PRICING STRATEGIES AND THEIR EFFECT ON CUSTOMER SATISFACTION.

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DECLARATION

I **SENTAMU EMMANUEL**, hereby declare that this is my original work and has never been submitted for an award of a Degree in this university or any other institution of higher learning.

Signature.................................

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Date... 17th may 2011 ....

APPROVAL

This report by SENTAMU EMMANUEL was carried out under my supervision and it is now ready for submission to the examination committee with my approval as supervisor.

Signed..

Ms. ABIRIA PATRICIA

(SUPERVISOR)

Date....17th May 2011.......

ABSTRACT

PRICING STRATEGIES AND THEIR EFFECT ON CUSTOMER SATISFACTION BY SENTAMU EMMANUEL

The research conducted was pricing strategies and their effect on customer satisfaction. Organizations use various pricing strategies that have a control on customer's consumption because of the product prices and this has an effect on customer satisfaction, and this prompted the researcher to find out the possible causes of this trend. The researcher sought to find out the various pricing strategies and their effect on customer satisfaction.

The researcher used quantitative research design to establish the effect of pricing strategies in an organization on customer satisfaction. Data was obtained from primary sources especially using questionnaires.

The study found out that there are many factors that affect pricing strategies in an organization. So management has to set favorable prices that have an effect on customers' satisfaction.

The researcher concluded that pricing strategies in an organization have control over customer satisfaction. The researcher recommended improved pricing methods that will not greatly have an effect on customer satisfaction so that organizations are able to retain and attract more customers.

DEDICATION

I dedicate this research report to my dad Mr. HERMAN SENTAMU and the rest of my family for supporting me both financially and materially in my academic struggle.

ACKNOLWEDGEMENT

I am indebted to a number of people out of whose help this research has been possible. First and foremost I want to thank our almighty God for giving name the gift of life, wisdom and knowledge to successfully accomplish this report.

Special thanks to my parents for both the emotional and financial aid and sacrifices they make to see that I prosper in life. May God bless you.

I would like thank my sisters Lydia, Priscilla and brother Judah for their unconditional financial support, love and care.

Finally I would like to specially thank my supervisor Ms. ABIRIA PATRICIA for the guidance and patience during the research project.

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CHAPTER ONE

1.0 INTRODUCTION

This chapter contains the background of study, statement of the problem, purpose of the study, research objectives, research questions, and scope of the study, significance of the study and structure of the project report.

1.1 BACKGROUND

William (1995) defined pricing strategy as the means of designing prices of products. This means that pricing strategies are the different pricing methods or ways of designing or pricing products.

Customer satisfaction is the degree to which consumer's pre purchase expectations are fulfilled or surpassed by a product (Peter and Oslon, 1996 Haward and Seth1969).

Kotler and Armstrong (2001) defined customer satisfaction as the extent to which a products perceived performance matches a buyer's expectations.

National housing and Construction Company Limited (NH&CCL) located on plot 5, 7th street is a public limited liability company registered under the company act (cap110) pursuant to the Public enterprises reform and Divestiture Act (cap 98) and statutory instrument No. 47 of 2002. The company's mandate is to increase the housing stock in the country, rehabilitate the housing industry and encourage Ugandans to own homes in an organized environment. Its business is to design. construct and sale high quality homes in organized environments to the people of Uganda and the international community, Offer consultancy services in real estate development and management, Provide construction services for medium and large- scale projects, Rentals (Office Space) in the ultra-modern twin towers at Crested Towers, in Kampala.

However, due to the general world Economic instabilities, NH&CC has been faced with high fluctuating prices of construction materials e.g. the price of a bag of cement which was formerly UGX 18,000shs is now close to UGX 30,000shs on the local market depending from where you purchase it. The fluctuating prices have come hand in hand with the delayed acquisition of other materials since the company imports most of them and this has lead to the delayed delivery of complete projects, which affects customer satisfaction.

The delayed completion of the company's projects has affected customer satisfaction in terms of expected quality of the finished projects, the timely aspect of completed projects and the over role price with which the completed projects are tagged despite the services offered by other private construction companies.

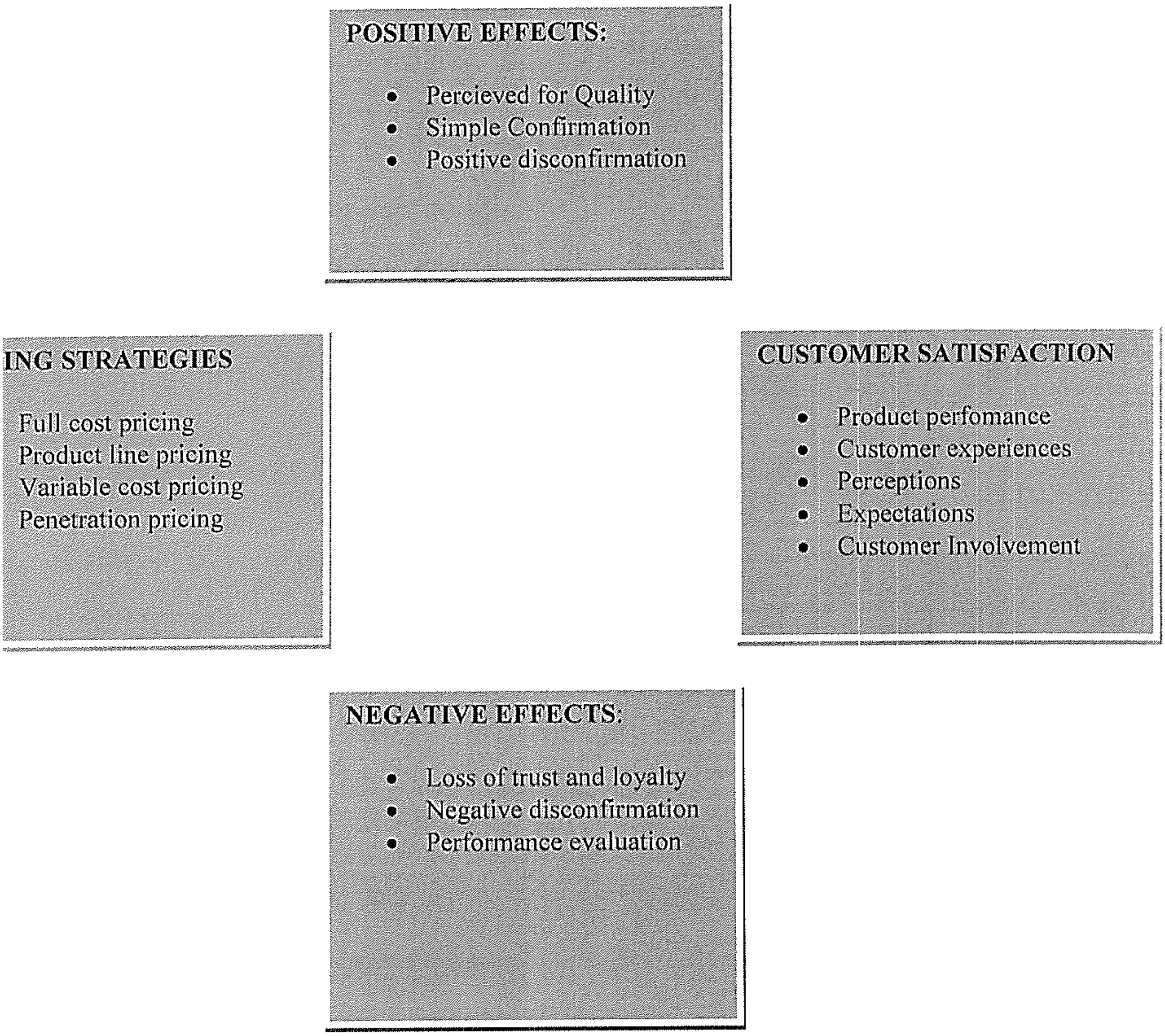
Price is important in relationships with customers. Price is the value placed on what is exchanged. Price represents the value at which a seller is prepared to exchange and the value at which the customer is prepared to participate in that exchange.

