

The Impact of Economic Satisfaction on Price Sensitivity among the Customers of Grocery Stores

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ABSTRACT

Product price is among the most important decision-making variables for both consumers and retailers. Price is observed as an important and effective element in promoting new products. Price sensitivity is the level of customer's reaction when confronted with the increase of price by providers of services. Being informed of customer's price sensitivity always helps producers to meet and gain customer satisfaction. Customer satisfaction is a kind of emotional reaction that is determined based on meeting consumer's or service receiver's expectations before purchase whether the expectations are adaptable with real after-purchase service and production or not. In this regard, the present research aims at investigating the impact of customers' economic satisfaction in their price sensitivity in the stores of the west Mazandaran. The statistical population in this research is the customers of food stores in the west of Mazandaran. The total number of the research samples is 385 customers. The methodology is applied and field in terms of objective and data collection, respectively. Questionnaire was the data collection tool. The results of testing hypotheses indicate the confirmation of the first hypothesis and rejection of the second one. On this basis, an inverse relation exists between economic satisfaction and price sensitivity. In addition, the strength of the inverse relation between economic satisfaction and price sensitivity in males than females is rejected.

KEYWORDS: Economic Satisfaction, Price Sensitivity, Gender

1. INTRODUCTION

In today's highly-competitive markets, customer satisfaction has received considerable attention among marketing researchers. Organization needs producing and offering goods and services that create satisfaction and loyalty to organization to survive in these highly-competitive markets. Traditionally, customer satisfaction is considered as a crucial and determining factor in customers' long-term behavior. More satisfied customers are more determined in their repurchase, transfer the positive points of their consuming product or service to others and have considerable financial benefits for organization. Thus, it is no surprise that one of that main objectives of organizations is seeking and managing customer satisfaction [1]. Satisfied and belonged customers are regarded as long-term capital with high profitability. Therefore, each organization should take account of its customers' needs and satisfaction in order to survive [2]. Price Sensitivity (PS) refers to customer's demand change that is resulted from change of prices. When goods meets customers' demand, and makes relationship with them, price is a lower priority. It can be mentioned that the relation between customer satisfaction and price sensitivity is made [3].

2. LITERATURE REVIEW

Although in recent decades, non-price factors have been important in purchase behavior, price is remained as one of the most important and determining pillars of market share and profitability. Any price that company determines its own goods will have different levels of demand for the goods. As the result, it will have different impact for marketing objectives. Any change in sale price can affect the customers, competitors, distributors and sellers of raw material. Customer have more PS to goods, which their cost is high or have high purchase frequency, while the very customers rarely realize the expensiveness of low-price good that rarely purchase them. In addition, a number of purchaser show lower worry over the price of goods. If sellers can convenience customer that the full price of goods is lower than other competitors, can price their goods higher and maintain their market share [4].

Satisfaction is the result of customer's judgment concerning the issue that how much the feature of a product or service is able to meet the customer's expectations desirably. This definition highlights the evaluative nature of satisfaction through which customers determine that whether a product, trademark or store can satisfy their expectations or not [5]. The importance of customer satisfaction for organization is so that satisfied customers are regarded a positive asset for organization, because they increase organization's profit through service reuse, product repurchase or verbal advertisement [2].

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The crucial role of price as a purchase feature is confirmed well like the after-purchase processes. According to marketing theoreticians' view, price is the most important factors determining customer satisfaction, because price is one of the most flexible elements of integrate with marketing that is changed after the change of the features of products and services.

Marketing studies indicate the fact that an organization, to achieve success, should fulfil and identify consumers' and customers' needs effectively, and appropriately in relation to its competitors. Since price is the only element integrated with marketing that generates income directly can be considered an effective factor in customers' decision-making and their loyalty to particular goods [6].

2.1. Economic Satisfaction

Satisfaction can be divided into economic and social satisfaction in terms of tangible products and offering services, respectively. When customers purchase a product, they observe its economic and social aspects [3]. Customer satisfaction is defined economically as the evaluation of the economic income of a member of marketing channel that is resulted from the relation to other things at work such as volume of sales, margin profit and discount. The satisfied member of a channel economically according to maintaining goal can express that has been successful in making relation with the other party and the economic satisfaction results in gaining income [7].

