



Price transparency reflects assurance and reliability

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ABSTRACT

This paper aims to examine the effect of price transparency on assurance, reliability and customer loyalty in the case of Wal-Mart Best Price Store. A total of 402 usable responses were gathered from customers of Wal-Mart store in Bhopal (MP), India. The study scales were refined and validated by exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). The AMOS 22.0 and SmartPLS 3.0 statistical programmes were used for measurement validation and to test the structural model. The results indicated that the price transparency has a significant effect on assurance and reliability to ensure customer loyalty. Also, the study did not find a direct effect of price transparency on customer loyalty. The identified dimensions of price transparency are expected to bring clarity to the issue of customer assurance, reliability and loyalty. This would help the management of the retailing sector. The study seems to offer opportunities to understand that only price transparency is not responsible for improving customer loyalty. It influences assurance and reliability which further increase customer loyalty.

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1. Introduction

There is a growing realisation in marketing theory and practice that the customer loyalty is important because it increases profits through repeat patronage and positive word-of-mouth (Pandey et al., 2015; Foscht et al., 2009). Within this context, it is very important to understand consumer behaviour in order to determine how to attract and retain them (Business Korea, 1998). Particularly in the highly complex and dynamic environment of the retail sector, customer loyalty has become an important aspect. Now the customers are more price-sensitive and less loyal (Low, 2012). On the other hand, it has been observed in the case of Wal-Mart Best Price modern wholesale, retail stores in India, customers become more loyal encouraged by their price transparency. Wal-Mart stores mention brief product information, net weight, maximum retail price (MRP), offer (discount) price, and profit margin on its product's price tag for customers. Although customers aware that Wal-Mart retail store is a place for wholesale purchasing and minimum billing condition is ₹1000 at the time of purchasing, customers prefer to purchase from its stores and loyal ones towards it. Additionally, it seems that those customers do not have the Best Price's membership card or want to purchase few items less than the worth of ₹1000 request to others those have the membership card to enter with them in the store for purchasing

and combined billing. It is also come to the notice that some customers request to other people, relatives, friends, etc., to become a membership card holder because they may not have the business and required documents for membership of War-Mart. According to the current membership policy of Best Price stores in Bhopal, Madhya Pradesh (MP) those have registered business, institution, shop, industry, firm, etc., can become a member with 5 membership cards including the prime card. The prime card holder may nominate the other family members, relatives, friends and somebody else for the remaining membership cards based on his own registered business.

Usually, several research studies have investigated that attracting new customers and retaining the existing ones is challenging for the firm at present scenario and focused to identify the reasons for customer switching behaviour and its dimensions to understand the customer loyalty in various sectors (N'Goala, 2007, Khare, 2014, Gupta and Dev, 2012). But the present study is trying to claim that people seem to more loyal towards Wal-Mart Best Price wholesale stores due to its price transparency. Further, the research examines the effect of price transparency on assurance and reliability to ensure the customer loyalty towards Wal-Mart.

However, no holistic view of price transparency in relation to assurance and reliability has been considered. More specific, no direct link between them has been, so far, clearly established. This paper aims to fill in the existing research gap by developing and testing a research model of price transparency and its direct effect on assurance, reliability and customer loyalty.

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2. Theoretical background and hypotheses development

2.1. A brief history of Wal-Mart in India

Bharti Enterprises, an Indian largest telecom company and Wal-Mart Stores, a USA retail giant have set up an equal joint venture to float a company called Bharti Wal-Mart Private Limited in 2007 with the intention of opening wholesale retail stores through Best Price modern wholesale stores in India. This partnership has given Wal-Mart access to the highly regulated Indian retail market, which was valued at US\$320 billion (Lakshman, 2006). The two had a 50:50 partnership to run the wholesale cash-and-carry business that sells to hotels, canteens and retail stores. It was decided that this joint venture will manage the supply chain together while Bharti Enterprises would be franchised to run the retail portion (Mukherjee, 2006). Wal-Mart brought a tremendous amount of supply chain and information technology intellectual property into this joint venture (Lakshman, 2006). Bharti saw an opportunity to turn around the infrastructure, supply chain and IT through a strategic alliance with Wal-Mart. They were decided to maintain low prices and offer a variety of staples and households items very conveniently in their stores. Over 90–95% of these products are sourced locally which help to keep costs to a minimum. The first store was opened in Amritsar (Punjab) in 2009. On 9 October 2013, Bharti Enterprises and Wal-Mart Stores, Inc. announced that they have reached an agreement to own independently and operate separate business formats in India based on external and internal factors, including the new foreign direct investment (FDI) policy (The Times of India, 2013). Under the requirements contained in the new FDI policy, Wal-Mart could not invest in multi-brand retail through the existing Bharti retail business. After that, Wal-Mart planned to continue to grow this business while working with the government and interested stakeholders to create conditions that enable FDI in multi-brand retail. Now the Wal-Mart India Private Limited is a wholly owned subsidiary of Wal-Mart Stores Inc. and operating 20 Best Price modern wholesale stores in 9 states across India (Wal-Mart, 2013). Two of them are in Bhopal, the capital of Madhya Pradesh (MP).

