

EMPIRICAL ANALYSIS ON THE IMPACT OF PERCEIVED PRODUCT PRICE, QUALITY AND SERVICES ON CUSTOMER'S SATISFACTION AND LOYALTY WITH SPECIAL REFERENCE TO AUTOMOTIVE INDUSTRY OF PAKISTAN

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ABSTRACT- The objective of the study is to find out the impact of perceived product price, quality and amenity on loyalty of customers of automotive industry in Pakistan. For knowing customer preferences in relation to price, quality and service, we have developed a questionnaire to collect the data from more than 300 active dealerships customers from different cities of Pakistan. Five point Likert scale was used for analysis of the attitude and preferences of the respondents. Statistical Package for Social Sciences (SPSS) was used to draw the results. Regression and Correlation analytical techniques were used to measure relationship between independent and dependent variables. Our empirical analysis show that there is significant relationship between product price, quality and services on customer loyalty and satisfaction.

Key Words: Perceived Product Price, Customer Loyalty & Satisfaction, Purchase Decision, Dealerships Customers, Customer Post Purchase Behavior.

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1. INTRODUCTION

Consumer perceptions about price, quality and value always effects on consumer buying behaviors which leads to consumer satisfaction and loyalty. It is an important research topic among marketing researchers since it was first identified. A challenging question facing today's managers is how to understand the appropriate relationship between price effects, quality effects and benefits) perceived by customer while purchasing a vehicle, particularly in relation to a number of known experiences to the effects of perceived product price, perceived services, product quality and perceived price fairness on consumer satisfaction and loyalty having a nation that is just seventy years of age gives us a burden, nearly to different nations with significantly more history then us. Be that as it may, Pakistan is a nation brimming with un-abused assets, rich in minerals, and crude materials. We have the chance to develop, and be among the best nations of the world. As of late, we have been in the sights of worldwide markets, yet persistently wreck our notoriety with defilement, and illicit acts far and wide. On the off chance that we take a gander at the Pakistan economy in the course of the most recent sixty years of presence we can perceive how we have advanced, and what the capability of our nation is, just being pulled back by autocracy, and publicity in our majority rule governments. We picked one specific industry, so as to complete an inside and out examination to demonstrate that Pakistan has the methods for development, with positive government help, through the execution and upkeep of strategies and directions useful towards assembling businesses. The Pakistani car industry is a pivotal piece of our developing economy; the industry began in Pakistan in when the main car plant was set up in May 1949 by General Motor and Sales Co. It was set up on a trial premise, however developed into a gathering plant for Bedford Truck, and Vauxhall autos. Seeing such improvement, three noteworthy car makers from the US teamed up with Pakistani businesspeople

to set up; Ali Automobiles to fabricate Ford Products in 1955, Haroon Industries to collect Chrysler Dodge autos in 1956, Khandawalla Industries to amass American Motor Products in 1962, and Mack Trucks Plant in 1963. The nonappearance of innovative learning, and essential polished methodology, prompted the death of these associations. However towards the finish of the seventies all car gathering in Pakistan halted, until 1983 when Pak Suzuki began producing their vehicles in Pakistan. Advance Toyota Indus Motors was set up in 1990, trailed by Honda. Today we have four noteworthy vehicle fabricating enterprises, these incorporate, Toyota Indus Motors, Pakistan Suzuki, Honda Atlas, and Diwan Farooq Ltd. The most perceived are Toyota, Honda, and Suzuki; creating most of the light weight vehicles.

“The Toyota Motor Company has taken a leading role in the world only because their vehicles are designed and produced as a result of the best possible interaction between them, their vendors and the ancillary industry. The Toyota production system is not only conceptually unique but has also proved to be the best when put into practice. It ensures negligible or zero waste, optimum product quality and reliability and thus competitiveness together with best service to customers throughout the world.” (Economic Review).

In the above passage from an article from the economic Review, it talks about why Japan has the world's driving automobile enterprises. It is a direct result of the reconciliation of sellers, providers, and supporting building businesses. The Economic Review further highlights the key areas where improvement is needed and they are the followings:-

1. Training and development of managerial staff to change-modify the management's attitude towards the implementation of sound production, planning and control functions.
2. The use of appropriate production techniques (not necessarily the most updated).

3.The enforcement of discipline in maintaining facilities.”

1.1 Research Questions

- ▶ How customer’s perceived price of a product or service influences his/her satisfaction and loyalty?
- ▶ What influence does quality of Product produces on customer satisfaction and loyalty?
- ▶ How customer’s perceived service quality influences his/her satisfaction and loyalty?

