

SATISFIED RURAL CONSUMERS PAY MORE FOR THEIR FMCG PRODUCTS – A SPECIAL REFERENCE TO PUDHUCHERRY REGION

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ABSTRACT

The Indian rural market is transforming year after year, and it would be quite inappropriate to approach it with a mindset about its past image. The Indian rural consumer lives in over 6, 40,867 (according to 2011 census survey) villages across the country and they account for over 70% of the population of the country. For several product categories, rural markets account for well over 60 per cent of the national demand. While the rural consumer is generally seen as less affluent than his urban cousin, things are changing in rural India over the last ten years. This paper aims to link conceptually the concepts of price fairness and consumer satisfaction and empirically demonstrate the influence of perceived price fairness on satisfaction judgments. Further it seeks to examine their behavioral intention (Pay more attitude).

Key words: Rural, Satisfaction, Loyalty, Pay more, Price.

I. INTRODUCTION

There is growing managerial interest in customer satisfaction as a means of evaluating quality. High customer satisfaction ratings are widely believed to be the best indicator of a company's future profits (Kotler 1991, p. 19). Firms increasingly use customer satisfaction as a criterion for diagnosing product or service performance and often tie customer satisfaction. The antecedents of satisfaction have long been a subject of study for consumer research (e.g., Cardozo 1965, Churchill and Suprenant 1982; Oliver 1977, 1980; Oliver and DeSarbo 1988; Oliver and Bearden 1985; Tse and Wilton 1988; Westbrook 1981; Yi 1991), but relatively few studies investigate the consequences of satisfaction eugene w. anderson and mary w. sullivan and Teel 1983; Oliver and Swan 1989). In marketing science and managerial economics, relatively few studies investigate the antecedents of satisfaction, but several aspects of post satisfaction behavior are examined. Theoretically, Hirschman (1970) identifies conditions under which dissatisfied customers will complain or switch. Fornell and Wererfelt (1987, 1988) show conditions when firms should encourage dissatisfied customers to complain. Empirically, Andreassen (1985) finds support for Hirschman's (1970) prediction that dissatisfied customers will police product quality in absolute monopolies. Hence, there is a need for developing a deeper understanding of the linkage between the antecedents and consequences of satisfaction.

The objective of this paper is to investigate- both analytically and empirically-the antecedents and behavioral consequences of satisfaction. A model is developed in order to understand and predict relations between the antecedents and consequences of customer satisfaction, as well as systematic differences in these relations cross firms. The micro model specifies how customer expectations of product features, quality, quantity, price, promotion, package and etc.. Interact with the actual post purchase perceptions of product features, quality, quantity, price, promotion, package and etc.. to generate satisfaction, and how satisfaction influences the likelihood of subsequent purchases.

In developing such a model, the antecedents and consequences of satisfaction are brought together in a single, utility-oriented framework. The model is estimated and tested against alternative hypotheses using a unique database obtained by sampling 250 respondents. Several well-known experimental findings of satisfaction research are tested in a field setting of national scope. For example, we find that satisfaction is best specified as a function of perceived quality and "disconfirmation"-the extent to which perceived quality fails to match prepurchase expectations. Surprisingly, expectations do not directly affect satisfaction, as often suggested in the satisfaction literature. In addition, we find quality which falls short of expectations has a greater impact on satisfaction and repurchase intentions than quality which exceeds expectations. Moreover, we find that disconfirmation is more likely to occur when

quality is easy to evaluate. Finally, in terms of systematic variation across firms, the data suggest support for the model's prediction that the elasticity of repurchase intentions with respect to satisfaction will be lower for firms that provide high satisfaction. This implies a long-run reputation effect insulating firms which consistently provide high satisfaction.

II. RESEARCH CONTEXT

Buying toilet soap was chosen for the study context for several reasons. First buying soap is an important decision for most of the rural consumers. Consumer's perceived product features, quality, quantity, price, package, and promotion are relatively to be very high. Prior study suggests that, when faced with performance or quality and other uncertainty, consumers are more likely to use price as a cue in forming performance expectations (Urbany *et al.*, 1997). In addition, relatively high product prices enhance the likelihood that perceived price fairness may be an important issue. Therefore this context provides us with an opportunity to examine the influence of price fairness perception on satisfaction judgements. Second, toilet soap purchase is a complex process, involving attributes like product features, price, package, promotion, location, availability and so on. The purchase process usually is made up of sequence of

clearly distinguishable individual episodes typically occurring in a similar order for most buyers. These different events provide an opportunity to separate consumer's satisfactions with different encounters within the entire purchase transaction procedure.