Customer satisfaction of price is regarded as one of the effective factors in marketing, because nowadays customers are more sensitive to value and emphasize the price and value of receiving services and goods. PS is a complex concept and is consisted of different dimensions. It is a psychological factor referring to the difference between price expectation and price perception [6].

Nazari and Bahrinezhad have described the six dimensions of customer price satisfaction according to the model of Matzler et al. [8] as follows:

- Price transparency: When price transparency is achieved that customer can have access to a comprehensive, clear and effortless review of the suggested prices. As a result, if price transparency is at high level, costs of searching and evaluating customer are reduced resulting in a higher level of PS.
- Price confidence: Price confidence means that price is desirable at present and customers will be confident that offered prices are real ones. As much as the price is more suitable from customer's view, defiantly it will bring greater satisfaction.
- Price quality: In goods and services markets in which rating products is according to their quality is an ordinary issue, providers should be confident that the price they receive from their purchaser defiantly indicates the quality of their products.
- Price trust: Price trust refers to whether prices are reasonable or not in customers' view. Price stability exists? Or sudden changes of price are avoided? Customer satisfaction of presenting clear and reliable can increase trust and satisfaction of organization.
- Relative price: Relative price refers to similar prices and confirms the impact that this comparison has on customer's mind. Customer usually compare the price of goods with other similar ones in the process of decision-making for purchase.
- Price fair: It means the correlation of the real price of goods with the accepted price in society [6].

Generally, customer satisfaction of organization's products and services can be considered as the result of two cognitive variables, pre-purchase expectations and post-purchase perceptual inadaptability.

Pre-purchase expectations concerning predicting product and perceptual inadaptability of product show the distinctions between pre-purchase expectations and post-purchase perception of product. Therefore, if customer sees pre-purchase expectations of product in accordance with the perception of the received product, feels satisfaction. On the other hand, if the perceived performance is lower than customer's expectations, the customer experiences dissatisfaction [9]. The rate of customer satisfaction determines the success and failure of company. Thus, knowing that how much customer are satisfied is important. When determining customers' satisfaction rate, the satisfaction rate of other competitors should be regarded in addition to our customers. You may satisfy them more through a way [10].

2.1.1. Price Sensitivity (PS)

Price of products is one of the most important variables affecting consumer and retailer and development of new products and services. Competitive conditions in the market has made pricing as a more important factor in forming marketing and commercial strategies. As a result, pricing has always been the main point in consumer's judgment concerning value goods and retailer's general evaluation [11]. Price means what customers have to pay to receive product or service [12]. Price includes the value that customers probably consider for a product or service. Price is regarded as the initial adjuster of economic system according to its effects on assigning production resources. Price is simply a suggestion or experience to test pulse of market. If customers accept it, it is suitable and if not so, it will be changed rapidly [10].

PS is that rate that the price of a product affects customers' purchase behavior. The degree of PS is different from one product to another among different customers. Customer have more PS to goods, which their cost is high or have high purchase frequency, while the very customers rarely realize the expensiveness of low-price good that rarely purchase them [4].

According to Kim and Lee [13]. Conducted one research concerning Korea's aviation industry, found that PS refers to tendency to pay more for services or products. Certainly, PS in aviation industry may be different from other industries, because in this industry, price is the main driving force of passengers' demands. For a long time, price has been considered as the main factor affecting purchaser's selection and is remain as one of the main pillars determining market share and company's profitability. All profit organizations and many non-profit ones determine price for their goods or goods [4]. Price as an assigner of rare resource determines that what is to be produced (supply) and who receives the produced products (demand) [10].

Valls [14] Divide factors affecting PS into two main groups of internal and external ones:

Internal factors are as follows:

1. Customer's need to gain satisfaction after purchase according to the type of goods: if these needs are in either initial final phases (based on psychological and social conditions), customers will have lower or higher PS.
2. Structure of consumer's values: according to the issue, customers will use one or several behavior code.
3. Consumer's income: individuals who have highest income, purchase more expensive products than those with lower income.

