

A study to analyze the impact of price and service quality on purchase intention of retailers of Amul Chocolates

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Abstract

Purpose: The aim of this study is to identify the effect of Price (PR) and service quality (QT) provided by the company on the Purchase Intention (PI) of retailers of Amul chocolates. In the research, Price and Service quality are independent variable and Purchase intention is dependent on the other two.

Research Design & Methodology: The data collected for the study is Primary data collected through questionnaire from the respondents of Bhopal. The targeted population was retailers of niche market, particularly; retailers of Bakery, Dairy, Florists, Chocolate Confectionaries and other AC outlets. The sample size taken is 102 and the respondents are from Bhopal city and nearby localities & the sampling method and technique used while data collection is Non- Probability Convenience Sampling. The research is based on Structural Equation Model (SEM), the model is having two independent and one dependent variable and Smart PLS and Jamovi are the software used for analysis, interpretation of data and followed by Hypothesis testing for the conclusion.

Findings: In this research, it has been found that there is a significant impact of price and service quality on Purchase intention of Retailers. Though, it can be interpreted from data analysis that, Service Quality significantly impacts Purchase Intention more than price by the Retailers.

Practical Implications: This research has its implications for Purchase intention of the retailers of Amul Chocolates that can be used by the company for sales promotion strategies. Service Quality has direct impact on Purchase intention thus, optimum strategy can be made for sales growth keeping in mind Service Quality as one of the major factors determining Sales.

Originality Value: This research helps to determine the major factor influencing the Purchase Intention of the Retailers towards Amul Chocolates.

Keywords: Price, Service Quality, Purchase Intention, Structural equation model.

1. Introduction

In the year 1946 the primary milk association was constructed up. This association was begun with 250 liters of milk for each day. In the year 1946 the association was recognized as Kiara district co-operative milk producers' union. The association got its name AMUL, which is Anand Milk Union Limited.

The name of the Brand is also associated with Hindi word, AMULYA- means 'Priceless' or 'highly valuable'.

The Cooperative is India's largest producer of milk and dairy products, it is considered one of the most recognized and successful brands in the world having more than hundreds of products under its brand name.



An umbrella organization of state-level dairy cooperatives in Gujarat with the aim of providing valuable returns to farmers and also contributing to the benefit of consumers by providing quality products at affordable prices. Amul's product range includes powdered milk, milk, butter, ghee, cheese, Masti Dahi, Chocolates, yogurt, Peanut Butter, buttermilk, chocolate, ice cream, cream, Shrikhand, paneer, Gulab jamun, milk Sweetener and flavored milk (Amul Kool) . Basundi, Amul Pro brand, etc. Today, Amul is a symbol of many things. They sell high quality products at reasonable prices.

Amul entered in chocolates segment in 1970. Amul chocolate's: product range includes Amul Chocolates, Amul Chocozoo, Rejoice assorted Chocolates, chocoheart musical pack, fundoo, bindaaz, Amul Milk chocolate, Amul Dark Chocolate, Amul Wafer Chocolate, Amul Sugar Free Chocolates. Amul Chocolates are very rich in quality and healthy. In August 2007, Amul introduced Kool Koko, a chocolate milk brand extending its product offering in the milk products segment. The milk chocolate market in India has only three big players, Cadbury (70%), Nestle (15%) others (5) and Amul (10%). It is not doing well as expected but slowly the market share of Amul chocolates is increasing.

Retailers of Chocolates and Choco products are aware of the range of chocolate products manufactured by the company. And also, Indian customers are already a fan of the products offered by the company.

Thus, Purchase Intention of retailers towards the product plays a vital role in achieving the sales target. Here, the research focuses on the factors affecting the Purchase Intention of retailers for Amul Chocolate. Particularly, how the dependent variable; Purchase Intention is affected by the two independent variables taken for study i.e., Price and Service Quality provided by the company.

2. Literature Review

2.1 Price

Kotler and Keller (2011) highlighted that price reduction, is one of the most common and effective techniques of increasing consumer buy intent. Indeed, price cuts encourage purchases by raising consumers' perceptions of utility. Companies typically opt to discount pricing in order to acquire a competitive advantage in the market by establishing price position distinction with respect to competitors.

(Chung & Li 2014) indicated that prior research has shown that price reductions can increase customer purchase intent and have a direct impact on sales. In other words, price cuts encourage people to buy. Price reductions encourage product purchases by increasing customer purchasing demand, resulting in the purchase of more products than usual and an increase in consumption.