Something of value, usually buying power, is exchanged for satisfaction or utility often that something of value is money. But other commodities of value to both parties may also be exchanged, such as other goods, time or commitment.

1.2 PROBLEM STATEMENT

Due to the uncertain economic occurencies in the ugandan economy, NH&CCL is under increasing pressure to contribute to the financial well-being of the public. In order to cultivate this in the most effective and profitable manner, NH&CCL needs to identify what factors consumers consider to be the most important, with price being considerably high. However Increasing costs of production and general fuel prices have all procured an immerse burden that is carried on to the prices of finished projects which are relatively high, this in turn causing a low/negative customer response and adherence towards these projects, creating alterations in customer satisfaction and involvement. This study identifies key price attributes and their relationship with customer satisfaction.

1.3 CONCEPTUAL FRAME WORK.



Source:

Developed after research notes, Customer Satisfaction And Price Tolerance. EUGENE W. ANDERSON

Marketing Letters 7:3 (I 996): 265.-273

1996 Kluwer Academic Publishers, Manufactured in The Netherland

1.4 PURPOSE OF THE STUDY

The purpose of the study was to determine the effect of pricing strategies on customer satisfaction.

1.5 OBJECTIVES OF THE STUDY

The researcher sought to establish the following objectives;

i. To examine the different price strategies.

ii. To understand the customer satisfaction concept.

iii. To examine the effect of pricing strategies on customer satisfaction.

1.6 RESEARCH QUESTIONS

The research was seeking to answer the following research questions;

i. What are the various pricing strategies?

ii. What is customer satisfaction?

iii. What is the effect of pricing strategies on customer satisfaction?

1.7 SCOPE OF THE STUDY

This study is based on the effect of pricing strategies on customer satisfaction. It is further confined to the relevance of pricing in increasing customer satisfaction.

1.8 SIGNIFICANCE OF THE STUDY

i. To the business owners, they will realize the effect of pricing strategies on customer satisfaction.

ii. The study will provide literature information that may he used by other researchers in analyzing whether there has been any change in the previous research.

iii. The study will help the researcher to finalize with studies as it's a requirement for

iv. The award of his degree.

v. The study will be the basis for future recommendations to various organizations.

1.9 STRUCTURE OF THE PROJECT REPORT

Chapter one: This involves the background, statement of the problem, purpose of the study, research questions, the scope of study and the significance.

Chapter two: This is a review on the literature of pricing and customer satisfaction

Chapter three: This contains the methodology used in the research.

Chapter four: This presents the data, its analysis and interpretation, and a discussion of the findings.

Chapter five: This contains conclusions made from the study, some Recommendations, and areas in which further research can be made.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter reviews the existing literature on pricing strategies and customer satisfaction and the relationship between pricing and customer satisfaction.

2.1 PRICING STRATEGIES

Pricing is a primary factor in business success. Conventional price definitions are too narrow and a wider definition, taking account of intangible as well as tangible product qualities is more applicable (A.Lancioni, 1991).

Cateora (1987) views pricing as an active instrument for the accomplishment of marketing objectives or considered as a static element in business decisions.

Pricing is part of the marketing mix. Pricing decisions must therefore be integrated with other parts of the marketing mix. Pricing in international markets is affected by the firm's strategic objectives, competitive behavior, and consumers' ability to buy (Terpstra and Sarathy, 2000).

Price is a dynamic process. Companies design a pricing structure that covers all their products. They change this structure overtime and adjust it to account for different customer situations (Kotler and Armstrong, 1995)

Price is considered as an important strategic element of the marketing mix so the company will want to retain all possible control over the end price (Cateora, I 996).

William (1995) defined pricing strategy as the means of designing prices of products. This means that pricing strategies are the different pricing methods or ways of designing or pricing products.

Phillip Kotler Marketing. 3rd Edition, says that as the product passes through the life cycle, it is priced and that is what is called pricing strategy. He says that the introductory stage is most challenging.
According to William (1992) pricing strategies must be consistent with other marketing mix decisions.

Pricing strategies and pricing objectives are supposed to be in line with the marketing mix decisions. According to William, pricing strategies should be;

I. Determining your pricing objectives
II. Know the importance of price to your target market. That is ho the target market views your price.

III. Know your demand. What kind of demand does your product have? Is it inelastic demand or elastic demand? Inelastic demand is where price does not affect the demand of the product and elastic demand is where the demand of the product is dictated by the price of the product.