External factors are as follows:

1. Economic status: it plays a crucial role and at present is relevant to economic crisis that began in 2008 and influenced the whole population and undermined the general confidence. PS increased among all society's classes.
2. Inter-competitors competition: as much as competition is higher, market value is more undermined. Therefore, pricing is a kind of paly imposing prices by competitors and when they change prices, long-term strategies of pricing are based on competitive advantages and disadvantages.
3. Circumstance of offering price (pricing): although traditional classification always should be regarded, four pricing models are presented since the middle of 2000s as follows:
 - A) Facilities and access to the market attaching providers to customers directly
 - B) Separation of basic product from by-products
 - C) Discount: this factor has the highest effect than other ones has and customers always show the most positive reaction to price reduction.
 - D) Consideration of free gift or reciprocal facilities
4. Sale channels: each sale channel can select a different price. In fact, consumers from channel to channel seek price-value relation [14].

2.1.1.1. Relation between Research Variables

When goods meets customers' demand, and makes relationship with them, price is a lower priority. In other words, the relation between customer satisfaction and price sensitivity is made, because satisfaction, which is resulted from product (economic satisfaction) can affect PS. Enduring price is completely relevant to the concept of increasing customer. Price increase means customers' tendency to pay rather than paying for something, which its economic value is beyond their satisfaction level. As a result, it is probably expected that customers should have higher price endurance in order to gain more satisfaction that is the main principle of logical economic behavior. Although, customer satisfaction and PS are interrelated, their relation has been considered less in marketing researches and a research that analyzes the effect of customer satisfaction on PS systematically is extremely rare.

Researches indicate that purchase motivation is different in males and females. Apparently males purchase on the basis of their assigned duty, while females have stronger social dissection and the very issue makes them to express more friendly relations to others, enjoy the relations and have inherent satisfaction from some works. Conducted researches concerning informational strategies indicate that males' purchase is affected by the product and rely on their own knowledge and judgment, while females emphasize the total process of purchase and inter-personal relations are important for them and are influenced by the store personnel's and others' view. Thus, it can be mentioned that economic satisfaction of product and services can reduce PS in males than females [3].

3. Research Model

In the main model of the present research, Loo et al.'s model [3] Is adapted. Figure 1 shows the relation between economic satisfaction and their PS. Based on this model, customers' satisfaction (economic satisfaction) can affect their PS. On the other hand, gender acts as an adjusting variable concerning the effect of economic satisfaction on PS.

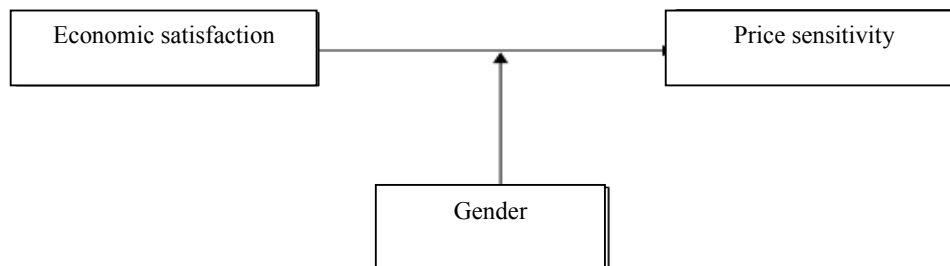


Fig. 1. Research main model [3]

3.1. Research Hypothesis

- Economic satisfaction in the customers of grocery stores in the west of Mazandaran affects their PS inversely.
- The inverse relation between economic satisfaction and PS in customers is stronger in males than females in the grocery stores of the west of Mazandaran.

3.1.1. METHODOLOGY

The present research is an applied research in terms of objective. In this research, field method is used to collect data to analyze information. The data collection tool in the research is questionnaire that is adapted from the research conducted by Loo et al. [3]. The questionnaire is classified in the form of Likert five-point scale from “too much” to “too little” in three sections so that 1 is assigned to “too little” and 5 is assigned to “too much”. In the research, 420 questionnaires were distributed among the respondents (customers and sellers of grocery stores) in person and 385 questionnaires were identified appropriate for analysis.

9 questions constitute the questionnaire. In each section of the questionnaire, a number of questions are to measure one of the research variables. In the first section, first demographical questions relevant to customers are suggested including gender, monthly income and customers' age. Afterwards, the variable of economic satisfaction is measured according to three indices of attractiveness of product, first choice and happiness that includes four questions. In the second section, the variable of PS is measured in respect to three indices of price sensitivity, purchase reduction in the case of price increase, comparison of prices that includes five questions. In the present research, the validity of the questionnaire is obtained in content form and all questions are designed according to the trusted scientific papers that are suggested in the section of theoretical framework and relevant professors' expert views. To measure the reliability of the questionnaire, its Cronbach's Alpha is measured. The Cronbach's Alpha is 0.795, 0.749 and 0.842 for all questions of the questioner, variables of economic satisfaction and PS, respectively.