A repeated price decrease may cause users to postpone their purchase since they await product promotional efforts. When a product is given at a higher discount than expected, consumers are concerned about the product's performance and quality and are hesitant to purchase it (Grewal, Marmorstein, & Sharma, 1996). In other words, a price reduction above a particular threshold is likely to have a negative influence on customer buy intent because consumers perceive some risk associated with the product's quality.

2.2 Service Quality

Service quality is a measure of how well the delivered service matches customer expectations. In other words, a satisfactory service quality level can be achieved when the recognized result is greater than the anticipated expectation of consumers (Parasuraman, Zeithaml, & Berry, 1988). The quality of service affects perceived value and customer satisfaction (Kim & Shim, 2017)

Based on the Disconfirmation model, Parasuraman, Zeithaml, and Berry (1985) proposed a new methodology for measuring service quality by measuring the gap between perceived and expected service by the recipient. The development of their theory is based upon the gap analysis in service quality. Lai, F., Griffin, M., and Babin, B. J. (2009) demonstrate the significance of network quality in determining

overall service quality in the Chinese telecommunications industry.

2.3 Purchase Intention

There are some fundamental elements that can affect customer purchase intention, such as customer satisfaction, need fulfilment, and placing the customer in a better position. M. M. Luo, J. S. Chen, R. K. Ching, and C. C. Liu (2011)

According to Thamizhvanan (2013), multiple external factors such as price, quality, time, and brand influence consumer intent when picking products or services, and if customer expertise linked to a given product or service is favorable, their intention is definite.

3. Research Framework

The conceptual model developed by the researcher is based on the model originally proposed by Dodds and Monroe (1985), where, they have analyzed the impact of Price, Perceived Quality and Perceived value on Purchase Intention.

3.1 Conceptual Framework

The research is based on the SEM model, where it analyses the impact of Price and Service Quality on Purchase Intention.

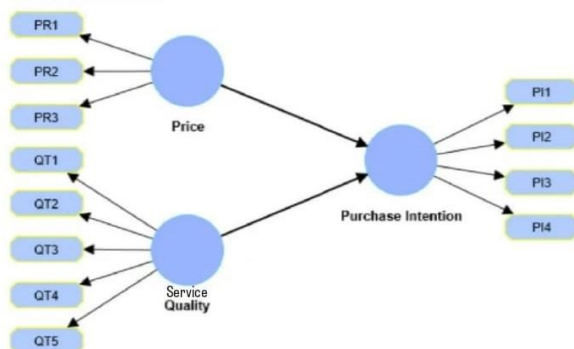


Figure 1 Conceptual Framework

The conceptual framework used in this study is to examine the factors influencing purchase intention of retailers of Amul chocolates. Price and service quality are shown as independent factors and coded as PR and

QT respectively in Figure 1, whereas purchase intention is shown as a dependent variable coded as PI that depends on the first two independent variables.

4. Research Objective

Based on the above conceptual framework, the research attempts to achieve the following objectives.

- To study the impact of price on purchase intention of retailers for Amul chocolates.
- To study the impact of service quality on purchase intention of retailers for Amul chocolates.

5. Research Hypotheses

In order to achieve the research objectives, the following objectives are framed.

H₁: There is no significant impact of Price on Purchase intentions for Amul Chocolates

H₂: There is no significant impact of Service Quality on Purchase intentions for Amul Chocolates.

6. Research Methodology

The majority of the respondents to the survey were from Bhopal or its surrounding areas. Retailers in specialist markets were specifically targeted, including those in the bakery, dairy, floral, chocolate confectionery, and other AC shops. The data was gathered through a questionnaire using a non-probability convenient sampling technique. Data was gathered by using google forms that are shared with the respondents by visiting their stores. A total of 102 valid responses were considered for the present research. Partial Least Square Structural Equation Modeling was applied using the SmartPLS4 software. For analyzing the demographic profile of the respondents Jamovi software was used.