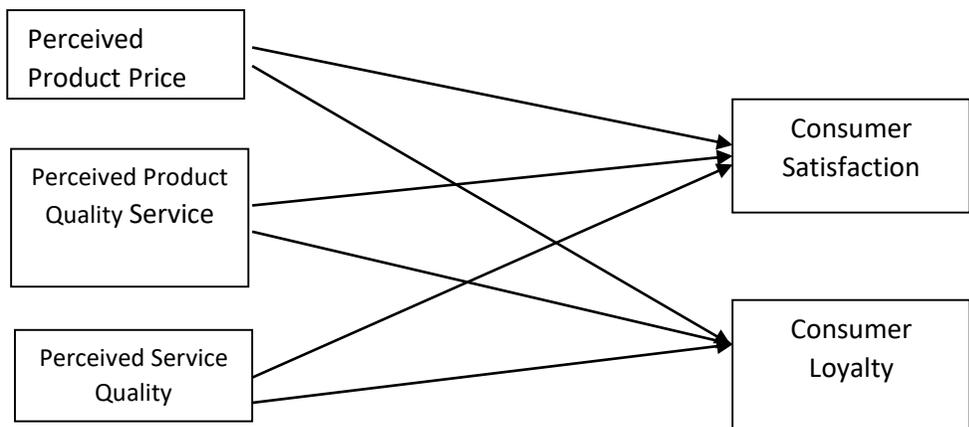
1.2 Research Objectives

The objective of this study is to thoroughly investigate:

- 1.To examine the relationship among Perceived item cost with customer satisfaction.
- 2.To investigate relationship among Perceived product quality with consumer satisfaction and loyalty.
- 3.To investigate the relationship among Perceived service quality with consumer satisfaction and loyalty.

1.3 Sketch of Research Model

Figure -1 Proposed Model



2. RESEARCH METHODOLOGY

2.1 Types of Data

The targeted population for collecting data was automobile industry of southern Punjab. Population of the research comprised of all the clients using vehicles in urban areas like Multan, Bahawalpur Rahim Yar Khan, Vehari, Sadiqabad and so on. This include users of Toyota, Honda, and Suzuki. We constrained our study to the customers of these three Japanese vehicle brands in light of the fact that these three brands command the Pakistani car market.

2.2 Sampling

The size of sample was 300 respondents, chosen through random sampling.

2.3 Method of data collection

The data was collected through a structured questionnaire, which was distributed among randomly selected respondents living in different districts.

2.4 Statistical tools

The collected data was analyzed through the following three statistical techniques: -

1. Statistical Package for Social Sciences (SPSS)
2. Multiple Regression
3. Co-relation.

3. DISCUSSION AND ANALYSIS

3.1 Reliability Statistics

The Reliability of the data is analyzed through reliability statistics under SPSS (Statistical Package for the Social Sciences). Value of Cronbach alpha indicates that data collected through different number of items is how much reliable. Data with Cronbach's alpha less than .7 (range of normal reliable data) indicates that data collected is not much reliable, While data having more than .7 is assumed to be

reliable and significant. The reliability test was applied on each variable and its results are shown in Table 1.

Table 1 Results of reliability test

Variables	Cronbach alpha
Perceived Product Price	.824
Perceived Product Quality	.832
Perceived Service Quality	.764
Customer Satisfaction	.764
Customer Loyalty	.788
(Cumulative of all items)	.791

3.2 Factor Analysis

The minimum range of factor loading for every item is (.4). When the load of the factor or any of item is below this value than with increasing difference in the decrease of value indicates the number of weak responses against any item of the variable.

Table 2 Perceived Product Price:

Items	Extraction
Perceived Product Price	.502
Perceived Product Price	.642
Perceived Product Price	.585
Perceived Product Price	.654
Perceived Product Price	.555

Table 3 Perceived Product Quality:

Items	Extraction
Perceived Product Quality	.773
Perceived Product Quality	.802
Perceived Product Quality	.603
Perceived Product Quality	.669
Perceived Product Quality	.682
Perceived Product Quality	.719
Perceived Product Quality	.673
Perceived Product Quality	.855
Perceived Product Quality	.778

Table 4 Perceived Service Quality:

Items	Extraction
Perceived Service Quality	.440
Perceived Service Quality	.786
Perceived Service Quality	.581
Perceived Service Quality	.635
Perceived Service Quality	.637
Perceived Service Quality	.808
Perceived Service Quality	.631

Table 5 Customer Satisfaction

Items	Extraction
Customer Satisfaction	.873
Customer Satisfaction	.706
Customer Satisfaction	.700
Customer Satisfaction	.787
Customer Satisfaction	.605