IV. Understand your cost. This is important because costs affect prices at a large extent. So it is important to determine your costs.

V. Finally determine your pricing strategy.

Michael. J. Baker, high pricing strategies are appropriate to mature or saturated markets which show a degree of segmentation on the basis of quality, design, and features. He goes on to explain some pricing strategies and these are;

2.1.1 Marketing Skimming

For a firm with new and unique products, it will use this method; the firm will reduce to appeal to a wider market. It could be entering a market with a high elasticity of demand. The new comer will have to achieve a certain level of sales in order to break even.

Phillip Kotler agrees with Michael that companies that invent a new patent-protected set higher prices initially to skim the market.

Kotler & Armstrong 2001, define market skimming as setting a high price for a new product, to skim maximum revenues layer by layer from segments willing to pay the high price, the company makes fewer but more profitable sales.

According to them, market skimming makes sense only when;

i. The product's quality and image must support its higher price. In other words, the quality must be good so people can pay a high price without complaining.

ii. When costs of producing a smaller volume cannot be so high that they cancel the advantage of charging more.

iii. To prevent companies of the same product from entering the market.

2.1.2 Market Penetration

William (1992) says penetration is setting low introduction prices meant to establish a product quickly in the market.

According to Kotler & Armstrong (2001). market Penetration is setting a price for a new product in order to attract a large number of buyers and a large market share. This is to enable quick and deep entry into the market. They go on to say that it works better if;

i. The market is highly price sensitive that the low prices can easily attract the customers.

ii. When the product and distribution costs are failing as sales volume is increasing.

iii. Through the low price, competition is easily kept out.

2.1.3 Product line pricing

Kotler & Armstrong (2001) say it is the setting of price steps between various products in a product line based on cost different features and competitors' price steps should take into account cost differences between the products in the line, customer evaluations of their different features and competitors' prices.

2.1.4 Full Cost Pricing

Full cost pricing insists that no unit of a similar product is different from any other unit in terms of cost and that each unit must bear its lull share of the total fixed (variable-(Cateora 2002).

This involves the addition of a predetermined margin to the full cost of production and distribution, without reference to prevailing demand conditions.

2.1.5 Variable cost pricing

Variable price is a method of pricing in which buyers and sellers negotiate the price (Daniels and Radebaugh, 2003). In variable cost pricing, the firm is concerned with the marginal or incremental cost of producing products to be sold in overseas markets. Such firms regard foreign sales as bonus sales and assume that any return over their variable cost makes a contribution to net profit (Cateora 2002)

2.1.6 IMPORTANCE OF PRICING STRATEGIES

Lancaster and Reynolds (1998) looked at the importance of pricing as follows;

Pricing is the means whereby an organization covers the costs of its research, manufacturing, marketing and other activities and in a profit making organization, the surplus is profit. Price is also important in 'not for profit' organizations where services or products are sold.

Organizational goals and objectives are determined through market conditions, so price is a function of such conditions. These organizational objectives are sometimes compromised by the realization that certain levels of profit cannot be achieved

2.1.7 PRICING OBJECTIVES

The first step that an organization needs to take in establishing its pricing strategies is to determine the objectives that the organization wishes to achieve through those pricing objectives. Pricing objectives are overall goals that describe what the firm wants to achieve through its pricing efforts. Any pricing objectives must he consistent with the overall organizational objectives as expressed, for example, in the organization's strategic plan, including both short-term profits and long-term strategic objectives. Many organizations seek to achieve more than one pricing objective simultaneously.

2.1.8 FACTORS AFFECTING PRICING STRATEGIES

There are a number of factors that might affect pricing decisions. These can be broadly grouped into organizational factors, customer factors and market factors. Organizations need to consider the resources available to them, and how they can be utilized to support specific pricing policies.

Costs factors

Costs set the floor for the price that the company can charge for its product. The company wants to charge a price that both covers all its costs for producing, distribution and selling the product and delivers a fair rate of return for its effort and risk. A company costs may be an important element in its pricing strategy.

Organizational factors

The organizational factors that might influence price decision making are related to the organization's objectives and resources, coupled with the existing product portfolio and the organization's potential to develop that portfolio.

Organizational factors that might influence price include: product life-cycle; portfolio; and product line pricing.

Marketing objectives

Before setting price, the company must decide on its strategy for the product. If the company has selected its target market and positioning carefully, then its marketing mix strategy including price, will be fairly straight forward for example if General motors decides to produce a new sports car to compete with European sports cars in the high income segment, this suggests charging a high price.

Market factors

Two components of the market, the marketing environment and the competition are important factors in pricing decisions.

Competition — is a major influence. Price decision making needs to take into account the prices set by competitors. In this process it is necessary not only to consider direct competitors or those producing similar products, such as producers of equivalent current awareness services, but also indirect competition from different products that might meet the same needs or offer the same benefits. So, for example, some public library services are concerned with leisure and, in this context, public libraries need to consider the wider costs and benefits to the public of the library as a leisure activity, compared with the services offered by other leisure activities providers. In this context the concept of value and cost to the user in terms of the expenditure of time and energy is important.

Environment — a range of social, technological, economic and political factors may shape the marketplace in which a producer operates. These may influence price.

So, for example, inflation will often cause prices to rise, while recession in which both public and consumer spending is under tight constraints is likely to lead to price cuts. The interesting feature of the wider information market is that it is an international marketplace, so that international trade and economic trends may have an overall impact yet. individual players will he affected differentially by the impact of changes in national markets, in a way that is consistent with their market share in those individual markets.

Customer factors

Customer factors also influence price. simply because. as already discussed, there is a close relationship between demand and price. It is not surprising then that the main determinant of price from this perspective is what the customer is prepared to pay. This is related to: inherent or generated demand; benefits; value; and distribution.

Competitors Costs, Prices and Offers

Another external factor affecting the company's pricing decisions is competitors costs and prices and possible competitor reactions to the company's own pricing move. A consumer who is considering the purchase of a canon camera will evaluate canon's price and value against the prices and values of comparable products made by Nikon, Minoltta, peritax and others. If you are not the market leader in your industry, competitive prices will influence the pricing of your product or service. Market leaders have often created a "pricing standard" against which other product/service are compared.