2.2. Price transparency

Matzler et al. (2006) comprehensively explored the several dimensions of price satisfaction and investigated that price transparency is the most important factor affecting it. According to their study, price transparency refers to a clear, current and effortless overview of quoted prices. Ferguson (2014) defined that transparency in pricing occurs when the seller reveals to the consumer price setting (e.g., designated markup price, discount price). When the consumers knew what the market and offered price of a product, potentially, it may help them to compare and accept that price (Maxwell, 1995). It refers to consumer belief that a price is favourable, related to the absence of hidden costs and unexpected price changes (Diller, 1997). Interestingly, when a product is presented with price transparency, leads to higher perceptions of fairness, resulting in increased repurchase intentions (Carlson and Weathers, 2008). Ferguson and Ellen (2013) are evident that price transparency has an impact on customer's perceptions of price fairness. It strongly influences overall satisfaction and has an indirect effect on positive word-of-mouth and customer loyalty (Matzler et al., 2007).

In times of cut throat competition in the retail sector, Wal-Mart's Best Price business model is founded on providing the lowest prices to its customers with price transparency (Gereffi and Christian, 2009). This is the normal practice in Wal-Mart stores that the product's market price, their offer price and the difference between these two prices as customer's profit margin on each

product is clearly displayed. It helps to customers for comparing the price offering of Wal-Mart's product to their competitors' offering. Wal-Mart stores also tend to equally value fashion trends, quality, variety and personalised service over the cost (Ramstad, 2006). These practices may have a great importance to customers because of the growing unethical and unfair business practices in the retail sector (Gershoff et al., 2012). It has been observed that customers are very passionate about Best Price stores because they feel the benefits such as convenience, time savings, a good deal of product information, fast delivery of goods combined with enhanced online shopping and quality products at low prices. In addition to these factors, a few more factors which may capture customer's attitudes and shopping intentions such as shopping experience, atmosphere, pleasure, effectiveness, products' presentation, staff knowledge, ethical behaviour, feasible store operating hours, customer care, responsiveness and other customer's services of Wal-Mart stores. But the price transparency is a primary concern of customers and also a focal point of the study. The remaining factors are very common and provided by all types of organised retail stores to their customers nowadays. There are very few studies on price transparency, most of them in financial services (Lympelopoulou et al., 2013). Those studies are in retailing often used the term price fairness in their theoretical framing under the head of retail fairness (Nguyen and Klaus, 2013). However, no holistic view of price transparency in relation to consumer behaviour in the context of Wal-Mart stores has been taken. There is a need to identify the price transparency dimensions in case of the retail sector. Thus, the present study explores the various dimensions of price transparency. Further, providing price transparency to customers could reinforce loyalty behaviour (Chen et al., 2001). Thus, the study hypothesises:

H1 : Price transparency has a significant direct effect on customer loyalty.

2.3. Effect of price transparency on assurance and reliability

Marketers have heavily relied on the SERVQUAL instruments to provide at certain key moments in customer touch (Parasuraman et al., 1988). Parasuraman et al. (1988) defined assurance as the knowledge and courtesy of a firm's employees and their ability to inspire trust and confidence, and reliability as the ability of service firms to perform the promised service dependably and accurately. Further, Parasuraman et al. (1991) argued assurance was concerned with the service delivery process whereas reliability was mainly concerned with the outcome of service. This involves many of the psychological and behavioural aspects including the way service staff performs their tasks, what they say and how the service is being delivered (Bell et al., 2005). Despite a significant interest in service quality and its dimensions, to best of our knowledge, no specific research has empirically investigated the effects of price transparency on assurance and reliability from customers' point of view in retailing sector. Therefore, the present study aims to focus on this issue because it is an important theoretical as well as a practical issue for most retailers and customer researchers.

On the other hand, Arrow (1974) emphasised that the role of assurance and reliability as the foundation of every economic transaction. Similarly, Simons (2002) reiterated the importance of assurance, reliability and trust which increases the profits of firms. Kanagaretnam et al. (2010) found that transparency significantly increases trusting behaviour. Bertini and Gourville (2012) also claimed that transparency in pricing engages customers and build trust and goodwill among them. In the case of Wal-Mart stores, the consumer may judge their price transparency according to the derived value, the price relative to other prices (i.e. offered by

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