 which is 13.0% decrease in dependent variable which is price sensitivity as a result, and the unstandardized value of “B” for social satisfaction is -.511 which means that 51.1% decrease in dependent variable which is price sensitivity as a result. From these results, we can say that there is inverse relation between independent variables and dependent variable and the results are significant and supported the hypothesis. So, we accept H1 and H2. H1 is economic satisfaction increases when price sensitivity decreases and H2 is social satisfaction increases when price sensitivity decreases. R square measures the proportion of variation in dependent variable (price sensitivity) that was explained by the variation in independent variable (economic satisfaction and social satisfaction). R square shows that 22.6% of variations were explained.

To find out the moderating effect of service quality on our dependent and independent variable, customer satisfaction was multiplied with service quality and then regression analysis was being done, following are the results:

**Table no.5.1 Coefficients**

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	std.error			
1			Beta		
Economic satisfaction	-.730	.046	-.694	-15.745	.000
Social satisfaction	-.807	.045	-.665	-18.090	.000
Moderator	.425	.020	.979	21.065	.000
a. Dependent Variable: price sensitivity					

**R<sup>2</sup>: .690**

**R<sup>2</sup> change: .464**

As we can see that due to change in 1 unit of moderator (service quality) there is 42.5% change in price sensitivity which shows that there is a positive impact of service quality on the relationship of customer satisfaction and price sensitivity and there is a significant relationship between them. Thus, we accept which is service quality moderate the relationship of customer satisfaction and price.

Results shows that 69.0% was the variation in dependent variable because of the moderating effect of service quality and service quality moderates 46.4% change between the relationship of independent and dependent variable and the results were totally significant.

## **DISCUSSION AND CONCLUSION:**

This study results in acceptance of H1, H2, and H3. H1: Price sensitivity decreases when economic satisfaction increases. H2: Price sensitivity decreases when social satisfaction increases. H3: Service quality has moderating effect on customer satisfaction and price sensitivity. We found that there is inverse relationship between economic satisfaction and price sensitivity when customers are highly economic satisfied then price becomes of less consideration similar relation is between social satisfaction and price sensitivity and we concluded that service quality has moderating effect on customer satisfaction and price sensitivity, it moderates the relationship between independent variable and dependent variable. One research explained that when products and services satisfy the demands or wants of customers and established relationship between customer and company then price becomes of less consideration, there should be association between customer satisfaction and price sensitivity. Satisfaction may result from products which is called “Economic Satisfaction” or may from salesperson through interaction which called “Social Satisfaction” (Detiveaux and Rooney, 2001). When the level of quality is not as customers expect then price sensitivity will be high. Customer will become more concern about the price (Sasser et al., 1978). So, customer satisfaction can only be achieved when the service quality is as customers expect and demand. It should have consistency when customers make repeated purchases of it. Service industries hold greatly different uniqueness, thus the related benefits of what the consumer wants may vary according to the different types of services provided to them (Lovelock, 1983) Customer satisfaction is an important indicator among the competitiveness. Different studies have cleared the concept that perceived service quality is related to customer satisfaction and ultimately price sensitivity. Many studies show the importance of service quality extents on customers’ satisfaction which helps companies to retain highly satisfied customers who do not bargain and for them price is not of much importance. That’s the way service quality has moderating effect on the relationship of consumer satisfaction (economic and social) and the price sensitivity.

### ***Managerial Implications:***

The independent variables which we have studied in our research are economic satisfaction and social satisfaction and the dependent variable is price sensitivity. Economic satisfaction is the most important determinant to reduce price sensitivity, courier services provider may retain their existing satisfied customers by delivering best services which they perceive against the price paid and economic satisfaction is based on responsibilities that how well they are responsible to their services offered. Social satisfaction is another most significant determinant of price sensitivity, courier services provider may retain their customers by building interpersonal relationships with customers which is built on appreciation, trust and responsiveness, they may train and educate their salespeople to interact well to their customers.

Grounded on the investigation of survey data collected from students and employees this study has several suggestions for scholars. The viewpoints of this study (economic and social satisfaction) extend our knowledge about price sensitivity and service quality. Second, this study found that there is an inverse and significant relationship between economic satisfaction and price sensitivity and social satisfaction and price sensitivity. Third, as stated by equity theory, if the customer perceives injustice then this will lead the angry customer to reestablish fairness in the exchange.

Four, from the findings of this study managerial recommendation are drawn. First, courier services companies should deliver satisfactory services to their clients, like delivery on right time and right place with safety and their services must be insured, they should assess the service quality to retain their satisfied customers. If the delivered services meet customer needs and expectations, then price is not much of an issue for consideration. Courier services providers can increase profitability through this tactic. Second, courier services providers can reinforce service quality and interactive relationships between salespeople and consumers to lessen price sensitivity. Our investigation of this research recommends that companies providing courier services should:

- Select a variety of intensities of service that is considered acceptable based on cost, type of clients, product, market, and industry
- And have courier service providers differ the level of courier service provided to clients within the range which based on exact insights of customers' longings. We see this as the very core of quality customer service provided by courier service providers. Although Customer service quality is most significant in the management of courier service organizations. Organizations which are related to services and retail businesses are facing more and more competitive environments these days.

The best path to success in organizations which are providing courier services is the quality of services that directs to high customer loyalty and that leads to high profitability of organization. And this is also studied that customers who receive high service quality are remained with courier services provider and contribute to profitability of that organization and influence the productivity of organization.

#### **Limitations and Future Recommendations:**

It should be noted that our study has definite limitations. Possibly the main limitation of this study is the representativeness of the samples. As it was a convenient sample collected from a students and employees in Rawalpindi and Islamabad therefore, its generalizability to the whole population is inadequate because it was restricted to a specific demographical area that is Rawalpindi and Islamabad. Even though the sample size was satisfactory for our research work, our findings should be simulated using larger samples taken from different geographical areas. Another limitation of this study was lack of resources such as financial resources. Data state to inadequate time which means the advancement of relationships between customer satisfaction and price sensitivity cannot be estimated in the long term. So, by extending the time limit would let these findings to be tested in the setting of greater variability of competitive situation area. In our study, we examined the moderating role of service quality on the relationship of customer satisfaction and price sensitivity so it is important that future studies incorporate other moderating and moderating factors in examining the impact of customer satisfaction (economic and social) on price sensitivity. The role of availability, brand equity, credibility, on customer satisfaction may be used as moderating factors for future research. To improve the generalizability of our research findings, future examinations could work on great expanded samples and in more areas of Pakistan and our study is limited to cities within Pakistan and in courier services, so in future it can be from services to logistics sector and outside the Pakistan.

#### **Conclusion:**

This study has conducted on the courier services sector of Pakistan. Exploring the impact of customer satisfaction on price sensitivity in courier services sector it was studied in Pakistani context. Data was collected from students of different universities of Rawalpindi and Islamabad and employees of different organizations. All variables of this study were found significant. Impacts of economic and social satisfaction on price sensitivity were significant and inverse. When service quality included as moderator in regression analysis the impact between customer satisfaction and price sensitivity increased this shows the partial moderation, Barron and Kenny (1986). Study explained economic satisfaction and social satisfaction has significant and inverse effect on price sensitivity

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