Table 6 Customer Loyalty

Items	Extraction
Customer Loyalty	.780
Customer Loyalty	.693
Customer Loyalty	.810
Customer	.723
Customer Loyalty	.754

3.3 Correlation Analysis

The results of correlation are shown on next page

Components	Perceived Product Price	Perceived Product Quality	Perceived Service Quality	Customer Satisfaction	Customer Loyalty
Perceived Product Price	1	.587**	.156**	.591**	.452**
	.587**	.000	.007	.000	.000
	299	299	299	299	292
Perceived Product Quality	.446	1	.399**	.634**	.569**
	.000	.000	.000	.000	.000
	299	299	299	299	292
Perceived Service Quality	.156**	.399**	1	.390**	.164**
	.007	.000	.004	.000	.005
	299	299	299	299	292
Customer satisfaction	.591**	.634**	.390**	1	.521**
	.000	.000	.000	.000	.000
	299	299	299	299	292
Customer Loyalty	.452**	.569**	.164**	.521**	1
	.000	.000	.005	.000	.003
	292	292	292	292	292

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

Factor Analysis indicates that each and every item used for the collection of data received the significant strong and positive replies. From this analysis the validity of our data is assured. It also highlights that items selected for data collection were reasonably understood and they received the high scoring replies in return. If any item returns the factor loading less than four, it is automatically excluded from the table while the data is executed for every variable separately.

The range of significant correlation is from +1.00 to -1.00. It is strongly correlated when it is near to 1.00. Correlation is the statistical tool which we can use to describe the degree to which one variable is linearly related to other (Richard & David, 2004). The range of significant correlation is from +1.00 to -1.00. It is strongly correlated when it is near to 1.00. In correlation analysis we analyze the relations among the variables. We analyze how much they related to each other. Values with (**) indicates the highly significant value and relation with corresponding variable.

We see that Perceived Product Price has highly significant relation with Perceived Product Quality, Perceived Product Service, customer satisfaction and customer loyalty. It clearly indicates that they all are strongly interrelated and influence the impact of one on another. Other variables have the significant results and their strong interrelation strengthens and supports the idea we developed and gather the data to analyze it to support our study. Values from this table also strengthen the model of our study which indicates the relations among these variables displayed in our proposed model of this study.

3.4 Regression Analysis

It is one of another method for checking the model fitness. Predominantly beta and Adjusted R-square change clarifies the fitness of model. Initially we are discussing the influence of independent variable, Perceived Product Price on Dependent the customer satisfaction. This is the proportion of variance in the

dependent variable (Customer satisfaction, Customer Loyalty) which can be explained by the independent variables (Perceived Product Price, Perceived Product Quality and Perceived Service Quality). This is a general measure of the quality of affiliation and does not mirror the degree to which a specific autonomous variable is related with the needy variable. Balanced R squared is an amended integrity of-fit (display precision) measure for direct models. It distinguishes the level of fluctuation in the objective field that is clarified by the information or inputs. R^2 has a tendency to hopefully appraise the attack of the direct relapse. It generally increments as the quantities of impacts are incorporated into the model. Balanced R^2 endeavors to amend for this overestimation. It may diminish if the impact does not enhance the model. Balanced R^2 is constantly not exactly or equivalent to R^2 . An estimation of 1 shows a model that impeccably predicts values in the objective field. An esteem that is not exactly or equivalent to 0 demonstrates a model that has no prescient esteem. In the real world, adjusted R^2 lies between these values. R^2 reflects the influence of independent variable on dependent variable. It changes with the change in number of influences (like independent variables (IV)). It also indicates the influence of any strong or weaker relation among IVs and DVs. If we add a variable or drop it than it shows the change in complete relation of IVS and DV. The model summary is given in the following tables:-

Table 8 Perceived Product Price and customer satisfaction

Model	R	R Square	Adjusted R Square
1	.591 ^a	.349	.347

Table 9 Perceived Product Quality and customer satisfaction

Model	R	R Square	Adjusted R Square
1	.634 ^a	.401	.399

Table 10 Perceived Service Quality and customer satisfaction

Model	R	R Square	Adjusted R Square
1	.390 ^a	..320*	.149

Table 11. Perceived Product Price and customer loyalty

Model	R	R Square	Adjusted R Square
1	.452 ^a	..390*	.202

Table 12 Perceived Product Quality and customer loyalty

Model	R	R Square	Adjusted R Square
1	.569 ^a	.324*	.322

Table 13 Perceived Service Quality and on customer loyalty

Model	R	R Square	Adjusted R Square
1	.164 ^a	.327	.024

Table 14- Results of Hierarchical Regression Analysis

Variables	β	Sig	R Square	Adjusted R2
Perceived Product Price	.591	.000	.349	.347
Perceived Product Quality	.634	.000.	.401	.399
Perceived Service Quality	.390	.000	.320*	.149