We first conducted 50 informal interviews with prospective buyers as well as staffs at several grocery shops in pudhucherry region to understand the purchase process. Based on these interviews, we developed a set of factors that influence price fairness and set of features perceived from the product. Moreover, these interviews also enabled us to specify the direction of influences among the various components based on the temporal sequence of the purchase process, leading to the conceptual model (see figure 1).

(a) Objectives of the study

1. To compare the pre purchase expectations, post purchase perceptions (performance) and their behavioral intentions.
2. To study whether satisfied consumers pay more for their purchase.

(b) Research methodology

The study was exploratory in nature with survey method being used to complete the study. The

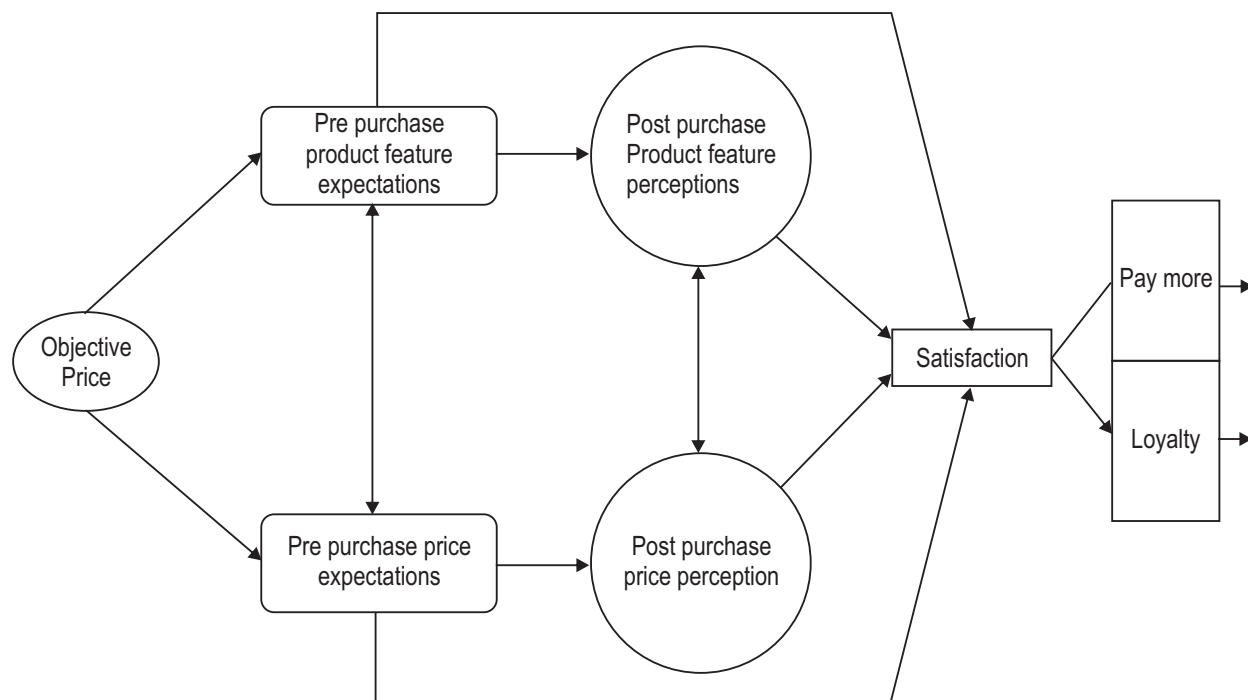


Fig. 1. Consumer satisfaction model with Behavioural Intention

questionnaire was circulated among the consumers of toilet soap across rural areas of puducherry region. Population included different rural consumers of toilet soap in Pudhucherry region where individual respondents are the sampling unit. Convenient sampling technique was adopted to select the sample and to do the research.

Statistical tools used: Multiple Correlation method was used for comparing the statements such as Take some of my Business to a competitor who offers better prices, continue to buy the product if its price increase, pay a higher price than competitors for the benefits currently received from it and how satisfied with the product. The same statements also used to check the significance by one way ANOVA.