2.2 CUSTOMER SATISFACTION

Customer satisfaction is a psychological concept that involves the feeling of wellbeing and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service (WTO, 1985). Customer satisfaction can also be defined as a mental state which results from the customer's comparison of Expectations prior to a purchase with performance perceptions after a purchase (cf. Oliver 1993, Oliver 1996, Westbrook 1987, Westbrook & Oliver 1991). A customer may make such comparisons for each part of an offer ("domain-specific satisfaction") or for the offer in total ("global satisfaction"). In the satisfaction literature, customer satisfaction usually refers to the latter type of outcome. Moreover, this mental state, which we view as a cognitive judgment, is conceived of as falling somewhere on a bipolar continuum bounded at the lower end by a low level of satisfaction (expectations exceed performance perceptions) and at the higher end by a high level of satisfaction (performance perceptions exceed expectations).

Customer satisfaction can further be defined as satisfaction based on an outcome or a process. Vavra's (1997) outcome definition of customer satisfaction characterizes satisfaction as the end-state resulting from the experience of consumption. This end state may be a cognitive state of reward, an emotional response to an experience or a c omparison of rewards and costs to the anticipated consequences.

2.3 DETERMINANTS OF CUSTOMER SATISFACTION

Customer satisfaction research traces its roots to Cardoza's (1965) experimental study of expectations, effort, and satisfaction.The research found that customer satisfaction was dependent on a combination of perceived product performance along with the experience surrounding the consumption encounter.

2.3.1 Customer Expectations

Expectations are commonly defined *as* pretrial beliefs or predictions about a specific product or service (Olson &< Dover, 1976). Oliver (1980) claims that the type of expectations a consumer possesses toward a product is based on the product itself The context of the purchase and individual characteristics of products aid in forming expectations. Consumers prior expectations are established through both internal and external sources (Peirasuraman et al.. 1985). Internal sources are based primarily on *past* experiences, while external sources would include advertisements or information from friends. These expectations provide a frame of reference or astandard for consumers to evaluate the actual experience (Oliver, 1980).

Expectations therefore, may have an indirect effect on satisfaction

2.3.2 Product Performance

Consumers evaluate performance in at least two ways (Day. 1977). In the first way, the consumer identifies a single dominant attribute to evaluate. When that attribute is evaluated positively, then the consumer is satisfied. In the second method of performance evaluation, a number of attributes are identified for evaluation. In the later case, a majority of the identified attributes must be evaluated positively for the consumer to experience satisfaction.

Woodruff et al. (1987) conceptualizes satisfaction as an additive process. As the consumer evaluates all the important attributes, the positive and negative evaluations are summed and the result is satisfaction or dissatisfaction.

2.3.3 Customer Involvement

Researchers have found that consumer involvement with products or services influence the operation of disconfirmation in determining satisfaction (Day, 1977; Swan 8^ Trawick, 1979). Involvement mediates both the process and the level of satisfaction attained (Oliver 8^ Bearden, 1983; Richins 8^ Bloch, 1991). As consumers become more involved with a product or service, expectations rise accordingly and evaluations tend to be more extreme. Highly involved consumers were found to be highly pleased or seriously disappointed (Oliver 8^ Bearden, 1983; Swan 8< Trawick, 1979).

Three facets of involvement that have the potential for influencing customer satisfaction are (a) perceived product importance, (b) symbolic value of the product, and (c) the hedonic value of the product (Laurent 8< Kapferer, 1985). Perceived product importance includes any personal meaning the consumer may attach to the item. The symbolic value of the product is more ego-involved due to its ability to express one's values of personality. Finally, the hedonic value of an item is its ability to provide pleasure. The more involved a customer is, the greater the amount of satisfaction associated with a positive consumption experience.

2.3.4 Customer Experience

McGill and lacobucci (1992) suggest that when a consumer has no expectations, they use a bottom-up method of processing which is ralatively an experience based approach. They suggest that consumers generate a comparison case after the facts acquired from past cases. Consumers evaluate the service or product not in terms of what is expected, since there were no expectations, but in terms of possible performance from experience. In their study, consumers were asked to take a computer course. Prior to taking the course, expectations were measured and responses were concentrated on potential skills and techniques they hoped to learn from similar occurrencies. Upon completion of the course, subjects were asked to evaluate the course. Most evaluated the course on process features, not content presented.

A post-experience evaluation of this type, generally results in a harsher than normal evaluation, since the actual performance is always less than an ideal or imagined one (McGill 8^ lacobucci, 1992).

2.3 CUSTOMER SATISFACTION AND PERCEIVED VALUE

According to McDougall and levesque (1999) the two important aspects of overall service quality are core and relational quality. Core quality centers on the basic service contracted for or promised. Relational quality concerns the way in which the service is delivered. However, service customers may be satisfied with what is delivered (the core) and how it is delivered (the relational) but may still not feel they are satisfied with the price with which they pay for the products. Customers are mindful of costs of obtaining a product and costs (prices) matter in relation to satisfaction)

2.4 INTERNAL AND EXTERNAL CUSTOMERS

There are two types of customers: external customers. External customers are those in the market place whereas internal customers are customers within the organization e.g employees of the organization. The satisfaction of both these customers is highly essential to the organization.

2.5 ACHIEVING EXTERNAL CUSTOMER SATISFACTION

Bond and Fink (2003) identified some key factors necessary for the achievement of customer satisfaction:

A high level of customer satisfaction is obtained solely by supplying products or services whose characteristics are such that they will satisfy the customers' requirements and desires. Customer satisfaction is therefore judged by the customer only.

All product and service attributes that contribute value to the customer and lead to customer satisfaction and preference must be adequately dealt with in the design activity. Not only the product and service attributes that meet basic requirements (defect and error reduction, meeting specifications, reducing complaints) but also those that enhance the product and service and differentiate them from competing offers from other firms. Robust design processes lead to major reductions in "downstream" waste, problems, and associated costs. This require a future orientation and long-term commitments to customers, constant sensitivity to emerging customer and market requirements, awareness of developments in technology and measurement of the factors that contribute to customer satisfaction. Design activity requires a well-defined and well-executed approach to continuous improvement. The process of continuous improvement must contain regular cycles of planning, execution, evaluation. This requires the definition of a basis on which to progress and from which to derive information to be used for future cycles of a improvement.

