

## **Impact of Price sensitivity on Customer Satisfaction: An Empirical Study in Retail Sector.**

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**Abstract:** *This study examines the impact of price sensitivity on customer satisfaction in retail sector. A total of 282 customers of Retail customers of Jammu city were interviewed on census technique basis for the above purpose. Tools like Exploratory factor analysis, Inter-Correlation, Analysis of variance, Multiple Regression analysis was carried out. The result revealed that there is a significant association found between all the price sensitivity factors and the customer satisfaction. While analyzing the antecedents of Customer satisfaction, factors like honesty and fairness are significantly influenced*

**Keywords:** *Fair trade, Customer, Satisfaction, Pricing sensitivity, Practices.*

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### **I. Introduction**

The rise of global retailers has led to a remarkable shift in power from supplier to retailers (Warne 1976) and the growth of global retailing has been relentless over the past few decades. The landscape of Indian organised retailing practices is evolving from the plethora of retailing activities that India has experienced since times immemorial. However, the face of the Indian retail industry is changing and experiencing a retail boom today. India has come a long way from the traditional Kirana stores and is now on its way to becoming a 'mall country'. In the 21<sup>st</sup> century, retailers have numerous products/ services which have different features to suit the requirements of different markets (Damant 2002) and also provide goods and various services for the benefit of the customer. However, they are least bothered about educative and informative programmes and thus fail to understand or develop business perspectives focusing consumers with transparent and objective grievance redressal procedure (Chao and Rajendran 1996). Similarly, the responses for the knowledge of consumer rights with the action taken against the infringement of these rights are quite low (Kumar and Batera 1990). People lack confidence over the government machinery to protect these rights (Mayer 1998) and they blame retailers and government machinery for showing cold shoulder to their voice (Averitt and Lande 1997). However, various authors hold a contradictory opinion and they observe that retailers take interest in the problems of the customers, give them advice on buying decision, give personalised service and to overhaul the functioning of retailing activities with a view to rendering adequate (Anderson and Cunningham 1972) and satisfactory services to the customers at large.

Customer is both the beginning and end point of retailing practices. As such, it is a customer who determines the type of product, its quantity, quality, price etc. In retailing practices, the emphasis has shifted from just reasonable pricing to convenience, efficiency and ambience. A reorientation has been observed towards promoting services and bestowing improved customer service in the retailing sector. Retailers have adopted new culture by identifying and fulfilling the wants and needs of the customers in order to differentiate themselves from their competitors. On the other hand, consumers demand healthy skepticism and effective consumer practices in handling consumer transactions ranging from tip to toe. They expect effective communication with the retailers while resolving complaints and problems arising out of consumer purchase of goods and services. However, it requires a successful marketing strategy in order to provide best service quality to their customers and thereby strengthen consumerism.

The last two decades have witnessed an over expanding interest in quality products. One can see a wave of awakening and an upsurge of enthusiasm for the rights of consumers. The awareness is the key that can ensure that not only customer gets a fair deal; the manufacturing as well as the services sector shall become efficient, transparent and accountable.

### **II. Review of Literature**

(Ganesh et al., 2000) observed that Customer expectations are higher than perceptions and this gap varies across the retailing sector with tangibility having the highest impact on overall customer satisfaction. (Finn, D.W., Lamb, C.W., 1991) examined that service quality is having a positive and significant correlation with customer satisfaction, positive word of mouth and loyalty intention. (Cronin, J. J., & Taylor, S. A. 1992) in their empirical study found that there is no significant difference in the level of satisfaction of the respondents belonging to different age, education and occupation except income. (Kim, H.D., Shin, H.B., & Song, S.H.

2005) stated that all the service quality attributes are positively correlated with customer satisfaction. (Ganesh et al., 2000) determined that Service quality and customer satisfaction had a direct positive effect on customer's retention intentions out of which Customer satisfaction is a stronger predictor for retention. (Yoo, Y. S., Cho, K. M., & Cho, S. S. 2003) found that customer with higher perceptions of the value of the service results in turn with greater satisfaction. (Ganesh et al., 2000) found that Customers' perceptions, attitudes and intentions are being affected by employees' experiences and attitudes who are the internal customers of the organization. Satisfaction refers to the amount of satisfaction which the consumers identified during the course of discarding their products, such as simplicity, comfort and the environmental friendliness of the product at the time of dumping (Zeithaml, V. A., Parasuraman, A., & Berry, L.L. 1990).

### **Objectives**

The objectives of the present study restrained to:

1. To exhibit the profile of the Customers
2. To study Customer Perception on Rules and Regulations, Honesty and Fairness in the context of Indian retailing sector.
5. Evaluate the impact of pricing sensitivity factors on customer satisfaction in retail sector.

