The Effect of Price Perception on Customer Satisfaction

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ABSTRACT

This study wants to see how the effect of price perception on customer satisfaction. This research was conducted in one of the hawker center in the city of Medan, it's X Food court which consist of 100 respondents who are customers there and asked to willingly respond to statements through questionnaires. The hypothesis testing used structural equation modeling (SEM) methods. Assisted by the AMOS 16 program. The results in this study, described the results which support the proposed hypothesis by stating there is a significant relationship between price perception and customer satisfaction. This research is expected to be an input for the company where the research takes place, and also can be material for further research to be able to develop existing variables and develop theoretical strengths which are the main weaknesses in this study and also develop the population towards a broader direction.

KEY WORDS: Price Perception, Customer satisfaction,

1. PREFACE

The condition of an increasingly fierce competition and technological progress that can not be dammed, over time will makes a product be very difficult to distinguish between one another. In this case, in order to excel in a competition, the current marketing of the product is not only based on the quality of the product, but also depends on the price of the product. Here, customer will perceive prices by referring to the quality of the product. If the product offered is in line with expectations, then customer wouldn't mind to spend more money for it. According to Monroe (2003) in Andreas Hermann (2007), in general, when customer receive the benefits or a benefits offered from a product, then they will make a balanced sacrifice. So customer will accept the fact that the price of the product is fair enough. Customer will judge a price they paid for a product or service obtained. If the customer considers that the price and the product offered is acceptable, then the customer will be satisfied using the product.

The perception of the fairness of prices can also be explained by the theory of Acquisition Transaction Utility. Customers will make a purchase (acquisition utility) if the price is associated with profit or loss in the perspective of the product's function. Whereas in transaction utility, customers perceive prices with pleasure or inconvenience in the financial aspects obtained from the difference between internal reference prices and purchase prices (Isman Pepadri, 2002).

In the research of Andreas Hermann (2007), it was stated that customer consider that it's important to pay attention to prices in making decisions to buy a product. Specifically, each customer is aware of the relative relationship between price and their level of expectation about the product to be purchased (Voss, et.al., 1998). Furthermore, the quota of a price offered can be compared with
the experience and expectations of customers, so that the price offered can be accepted or at least in accordance with the quality of the product offered.

When customers evaluate and assess the price of a product, it is strongly influenced by the behavior of customers themselves. While customer behavior according to Philip Kotler (2000) in Kotler and Keller (2006), it is influenced by 4 main aspects, which are culture, social, personal (age, work, economic conditions) and psychology (motivation, perception, trust). Meanwhile, according to Schiffman & Kanuk (2000) perception is a process of an individual in selecting, organizing, and translating stimuli or information that comes into an overall picture. Thus the assessment of the price of a product is marked to be expensive, cheap or ordinary from each individual does not have to be the same because it depends on the individual's perception that is based on the environment and individual conditions. In reality, in assessing the price of a product, costumer is highly dependent not only on nominal value in absolute terms, but through their perceptions of prices (Nagle & Holden, 1995) in Isman Pepadri (2002). In general, customer perception of the prices depends on the perception of price differences and reference prices.

Customer satisfaction towards a service is a comparison between customer perception of a service they’d received with the expectations before using the service (Farida Jasfar, 2002). According to Engel (1994), satisfaction is a post-consumption evaluation to choose several alternatives in order to meet expectations. Kotler (2002) states that a person's happy or disappointed feelings will be shown after comparing between perceptions or impressions on the performance or result of a product and its expectations. According to Supranto (2001), the term of customer satisfaction is a label used by customers to summarize a set of actions or actions that are seen, related to products or services. For example, if a customer smiles when they see a product or service being promoted, that person has felt satisfaction with the product or service they seen.

Reinforced by Kotler (2004), it’s stated that customer satisfaction is the level where the perceived performance will be in accordance with the expectations of a customer. When product performance is far lower than customer expectations, the buyer is not satisfied. Conversely, if the performance is in line with expectations or exceed expectations, the buyer would feel satisfied or very happy.