Dependent Variable: Customer Satisfaction

Table 15 Results of Hierarchical Regression Analysis

Variables	β	Sig	R Square	Adjusted R2
Perceived Product Price	.452	.000	.252	.202
Perceived Product Quality	.569	.000.	.524	.322
Perceived Service Quality	.164	.000	.327	.024

Dependent Variable: Customer Loyalty

These tables indicate the relation of each linear relation of an independent with dependent individually and value of R square and adjusted R square changes on the basis of strength of every individual relation. The relation of every one of them is significant at (000). Value of R-square should always be greater than adjusted R-square and adjusted R-square shows the fitness of goodness of the model. Beta or Standardized coefficients also indicate how much change will arise in the dependent variable due to change in independent variable. It also indicates which independent variable or predictor variable deviates the value of dependent variable with deviation in its value.

4. CONCLUSION

The study was based on analyzing the impact of perceived product price and quality and the perceived quality of service on customer loyalty and their satisfaction. Results of the study attained after data collection and analyzed through a statistical tool provided the most reasonable results expected to be achieved from the study. Data collected from the customers of different brands of various automobile companies sales offices operating in different districts of southern and northern Punjab showed wide and clear image of customers' perceptions regarding their loyalty and satisfaction with that brand owing to the perceived product price, quality and service ability of a product. Value (.591) with high significant status in the column of customer in the first row of the table indicates highly significant and strong relation between Perceived product price and customer satisfaction. Customers post purchase behavior with any brand is very much influenced by perceived product price. If they found their expected price while they purchase certain brand, it surely inspires them and hence create a sense of attachment with that product/brand. Such customers are very much loyal as they prolong their willingness of buying certain brand. Much satisfied the customer the more they will believe in your product. Such customers become the part of those groups who represent the company to the customers of other company.

It was also pretty clear from the results obtained after analysis of data that customers are very much sensitive to the quality of the product. That is why they responded in their perceived sense regarding the quality of product owing to their satisfaction and attachment with that brand or product. Value (.634) indicates the relation between Perceived quality of a product and satisfaction of the customer. Similarly, values like (.452) and (.469) in the column of customer loyalty in the rows

of price and product quality respectively indicates highly significant and strong relation among them.

Perceived service quality of the product inspires the customer to go for being entertained with some sort of services of a certain brand of a company. When the expected services are met, customers are pleased to go for it for the next time. Values like (.390) and (.164) in the correlation table indicates the highly significant and strong relation among perceived service quality with consumer loyalty and customer satisfaction respectively.

The overall study produced the results which truly support our hypothesis. None of them was nullified or rejected on the basis of negativity of any part of analyzed data. Hence, the whole model is comprised of strongly interrelated variables.

5. Recommendation

From the results of the study one can clearly construct the idea that customers are of sheer importance in every sort of business. You can never ignore their importance for any reason. A company should try to seek out the desires and likeness of the customer in their one or number of different brands. This is one of the most effective ways to retain their employees. Managers of the sales must have the knowledge of expected or perceived prices by customer for their different brands. In culture of Pakistan peoples are price sensitive and they consider it most of the time more and above the quality. There are a few among the customers who never sacrifice the quality for price. So, the managers should also consider the quality of the product for one category of the customer while price for the others. By making such arrangements they can equally manage their sales to their target customers along with retaining them in the long run.

Managers should seek the updated features required by their target customers with reasonable acceptable difference of prices in their other similar brands. But on the other hand while flattering the price they should not let quality features out of their hands to attract and retain the quality oriented customers. They should also have slight negotiation on the prices it will let customer not to change his buying place as he/she will be more convenient with your prices meeting their expectations. Such performances by the managers can sort number of major problems related with their profit returning asset (the customer).

6. LIMITATION OF STUDY

Automobile industry is though widespread and its sales units are operating throughout the nation. They carry almost every bit of information regarding demand of their customer. They also try to gather information regarding customer perception for their quality of product and services to judge their loyalty and to meet their satisfaction. Though extensive work was done during data collection and wide elaborations were made to highlight the true image of results after analysis. In spite of this there were a few limitations. Customers were asked to share their experience of a few latest and specific brands in last two to three years even there were a few who had long experience with this company. Due to this reason it was not possible to gather the information from long track record of their dealings with sales units and their outcomes. It provided us with not very vast information regarding their perceptions for purchase of product and post purchase experience. But, it was enough to perform reasonable analysis.

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