Organizations which seek to excel in terms of customer satisfaction need a fully well-trained, and involved workforce. Reward and recognition systems should reinforce full participation in the company's customer satisfaction objectives.

Employees require education and training in quality skills related to performing their work and to understanding and solving quality-related problems.

To obtain total participation of human resources, top management must commit the organization to customer satisfaction. This commitment should envisage the organization, allocate resources and activate the planning of a customer satisfaction strategy. Customer satisfaction ought to be included in the mission statement of the organization and supported by policy deployment. The importance of internal customers and of the chain of customers needs also to be recognized.

Meeting the quality and performance goals of the company requires reliable information, data, and analysis regarding customers, product and service performance, operations, suppliers and competitive comparisons. A major consideration, relating to the use of data and analysis to improve competitive performance, involves the creation and use of the performance indicators which best represent the factors that determine customer satisfaction and operational performance.

2.6 THE EFFECT OF PRICE STRATEGIES ON CUSTOMER SATISFACTION

Rampersad, (2001), Customer satisfaction is a key issue to survive. An organization must continuously understand and provide what the customer wants. It is important to talk to your customers and ask them what they think of your product and the product pricing. Try to find out what exactly they want in a product and a reasonable price they are willing to pay and does not greatly affect their satisfaction. Information about the opinion of the customer regarding a product and price are of essential importance, and can he obtained in several ways, such as customer surveys, phone interviews, questionnaires, and customer panel discussions.

Peters and Waterman (1982), highlight that, aligning organization strategies to customer requirements has long been regarded as the basis of an organization's success. Exceeding customer expectations marks the success of the fastest growing quality organizations.

Customer satisfaction results from providing goods and services that meet or exceed customers' needs (Evans and Lindsay, 1996). Customer satisfaction is first-and- foremost the responsibility of each employee of organizations. Meeting customers' needs, and thus assuring satisfaction, are ultimately the responsibility of management.

According to Zeithaml (1988), "perceived value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given". Consumers' perceptions of value are influenced by differences in monetary costs, non-monetary costs, customers' tastes, and customers' characteristics (Bolton and Drew, 1991). Consultant Bradley Gale popularized the use of a technique called Customer Value Analysis (CVA) (Gale, 1994). The relative performance of companies on a "perceived value" metric used ii CVA was linked to firms' relative market share (Clark et al., 1999). As a result, many managers adopted the CVA approach. The value metric was typically defined as customers' responses to a "worth what paid for" question (Bowden, 1998; Clark et al., 1999; Varki and Colgate, 2001)

Disconfirmation

The disconfirmation of expectations paradigm states that consumers possess preconceived expectations regarding performance standards of attributes within a transaction (Oliver, 1980). These attributes may be strictly product-related, such as size, or design, or they could be service-related, such as availability and helpfulness of staff, though in this case we are going to look at the attribute of price. In many cases, customers have expectations regarding a consumption experience. Customers then enter into the transaction and are exposed to these attributes. Finally, customers engage in a postpurchase evaluation of the experience. During the evaluation they compare what actually occurred with what they expected to occur. There are three forms of disconfirmation:

Positive disconfirmation

The first is positive disconfirmation, or when the consumer experiences better than expected results. In this case consumers percieve and accept acquisition of a commodity at particular prices and their expectations are met or better earned than the expected results.

Negative disconfirmation

Negative disconfirmation occurs when worse than expected results are experienced. Consumers obtain goods at varying prices, price is value attached to a commodity and thus individuals expect a particular return or perfomance, if the customers recieve worse or non respective results from what they expected then satisfaction can be confined to a negative disconfirmation.

Simple confirmation

Simple confirmation occurs when the results are as expected by the consumer. Individuals carry different ratings and expectations of particular commodities, with price attached, consumers make a decision on whether they recieved their outmost expectated results and if this is the case, ie. When the expected results are fully recieved by the customer then this is termed as simple confirmation.

Quality attachments/perceptions

Customers are characterized by a number of verse features that make them different, Price thus has a different attribute or trait that it posseses towards these customers. For some customers, high prices are attributed to high quality as cheap things are of low value and perfomance, it is thus comparative and jaxtaposed to class and status. Higher prices in thios cases call for improved customer satisfaction irrespective of other factors such as performance, economic trends and others. Satisfaction in this case is greatly improved with corresponding or increasing commodity prices.

Perfomance evaluation

Consumers evaluate performance in at least two ways (Day. 1977). In the first way, the consumer identifies a single dominant attribute to evaluate. When that attribute is evaluated positively, then the consumer is satisfied. In the second method of performance evaluation, a number of attributes are identified for evaluation. In the later case, a majority of the identified attributes must be evaluated positively for the consumer to experience satisfaction. In most cases where prices are relatively high, customers critically evaluate perfomance of the acquired commodity and in most cases finding fault or weak points and this causes little or no satisfaction in consumers.

Trust and loyalty

Each of the above effects of price on satisfaction convey a great deal of consideration, however, these all cause a great concern on the subject of customer loyalty and trust as placed by satisfaction. Feelings of being cheated or overcharged will cause distrust and disgruntles, little or poor performance will result to loss of loyalty in customers, grave price increases will call for little invovement and thus loss of market and other comparative grave effects in the business in the short run or long run.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter discusses major methodological aspects of the study. It contains the research design, research method, methods of data collection, processing and analysis. It also contains the problems that I encountered during the study.

3.1 RESEARCH DESIGN

The study employed a descriptive survey design as it sought to establish the extent to which price influenced customer satisfaction in the organization. It adopted a combination of both qualitative and quantitative aspects Quantitative techniques were used for, respondents to whom questionnaires were administered. This technique was adopted in order to generate quantifiable data that could be used to explain the relationship between price and customer satisfaction in NH&CC.

Qualitative techniques were used to capture views and opinions of key respondents who were interviewed in regard to price and customer satisfaction.

3.2 RESEARCH METHOD

The research method used involved observation of NH&CC and the research procedure used involved interviews with the employees and customers of the organization.