Restaurant is a form of business that offer services, therefore restaurant management must be able to know the needs and desires that are able to create satisfaction for consumers. In this case, the role of marketing service becomes important to sell the restaurant products. This is tightened by the rapid competition in the F&B industry. The increased of the population demands an increase in the availability of food, which is the most basic needs. Restaurant is one of a way to fulfill the needs of food for the community.

Based on the description above, it can be identified several problems in this research study, i.e : Does price perception contribute to customer satisfaction.

**RESEARCH METHOD**

This research uses descriptive method with co relational study approach. According to Jacobs and Razavieh (1982), descriptive research is directed to establish the nature of a situation at the time of the investigation. This study correlates between perception about prices with customer satisfaction that is formed by customers in the center of the restaurant industry in the city of Medan.
RESULT AND DISCUSSION

To test the validity of the instrument, in this case after the instrument is constructed about aspects that will be measured based on certain theories. In addition, the validity test in this study is based on the Construction Validity by carried out with factor analysis, which is to correlate between the scores of instrument items in a factor, and correlate the factor scores with the total scores. Stating valid or invalid items with a small number of scale items using a benchmark comparing the coefficients contained in the Cronbach's Alpha column if item Deleted with the Cronbach’s Alpha Coefficient from the results of the analysis (Nisfiannor, 2008).

The results of validity testing for the construct of price perceptions, as follows:

### VALIDITY TEST FOR PRICE PERCEPTIONS CONSTRUCTIONS

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTIONS</th>
<th>CRONBACH’S ALPHA IF ITEM DELETED</th>
<th>CRONBACH’S ALPHA</th>
<th>CORRECTED ITEM-TOTAL CORRELATION</th>
<th>DECISION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The price of food products in this place is affordable to my ability (X1)</td>
<td>0.797</td>
<td>0.843</td>
<td>0.415</td>
<td>valid</td>
</tr>
<tr>
<td>2</td>
<td>Prices are relatively in accordance with the quality of food products offered (X2)</td>
<td>0.740</td>
<td>0.843</td>
<td>0.501</td>
<td>valid</td>
</tr>
<tr>
<td>3</td>
<td>When compared with existing places, the price is considered appropriate (X3)</td>
<td>0.779</td>
<td>0.843</td>
<td>0.426</td>
<td>valid</td>
</tr>
<tr>
<td>4</td>
<td>The price offered is in line with my expectations (X4)</td>
<td>0.791</td>
<td>0.843</td>
<td>0.400</td>
<td>valid</td>
</tr>
<tr>
<td>5</td>
<td>I have no problem with the price in this place compared to other places (X5)</td>
<td>0.745</td>
<td>0.843</td>
<td>0.317</td>
<td>valid</td>
</tr>
</tbody>
</table>

Source: Questionnaire data were processed with SPSS. 17

Based on the validity test table above, it can be seen that the five statement items used to measure the construct of Price Perceptions fulfill the requirements to be "valid" with a range of correlation coefficient values from 0.317 to 0.50, with a reliability coefficient of 0.843. So it can be concluded that each statement is declared valid. In other words, the points of the statement can represent or form the construct of Price Perceptions.
The results of validity testing for the construct of customer satisfaction, as follows:

### VALIDITY TEST FOR CUSTOMER SATISFACTION CONSTRUCT

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTION</th>
<th>CRONBACH’S ALPHA IF ITEM DELETED</th>
<th>CRONBACH’S ALPHA</th>
<th>CORRECTED ITEM-TOTAL CORRELATION</th>
<th>DECISION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The service here is great for me (X6)</td>
<td>0.691</td>
<td>0.710</td>
<td>0.370</td>
<td>valid</td>
</tr>
<tr>
<td>2</td>
<td>Performance of the services in accordance with what I want (X7)</td>
<td>0.687</td>
<td>0.710</td>
<td>0.381</td>
<td>valid</td>
</tr>
<tr>
<td>3</td>
<td>The foods are better and more superior than other places (X8)</td>
<td>0.674</td>
<td>0.710</td>
<td>0.447</td>
<td>valid</td>
</tr>
<tr>
<td>4</td>
<td>The food here fulfill my needs of cleanliness and health (X9)</td>
<td>0.703</td>
<td>0.710</td>
<td>0.310</td>
<td>valid</td>
</tr>
<tr>
<td>5</td>
<td>I had a pleasant experience eating here (X10)</td>
<td>0.690</td>
<td>0.710</td>
<td>0.366</td>
<td>valid</td>
</tr>
<tr>
<td>6</td>
<td>I did not wait too long to be served (X11)</td>
<td>0.683</td>
<td>0.710</td>
<td>0.398</td>
<td>valid</td>
</tr>
<tr>
<td>7</td>
<td>The interval of ordering and the arrival of food does not make me wait too long (X12)</td>
<td>0.641</td>
<td>0.710</td>
<td>0.585</td>
<td>valid</td>
</tr>
<tr>
<td>8</td>
<td>I was not busy looking for a parking space (X13)</td>
<td>0.686</td>
<td>0.710</td>
<td>0.380</td>
<td>valid</td>
</tr>
</tbody>
</table>

Source: Questionnaire data were processed with SPSS. 17

**TABLE NO 2**

In the table above, out of the eight questions that is used to measure the Customer Satisfaction construct which meets the requirements to be “valid” with a range of correlation coefficient values
From 0.310 to 0.585, with a reliability coefficient of 0.710. It can be concluded that each of the statement items is declared valid. In other words, these statement items can represent or form the construct of Customer Satisfaction.

Hypothesis testing shows that based on the SEM test result table (table 4.7.) Above, it is known that the p-value for hypothesis 1 is 0.003 <alpha 0.05. With Ha 1 can be supported means that Price Perceptions has a positive relationship with Customer Satisfaction. For this reason, it can be assumed that the price given by X Food court can be accepted by customers because it's in accordance with their expectations and needs, so the tendency of customers to be satisfied with X Food court will increase. This is related to the result of research by Andreas Hermann (2007), which suggests that equality has an influence in assessing customer satisfaction, where it shows that there is an effect of price perceptions on customer satisfaction. Where customers see the price paid according to the product offered.

The value of the regression coefficient for the effect of price perception on customer satisfaction of 0.321 indicates that the direction of influence between Price Perceptions with Customer Satisfaction is positive and the effect is strong.

This research can give some pictures to F&B companies, especially X Food court. More specifically, price perception will have a positive effect on customer satisfaction, so companies can offer price quotes to customers that match or even exceed of the customer expectations.

The enhancement of customer satisfaction will have a positive effect on increasing customer confidence in the service company. This can provide feedbacks to the company about the important role of customer satisfaction in building customer confidence in the company. Successful companies usually put their customer satisfaction first. If customer disappointment arises, it means the company has made a mistake that damages its image. This will ruin the consequences for companies where customers will leave the company and even become customers of competing companies. This can occur as a result of customers not believing in the company's service performance to meet their needs and desires.

Every service company, must have a good service system, this should be done in order to have a positive influence on Customer Satisfaction. If the service implemented well, the customers will feel served fully and comfortably in enjoying the services provided. This related to the achievement of customer satisfaction, where the results of the service delivery process that has been provided can meet or even exceed customer expectations.

Related with the results of this study, there's the indication that price perception is also an important part in achieving customer satisfaction customer expectations. Customer will usually perceive the price in assessing the quality of a product. The amount of price as an extrinsic factor in customer perception can reflect the quality of the product itself, where each price attached to the product can reflect the quality of the product itself (Monroe 1990 in Isman Pepadri, 2002). So in perceiving a price, customer will feel satisfied if the price offered is in accordance with their expectations of the quality of the product, then the customer will achieve satisfaction with the price and product offered.
2. CONCLUSION

This research shows the price perception offered by X Foodcourt company can be accepted by customers, meaning that if the price perception can be accepted there is a positive relationship to customer satisfaction. The results create a significant value, where customers are satisfied with the food and service provided by X Foodcourt.

SUGGESTION

This research can be developed to other retailer service industry or other service companies so that the results obtained can be used for other service companies that are highly volatile with price conditions.

3. REFERENCES

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