### **Hypotheses**

- 1 All the factors of price sensitivity significantly contribute towards customer satisfaction.
- 2 There is a positive impact of price sensitivity on customer satisfaction.

## **III. Research Method**

In order to fulfill the proposed research objectives, this empirical research was carried out with the primary data collected through a well-designed questionnaire which has two parts. The first part contains the general information like Status of age, gender, marital status, educational qualification and occupation, and the second part contains thirty two items compiled with pricing sensitivity variables and customer satisfaction. All these variables were measured with 5-point Likert-type scale ranging from 1- Strongly Disagree to 5- Strongly Agree. Census sampling was carried out and the questionnaire was personally administered with 282 customers in retail store of Bakshi Nagar area of Jammu city.

## **IV. Data Analysis and Results**

Statistical tools like Factor Analysis, Analysis of Variance (ANOVA), Correlation and Multiple Regression analysis are applied for analyzing the data collected. The collected data have been analyzed with SPSS 17.0 package. From the table 1, it is seen that the majority of the customers are found to be Male with 72%. Among the 282 customers interviewed, most of the customers were found between the age limit of 25-34 years with 42%. Regarding Educational Qualification, it is seen that 44% of customers were found graduate standard. As occupation plays an important role in the savings habit of the customers, it is seen that 48% of customers are doing service. Since the perception of price sensitivity is mainly based on the marital status of the customers concerned, out of the total customers interviewed, it is seen that 81% of the total customers are married.

### **Reliability Analysis**

To check the reliability Cronbach's Alpha and split half value have been worked out. The test has been applied twice i.e. before and after factor analysis by dividing the respondents into two equal halves. The data were found as reliable before the Factor analysis as mean values of both groups (Group I=3.89 and Group II =3.84) are almost similar. Similarly, after Factor analysis, the data have proved quite satisfactory in terms of split half reliability as mean obtained from both halves of respondents are satisfactory (Group I 3.87 and Group II 3.78. Moreover, Cronbach's Alpha Value also proved reliable before and after factor analysis as it came to be 0.921 and 0.892 respectively and the overall cronbach's Alpha arrived at 0.960 (Table 2).

### **Factor Analysis**

Factor analysis is a statistical technique used to describe variability among observed and correlated variable and also to reduce data by identifying representative set of variables to smaller in number, by partially or completely replace the original set of variables. In this study, exploratory factor analysis (EFA) a statistical method is applied to identify the underlying relationships between measured variables. The PCA run on two important dimensions i.e. Pricing Sensitivity (Independent Variable) and Satisfaction (Dependent Variable) and the results indicates that the variables are taken for further analysis (Table 3 & 4).

### **Pricing Issues**

PCA was carried out on 11 items of pricing issues and this process got completed in one round. In the first round after 6 iterations, three factors emerged with 73.85% VE and no items were deleted. 11 statements were identified from the total of 11 under above said factors with 5 in first factor and 3 each for second and third factors (Table 5). The KMO value (0.659) attain first round.

### **Satisfaction**

Rotation in this dimension of the construct for supporting the consumer movement in retail sector converged in 9, 10, 8, 6 and 5 iterations in first, second, third, fourth and fifth rounds respectively with KMO values of first round (0.660), second round (0.613), third round (0.604), fourth round (0.630) and fifth round (0.648). The items with high loadings on more than one factor were discarded and the loadings with less than 0.5 were also ignored. After several rounds of additions and deletions, 7 statements were identified from the total of 21 under 2 factors with 3 for the first and 4 for the second factors (Table 5).

## **V. Analysis and Interpretation**

### **Correlation Analysis**

In order to find the level of Inter-Correlation among the factors considered in this study, correlation analysis is carried out for all the reduced three factors through factor analysis and result showed that all the factors were positively correlated since the 'r' value is significant at 0.01 levels (2-tailed), (Table 6).

### **Analysis of Mean Performance of Pricing Sensitivity Dimensions**

The Mean performance of Pricing Sensitivity Dimensions are analyzed by finding the mean value of the variables of each factor and the result score is listed in table 7, it is seen out of the three factors, rules and regulations is having the highest score (4.02) then honesty (3.72) and fairness (3.56).

### **H1: There is a significant association between the Pricing Sensitivity factors and Customer Satisfaction**

In table 8, it is seen that there is a significant association between Pricing Sensitivity factors and the Customer satisfaction as the F-Statistics is significant at 5 percent level. Hence the H1 is accepted.

### **H2: There is a positive impact of pricing sensitivity on customer satisfaction**

In table 9 illustrates the impact of Pricing Sensitivity on Customer Satisfaction. The significantly influencing Pricing sensitivity factors are honesty and fairness. A unit increase in the above said factors increases the Customer Satisfaction in retailing sector by 0.563 respectively. The change in the relevant independent variables explains the change in Customer Satisfaction in Indian retailing sectors to the extent of 56.30 percent since R<sup>2</sup> value is 0.563. Thus, H2 is accepted.