3.3 POPULATION AND SAMPLE SIZE

The population in focus was 400 employees and 100 customers. The sample size included 200 employees and 50 customers. Inclusion of all aspects despite the rule of thumb, I ensured that the different viewpoints about price strategies and customer satisfaction were captured.

3.4 SAMPLING PROCEDURE AND SIZE

Purposive and convenient sampling method was used to indicate the representative population of the 200 employees and 50 customers. The sampling design included adoption of customer satisfaction sampling technique so that selected customers were able to respond to me and the employees were interviewed.

3.5 DATA TYPE AND COLLECTION METHOD

Primary data was obtained from respondents through direct interactions with the employees and customers.

Data collection techniques included the use of questionnaires and interviews.

3.6 MEASUREMENT OF VARIABLES

The study variables were measured using a questionnaire built on a 5 point like scale ranging from I strongly disagree (SD) to 5 strong agree (SA)

3.7 DATA PROCESSING AND ANALYSIS

Once data was obtained from the organization, it was organized, processed, edited and coded to come up with meaningful information. Data was analyzed using both manual and computerized methods.

3.8 LIMITATIONS ENCOUNTERED DURING THE STUDY.

i) The study was expensive as it involved a lot of phone calls, transport fares, photocopying, express typing and printing plus other expenses on stationary. I needed to look for more funds in addition to the budgeted ones in order to complete the study successfully.

ii) Coping up with time was a challenge for me as i was involved in other academic aspects. It was thus a challenge for me to complete the work according to the set time frame.

iii) Since the organization is highly centralized and bureaucratic, it took me a lot of time to search for clearance from the top management to collect data and interview staff.

iv) There was a relatively low response and reception from both the customers and employees of NH&CCL.

However these challenges had no negative impact on the quality of the research work as they were dealt with accordingly.

CHAPTER FOUR

PRESENTATION, INTERPRETETION AND DISCUSSION OF FINDINGS.

4.0 INTRODUCTION

This chapter contains the presentation interpretation and discussion of the findings that were obtained during the study. The chapter covers the background information about the respondents and also presents the findings on the research objectives. The responses used in this chapter were obtained from 200 employees and 50 customers. The findings were obtained from primary data and were presented using frequency tables, percentages, and bar charts.

4.1 RESULTS ON THE PERSONAL CHARACTERISTTICS

4.1.1 Gender of respondents.

Results on the gender of the respondents were as presented in the table below.

Table 1.

Sex of respondents	Frequency (f)	Percentage (%)
Males	183	73.3%
Females	67	26.7%
Total	**250**	**100**

Source; Primary Data

Results in the table showed that 73.3% of the respondents were males and 26.7% were females. This means that the male respondents were more than the female respondents.

4.1.2 Age Group.

Results showed that there were no respondents below 20 years, 20.0% were in the age bracket of 21-30 years, 33.3% were in the age bracket of31-40 years, 20.0% were in the age bracket of 41-50 years and 26.7% were over 50 years. This therefore indicates that most of the information was got from mature portion of the population making the information more viable.

Table 2

Age of respondents (years)	**Frequency (f)**	**Percentage (%)**
Under 20	0	0.0
21-30	50	20.0%
31-40	83	33.3%
41-50	50	20.0%
Over 50	67	26.7%
Total	**250**	**100**

Source; Primary Data

4.1.3 Respondent category.

The table shows that 20% of the respondents were customers and 80% were employees.

4.1.4 Education level

The table below shows there was no respondent that stopped at primary level, 6.7% of the respondents stopped at secondary level, none stopped at a junior certificate. 20.0% had stopped at diploma level, 33.3% stopped at a university degree level, and 40.0% had more qualifications like Masters and PHDs. The findings show that the majority of the respondents had attained a reasonable level of education.

Table 4

Qualification	**Frequency**	**Percentage**
Primary level	0	0.0%
Secondary	17	6.7%
Junior	0	0.0%
Diploma	50	20.0%
University degree	83	33.3%
Others (Master, PHD)	100	40.0%
Total	**250**	**100**

Source; Primary Data

4.1.5 Status

The table shows that 26.7% of the respondents are single and 73.3% are married

Table 5

Status	**Frequency (f)**	**Percentage (%)**
Single	67	26.7%
Married	183	73.3%
Total	**250**	**100**

4.2 PRICING STRATEGIES

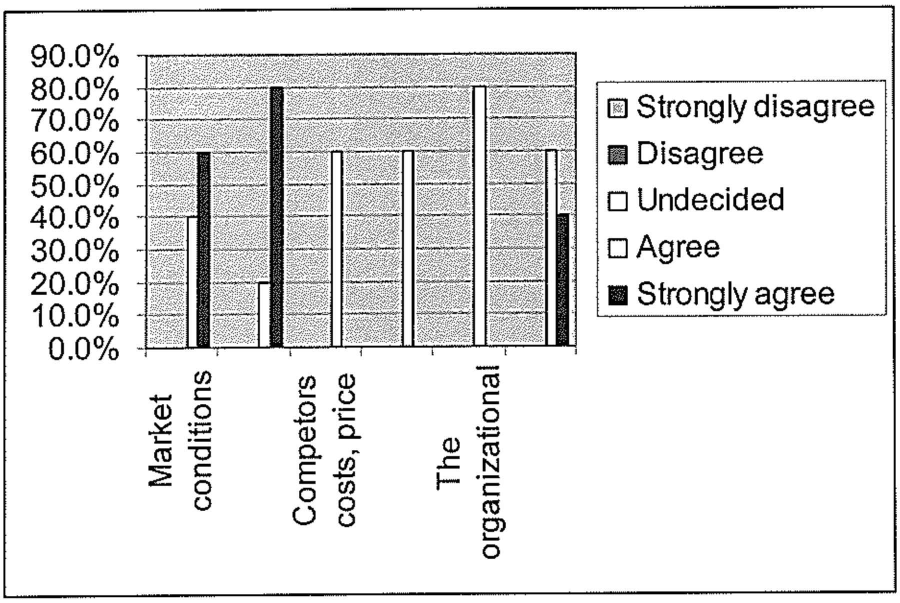
4.2.1 Responses by employees on the effectiveness of product pricing in the organization

Table 6

atement	**Strongly disagree**	**Disagree**	**Undecided**	**Agree**	**Strongly agree**
rket conditions have impact on pricing of oducts	0.0%	0.0%	0.0%	40.0%	60.0%
st reduction leads to ourable pricing ategies	0.0%	0.0%	0.0%	20.0%	80.0%

mpetition costs, price 1 offers affect the ;anization's pricing	0.0%	0.20%	0.0%	60.0%	0.0%
cing strategies are ected by ;anizational product ces are relatively fair the market.	0.0%	0.0%	0.0%	60.0%	0.0%
e organizational oduct prices are atively fair on the rket.	0.0%	0.0%	0.0%	80.0%	0.0%
ticipated profits have impact on pricing a ategies.	0.0%	0.0%	0.0%	60.0%	40.0%

Source; Primary Data



The graph below shows the findings on the pricing strategies of the organization.