(c) Procedure for data collection

Self designed questionnaire was used to measure the satisfaction level of consumers towards different brands of Toilet Soap. Data was collected on a Likert

type 5- point scale, where 1 stands for “Strongly Disagree” and 5 stands for “Strongly agree”. The questions are framed to find the satisfaction level; variables like Features, TFM Level, Quality, Quantity, Package, Promotion, Advertisement and influence of celebrity are included to measure.

(d) Hypothesis to be tested.

Ho – There is no significance difference among the pay more attitude and satisfaction.

(e) Analysis and Discussion

Multiple Correlation method was adopted for comparing the statements such as Take some of my Business to a competitor who offers better prices, continue to buy the product if its price increase, pay a higher price than competitors for the benefits currently received from it and how satisfied with the product. The same statements also used to check the significance by means of one way ANOVA.

Table 1. Descriptive Statistics

Better Prices

| | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|-------|------|-------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | Lower Bound | Upper Bound | | |
| 1.00 | 250 | 3.260 | 1.1015 | .0697 | 3.123 | 3.397 | 1.0 | 5.0 |
| 2.00 | 250 | 3.432 | 1.0400 | .0658 | 3.302 | 3.562 | 1.0 | 5.0 |
| 3.00 | 250 | 3.340 | .7607 | .0481 | 3.245 | 3.435 | 1.0 | 5.0 |
| 4.00 | 250 | 5.728 | 1.2016 | .0760 | 5.578 | 5.878 | 1.0 | 7.0 |
| Total | 1000 | 3.940 | 1.4651 | .0463 | 3.849 | 4.031 | 1.0 | 7.0 |

The above Descriptive statistics table indicates that the sample were collected from 250 respondents and it shows the mean value for the first three statements are 3(neutral), for the forth statement the value is almost 6(somewhat satisfied).

Table 2. ANOVA TABLE

Better Prices

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|---------|------|
| Between Groups | 1069.352 | 3 | 356.451 | 330.241 | .000 |
| Within Groups | 1075.048 | 996 | 1.079 | | |
| Total | 2144.400 | 999 | | | |

Ho – There is no significance difference among the pay more attitude and satisfaction.

The Anova table shows that the significance differences among the pay more attitude and satisfaction were checked and the F - value is 330.241 and the significance is .000. So the null hypothesis(H_0) is rejected. The significance level states that there is a significance difference among the pay more attitude (Take some of my Business to a competitor who offers better prices, continue to buy the product if its price increase, pay a higher price than competitors for the benefits currently received from it) and satisfaction (how satisfied with the product).

Table 3. Multiple Correlations table

| | Better Prices | Price Increases | Higher Price | satisfaction |
|-----------------|----------------------|------------------------|---------------------|---------------------|
| Better Prices | 1 | | | |
| Price Increases | .098 | 1 | | |
| Higher Price | .029 | .180* | 1 | |
| satisfaction | .069 | .168* | .031 | 1 |

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

The correlation table shows that all the values are positive. So it indicates perfect positive correlation. The value of "higher price Vs price increases" and "satisfaction Vs price increases" are much higher indicates high degree of correlations. Our research supports the managerial belief that "satisfied customers—those receiving higher quality service or who feel better about the product—are, in fact, willing to pay more for it" (Finkelmann 1993, p. 25) and that this relationship is nonlinear.

III. CONCLUSIONS

The findings have important implications for setting prices and for investing in consumer satisfaction. Our findings by using multiple correlation and one way anova suggest that the customer's satisfaction level could influence a company's pricing strategy. Specifically, companies could potentially charge a premium price for their product if they have a high level of customer satisfaction. Note that this does not mean that a firm should selectively charge more-satisfied customers a higher price but rather that having a large segment of highly satisfied customers may enable the firm to charge higher prices in general.

Moreover, there are situations in which companies could charge higher prices to highly satisfied customers. Although this is not typically applicable in consumer goods marketing, it constitutes an option in markets in which prices are not standardized but rather are negotiated with individual customers. Finally, our results suggest that approaches to the measurement and enhancement of Consumer satisfaction should focus on cumulative satisfaction rather than on transaction-specific satisfaction.

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