## **VI. Discussion**

By analyzing the impact of pricing sensitivity on customer satisfaction, it is observed that out of three factors of pricing sensitivity, rules and regulations is having a high Mean score. Regarding the association between the pricing sensitivity factors and the customer satisfaction, it is seen that there is a significant association between them.

While analyzing the antecedents of Customer satisfaction, it is seen that the factors honesty and fairness, are significantly influenced and also explained the relevant changes in the Independent variables considered. From the result of this study, it is clearly seen that the pricing sensitivity maintain by the retail sector is having a positive impact on customer satisfaction.

## **VII. Limitations and Future Research**

Although this study dealt with the customer perception towards pricing sensitivity and its impact on satisfaction, the sample size considered is very small and surveyed in Bakshi Nagar area of Jammu city. The results obtained may not be suitable as a whole having customers with different demographic profiles. Empirical research may be conducted comparatively with other sectors so that pricing sensitivity and its impact on customer satisfaction across the different contexts or organization can be measured and can be utilized for future development and improvement.

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**Table 1: Demographic Profile of the Respondents**

Variables	Demographic Classification	Frequency	%Age
Gender	Male	203	72.03
	Female	79	27.97
	Total	282	100
Age in Years	15-24	45	16.06
	25-34	119	42.04
	35-44	74	26.4
	45-54	18	6.5
	Above 54	26	9.0
	Total	282	100
Qualification	Secondary	19	6.6
	Higher Secondary	37	13.2
	Graduation	125	44.4
	Post-Graduation	81	28.6
	Higher Qualification	20	7.2
	Total	282	100
Marital Status	Married	229	81.3
	Un-Married	53	18.7
	Total	282	100
Occupation	Service	136	48.2
	Business	27	9.4
	Student	65	22.9
	House Wives	41	14.6
	Retired	13	4.9
	Total	282	100

**Table 2: Reliability statistics**

Reliability Statistics	
Number of Variables	Cronbach's Alpha
32	0.960

**Table 3: Factor Analysis values for the Pricing Sensitivity Dimension**

S. No	Pricing Sensitivity Factors	Number of Variables in each factor extracted	Eigen Values	Percentage of variance explained	Cronbach's Alpha	KMO
1	Rules and Regulations	5	12.265	54.721	0.949	0.659
2	Honesty	3	1.065	6.542	0.923	
3	Fairness	3	1.256	6.425	0.854	
	Total			67.688		

**Table 4: Factor Analysis values for the Satisfaction Dimension**

S. No	Satisfaction	Number of Variables in each factor extracted	Eigen Values	Percentage of variance explained	Cronbach's Alpha	KMO
1	Comfort	3	14.423	61.723	0.943	0.726
2	Consumer Oriented	4	2.065	9.875	0.917	
	Total		1.857	71.598		

**Table 5: Brief Profile of Data Purification**

Variables	No. of Rounds	% age of Variance Explained	Items of Emerged	No. of Factors Extracted	Iterations	No. of Items Deleted	KMO
Pricing Issues	1	67.688	11	3	6	-	0.659
Satisfaction	1	71.598	22	4	9	4	0.660
	2		18	3	10	6	0.613
	3		12	3	8	3	0.604
	4		9	3	6	2	0.630
	5		7	2	5	-	0.648

**Table 6: Inter-correlation analysis between the factors of Pricing Sensitivity Dimension**

Variables	Rules and Regulations	Honesty	Fairness
Rules and Regulations	1		
Honesty	0.775	1	
Fairness	0.776	0.721	1

\*\* Correlation is significant at the 0.01 level (2-tailed)

**Table 7: Performance of mean score of Pricing Sensitivity factors**

S. No	Pricing Sensitivity Factor	Mean score
1	Rules and Regulations	4.02
2	Honesty	3.89
3	Fairness	3.56

**Table 8: Association between the Pricing Sensitivity factors and the Customer Satisfaction (F-Statistics)**

	Rules and Regulations	Honesty	Fairness
Customer Satisfaction	9.095	5.180	6.082

**Table 9: Antecedents of Customer Satisfaction - Step wise Regression Analysis Results**

Dependent Variable	Independent Variables	Standardised Regression Coefficient (B- Beta)	t- value	p- value
Customer Satisfaction	Constant		4.984	.000
	Rules and Regulations	0.690	3.586	.001
	Honesty	0.350	1.996	.052
	Fairness	-0.069	-0.412	.682
	R <sup>2</sup>	0.563		
	Adjusted R <sup>2</sup>	0.514		
	F-value	11.356		.000