The findings obtained above showed that (0.0) of the respondents strongly agreed that market conditions have an impact on the pricing of products, meaning that market forces of demand and supply determine prices of organizational products, however some authors and researchers do not agree. 80% of the employees strongly agreed that cost reduction greatly leads to favourable organizational strategies for pricing. 60.0% of the employees agreed that the costs, prices and offers from competitors have control to a certain extent over product prices of an organization. Also 60.0% agreed that an organization's goals and objectives have an impact on the prices of their products. 80.0% agreed that the pricing of their products is relatively fair for the customers in the market. 60.0% of the employees agreed that the organizations anticipated profits affect their pricing strategies. This meant that employees have many things to put into consideration when setting prices hence use of pricing strategies though some authors and researchers feel these factors do not have a great control over pricing strategies.

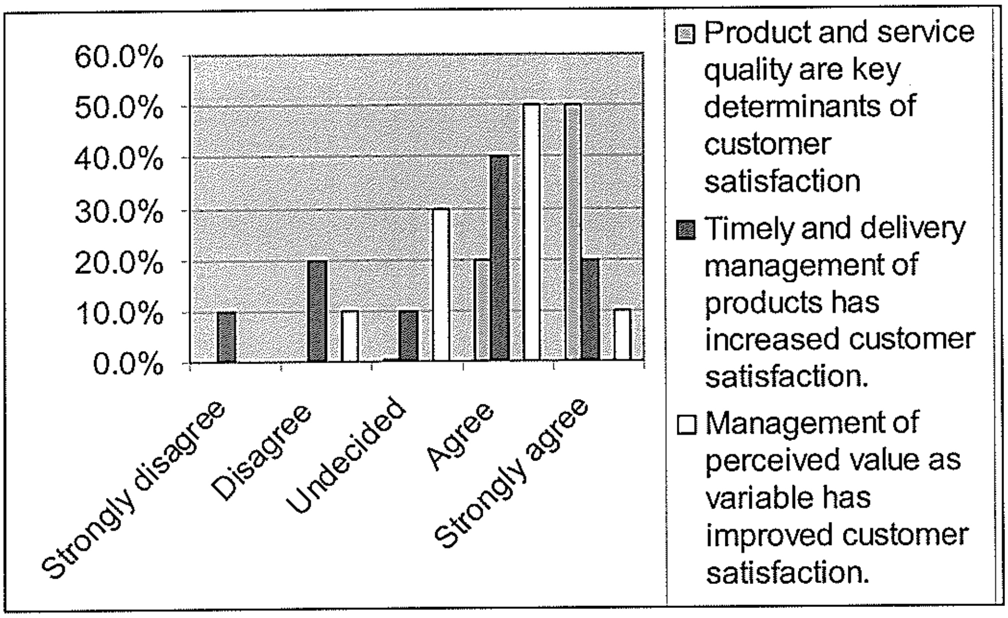
4.3 CUSTOMER SATISFACTION

4.3.1 Responses by customers on their satisfaction with products and services of the organization.

ıtement	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
›duct and service ality are key erminants of customer isfaction	0.0%	0.0%	0.20%	20.0%	50.0%
ıely and delivery nagement of products ; increased customer isfaction.	10.0%	20.0%	10.0%	40.0%	20.0%
nagement of perceived ue as variable has ›roved customer					

tisfaction.					
ıality management has sured complete stomer satisfaction.	0.0%	10.0%	30.0%	50.0%	10.0%

Source; Primary Data



The findings obtained above showed that 50.0% of the customers strongly agreed that product quality is a key determinant of customer satisfaction. 40.0% agreed that timely and delivery management of products has increased their satisfaction, however 20.0% of them disagreed. 60.0% of the customers agreed that management of perceived value improved the satisfaction. 50.0% agreed that quality management ensured complete satisfaction. However, some customers disagreed and agreed with timely and delivery, and perceived value and management to increase satisfaction respectively.

However still, some customers feel that the only factor to consider in improving customer satisfaction is producing quality products.

4.4 THE EFFECT OF PRICE STRATEGIES ON CUSTOMER SATISFACTION.

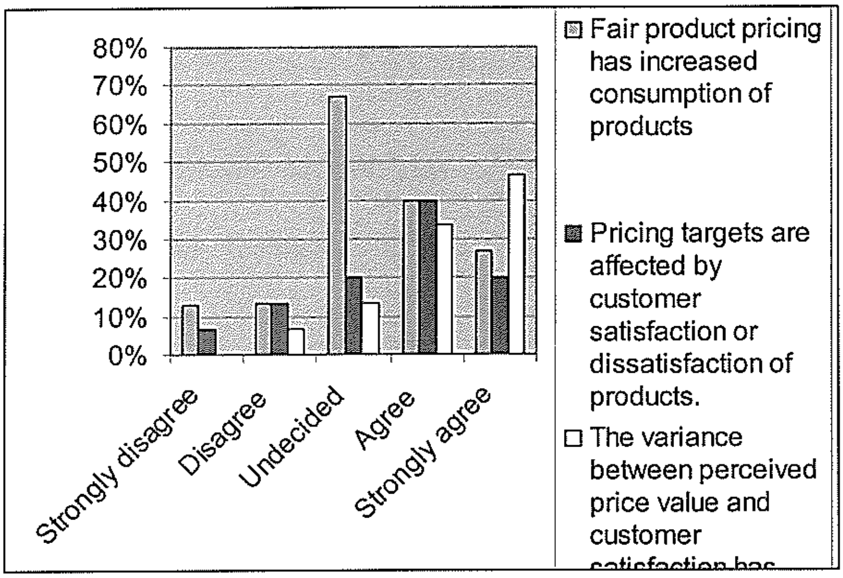
4.4.1 Responses by employees and customers on the effect of product pricing strategies on customer's satisfaction.