4. Result of Hypothesis Testing

In the present research, the mean score of the variable of economic satisfaction from respondents' view, standard deviation and variance are 4.516, 1.861 and 3.465, respectively. The mean score of the variable of PS from respondents' view, standard deviation and variance are 2.986, 1.067 and 1.139, respectively.

4.1. Result of Testing Hypothesis One

Results of Table 1 indicate that the hypothesis of existing a significant relation is accepted according to the level of significance and its lowness than 0.05. The relation is inverse according to the negativeness of coefficient of correlation (-0.248). Thus, with 95% of confidence, it can be mentioned that economic satisfaction in the customers of grocery stores of the west of Mazandaran affects their PS inversely. This issue shows that satisfaction is more important than paying cost for the customers. In other words, the customers are ready to pay higher cost to gain higher satisfaction.

Table 1. Testing coefficient of correlation relevant to the first hypothesis

Type of variables	Variables	N	Coefficient of correlation	P
Independent variable	Economic satisfaction	385	1	-
Dependent variable	PS	385	-0.248	

4.1.1. Result of Testing Hypothesis Two

Results of Tables 2 indicate that the hypothesis of existing a significant relation is not accepted according to the level of significance and its more ness than 0.05. Results of Table 3 indicate that the hypothesis of existing a significant relation between the search variables in the group of females is accepted according to the level of significance and its lowness than 0.05, but according to the positiveness of coefficient of correlation, the relation is positive not inverse. Thus, with 95% of confidence, it can be mentioned that economic satisfaction in the customers of grocery stores of the west of Mazandaran does not affect their PS inversely in both groups of females and males.

Table 2. Testing coefficient of correlation relevant to the second hypothesis (male customers)

Type of variables	Variables	N	Coefficient of correlation	P
Independent variable	Economic satisfaction	194	1	-
Dependent variable	PS	194	0.170	0.018

Table 3. Testing coefficient of correlation relevant to the second hypothesis (female customers)

Type of variables	Variables	N	Coefficient of correlation	P
Independent variable	Economic satisfaction	191	1	-
Dependent variable	PS	191	0.344	0.000

5. CONCLUSION

The results of the descriptive analysis of the questions measuring economic satisfaction indicate that all questions had mean higher than 4 showing the highness of economic satisfaction among the studying customers. In addition, the results of the descriptive analysis of the questions measuring PS indicate that all questions had mean higher than 3 and lower than 4 showing the relative highness of PS among the customers of the statistical population.

According to the results of Spearman coefficient of correlation test concerning the hypotheses, it can be concluded that:

5.1. According to the First Hypothesis

The hypothesis of existing a significant relation is accepted according to the level of significance and its lowness than 0.05. The relation is negative according to the negativeness of coefficient of correlation (-0.248). Thus, with 95% of confidence, it can be mentioned that this hypothesis is confirmed. In other words, economic satisfaction in the customers of grocery stores of the west of Mazandaran affects their PS inversely.

5.1.1. According to the Second Hypothesis

The hypothesis of existing a significant relation in groups of males is not accepted according to the level of significance and its more ness than 0.05. The hypothesis of existing a significant relation in groups of females is accepted according to the level of significance and its low ness than 0.05, but the relation is positive not inverse according to the positiveness of coefficient of correlation. Thus, with 95% of confidence, economic satisfaction in the customers of grocery stores of the west of Mazandaran does not affect their PS inversely in both groups of females and males.

6. Suggestions Based on the Results and the Research Hypothesis

- According to the results that indicate satisfaction of the quality of product has the highest mean among the measurements of economic satisfaction, it is suggested that the stores should attempt to increase their customers' general economic satisfaction by offering high-quality goods and avoid offering low-quality ones.
- It is suggested that factors affecting customers' economic satisfaction be emphasized and the background for increasing customers' general satisfaction be provided in order to increase stores' profitability and maintain prices.

7. Suggestions for Future Research

- It is suggested that a similar research be conducted in two different statistical populations (clothing and stationary) and the obtained results from the two satirical populations be compared with each other.
- It is suggested that the research be conducted in the grocery stores of two counties and results be compared with each other.

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