Table 8

ıtement	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
.r product pricing has :reased consumption ɔroducts	13%	13.3%	67%	40.0%	26.70%
cing targets are ɛcted by customer :isfaction or satisfaction of ɔducts.	6.7%	13.3%	20.0%	40.0%	20.0%
ɛ variance between :ceived price value and stomer satisfaction s reduced.	0.0%	6.7%	13.3%	33.3%	46.7%

Source; Primary Data

The graph below shows the findings on the effect of product pricing strategies on customer's satisfaction.



The findings obtained above showed that 40.0% of both the employees and customers agreed to fair product pricing having increased consumption of products, however some disagreed. Also 40.0% agreed that customer satisfaction and dissatisfaction both had an influence on the pricing targets set by organizations, however some still disagreed. 46.7% of the employees and customers strongly agreed that the variance between perceived price value and customer satisfaction had reduced, however some disagreed.

The findings above show that pricing of products greatly controls customer satisfaction though some other researchers and authors have a negative perception about it, they believe it takes more than just the price of a product to affect a customer's satisfaction.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMADATIONS

5.0 INTRODUCTION

The chapter presents the summary of the findings, conclusion and recommendations related to the study it also highlights areas for further research.

5.1 SUMMARY

The findings from the research showed that pricing strategies of an organization are affected by costs of production, organizational goals and objectives, market factors, consumer factors, and competition from other firms. All these factors have a link or effect on the consumers' satisfaction in a way that the satisfaction relatively changes according to the prices of products. The research clearly shows that customers have a high perceived value expectation in relation to their product satisfaction at relatively fair prices.

5.2 CONCLUSION

From the findings drawn by the researcher, it can be concluded that there is a positive link between an organization's pricing strategies and its customer's satisfaction. Organizations that are more customer oriented listen more, are more market responsive; they gather information about their customers and use this information to provide quality products and services at relatively fair prices and this results in customer satisfaction and loyalty, profit, and therefore in long term survival and competitiveness. Organizations without pricing strategies are less likely to satisfy their customers and therefore equally less likely to keep them. This is costly for any business in the long run.

5.3 RECOMEDATION

Based on the analysis of the findings, summary and the conclusion drawn, Pricing strategies and customer satisfaction should he the major objective of every organization, the underling and guiding philos1'h in ever organizations culture values and actions, this is more especially for small, medium, growing and well established enterprises.

Management should adopt the following approaches to pricing their products and services; variable cost pricing, full cost pricing, product line pricing, market penetration and market skimming. With these approaches, management will set reasonable prices for their products which may improve on customer satisfaction.

Customer satisfaction can be achieved through adoption of a customer orientation philosophy that involves the shaping of an organizations culture around obtaining information about customers needs, and using this information to define organization pricing strategies and structure, through which products and services that offer value and meet customers' needs are provided in order to boost competitive advantage.

5.4 AREAS FOR FURTHER RESEARCH

The researcher proposes that the following areas of further research include;

- Customer satisfaction and measurement in the services sector.
- Customer oriented philosophy in the public sector.

APPENDIX

KAMPALA INTERNATIONAL UNIVERSITY

QUESTIONNAIRE

Dear Respondent

The researcher is studying the effect of pricing on customer satisfaction of an organization.

The study is being undertaken as a partial fulfillment of the requirement for the award of Bachelors Degree in International business administration at Kampala international university.

The information you will provide will help in identifying to what extent organizational pricing strategies affect customer satisfaction.

I am therefore seeking your co-operation and honesty in responding to the answers.

The information gathered will be treated with utmost confidentiality and will be used only for the purpose of this study.

Thank you.

PRICING STRATEGIES AND THEIR EFFECT ON CUSTOMER SATSFACTION.

This questionnaire consists of four sections; section A is to be filled in by both managers and customers, section B is to be filled by managers as respondents. Section C is to be filled in by customers as respondents and section D is to be filled in by both the manager and customers.

SECTION A

PERSONAL CHARACTERISTICS

Q.1 Sex

1. male ☐
2. female ☐

Q.2 Age

1. Under 20 Yrs ☐
2. 21 – 30 Yrs ☐
3. 31 – 40 Yrs ☐
4. 41 – 50 Yrs ☐
5. Over 50 Yrs ☐

Q.3 Respondents category

1. manager ☐
2. customer ☐

Q.4 Highest level of education

☐

1. primary level
2. secondary level
3. junior certificate
4. diploma
5. university degree
6. If other specify;

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

Q.5 status

1. single
2. married

SECTION B

SD= strongly disagree, D= disagree, U= undecided, A= agree, SA= strongly agree

PRICING

QN.		SD	D	U	A	SA
6	Market conditions have an impact on pricing of products.					
7	Cost reduction leads to favorable pricing strategies.					
8	Competitors costs, prices and offers affect the organization's pricing					
9	Pricing strategies re affected by organizational goals and objectives					
10	The product prices are relatively fair on the market.					
11	Anticipated profits have an impact on pricing strategies.					

SECTION C

SD= strongly disagree, D= disagree, U= undecided, A= agree, SA= strongly agree

TO BE ANSWERED BY CUSDTOMERS

CUSTOMER SATISFACTION

QN		SD	D	U	A	SA
12	Product and service quality are key determinants of customer satisfaction					
13	Timely and delivery management of products has increased customer satisfaction					
14	Management of perceived value as variable has improved customer satisfaction.					
15	Quality management has ensured high customer satisfaction.					

SECTION D

SD= strongly disagree, D= disagree, U= undecided, A= agree, SA= strongly agree

THE EFFECT OF PRICING ON CUSTOMER SATISFACTION TO BOTH RESPODENTS

QN		SD	D	U	A	SA
16	Fair product pricing has increased consumption of products					
17	Pricing targets are affected by customer satisfaction or dissatisfaction of products.					
18	The variance between perceived price value and customer satisfaction has reduced.					

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