7. Results and Analysis

7.1 Results of demographic factors

Table 1. Demographic Factors

Levels	Counts	% Of Total	Cumulative %
Frequencies of Gender			
Female	38	37.25 %	37.25 %
Male	64	62.75 %	100.0 %
Frequencies of Age group			
18-25	19	18.62 %	18.62 %
26-35	51	50.0 %	68.62 %
36-50	12	11.76%	80.38 %
51-60	11	10.78%	91.16%
61 and above	9	8.8 %	100.0 %
Frequencies of What is the highest degree you have completed?			
Bachelor's Degree	42	41.18%	41.18%
Master's Degree	49	48.04%	89.22 %
Others	11	10.78 %	100.0 %

Source: Author's own calculation using Jamovi

102 respondents' demographic profiles are highlighted in this section using frequency and percentages. Age, gender, and educational background were taken into consideration for 102 retailers in the chosen category of outlets. According to the table, the sample size of female respondents was 37.25 % (38 respondents), and the sample size of male respondents was 62.7 % (64 respondents). Table 1, breakdown of respondents' categories illustrates that the 26-35 age group had 50%, the largest number of respondents (51 counts), followed by the 18-25 age group 18.62% (19 counts), the 35-50 age group 11.76% (12 counts), the 51-60 age group 10.78% (11 counts), and the 61years & above age group 8.8% (9 counts), which had the lowest percentage of respondents. There are 42 respondents with a Bachelor's degree, accounting for 41.18% of the total sample size. There are 49 respondents with a Master's Degree, accounting for 48.04% of the overall sample

size. The smallest group consists of 11 others who represent for 10.78% of the sample size.

7.2 Result of Construct's Reliability & Validity

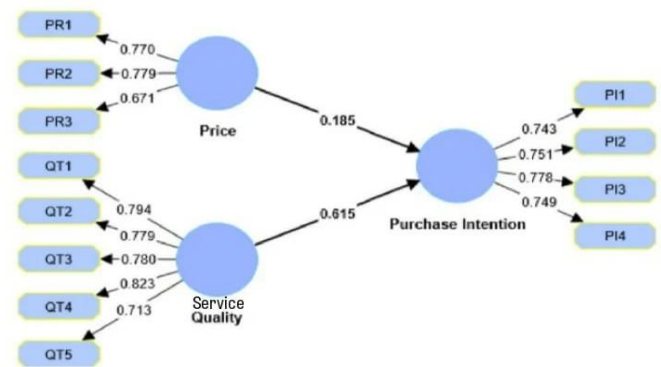


Figure 2: Measurement Model

In this study, Confirmatory Composite Analysis was used to examine the relationships between the variables. As part of reliability, Cronbach's Alpha has been used to determine the reliability of construct. Composite Reliability (CR) was also considered. Both Cronbach's alpha and CR has a criterion that the value must be at least 0.60. Average Variance Extracted (AVE) (Fornell and Larcker, 1981). were taken into consideration for evaluating the convergent validity of measurement model and threshold value of AVE is 0.50.

Table 2. Results of Construct's Reliability and Validity

Variables	Constructs	Factor Loadings	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
Price	PR1: Provide offers & discounts on orders.	PR1: 0.770	0.621	0.785	0.55
	PR2: Price is a motivator for dealing in it.	PR2: 0.779			
	PR3: Inventory Keeping cost is low. (comparatively)	PR3: 0.671			
Service Quality	QT1: Provides Timely delivery	QT1: 0.794	0.837	0.885	0.606
	QT2: Satisfied with Replacement policy.	QT2: 0.779			
	QT3: Rating for Credit policy of the company	QT3: 0.780			
	QT4: Rating of Amul distributor	QT4: 0.823			
	QT5: Product delivered are fresh	QT5: 0.713			
Price Intention	PI1: Will continue to buy Amul Chocolates	PI1: 0.743	0.750	0.841	0.57
	PI2: Would recommend these products	PI2: 0.751			
	PI3: Among Similar products, I'll prefer these	PI3: 0.778			
	PI4: Will not regret placing the order with Amul	PI4: 0.749			

The result of CR and AVE is acceptable for our research study as it is fulfilling the universally accepted criteria.

7.2.1 Discriminant Validity

A new approach to evaluate discriminant validity, Heterotrait-monotrait ratio (HTMT) is also employed in this work to establish discriminant validation. PLS-SEM uses HTMT in particular as a building component for model assessment.

Table 3. Result of Discriminant Validity of a construct

Heterotrait-monotrait ratio (HTMT) - Matrix

	Price	Purchase Intention
Price		
Purchase Intention	0.541	
Quality	0.463	0.848

The acceptable value for any marketing related research is <0.85 (Acc. to Henseler). Particularly here, the

HTMT values are less than the threshold, approving the discriminant validity of the construct.

7.3 R-Square analysis

Table 4 Result of R-Square

	R-square	R-square adjusted
Purchase Intention	0.493	0.483

The variance is measured between independent variables (Price & Service Quality taken together) and dependent variable (Purchase intention). The r-square value here indicates that independent variables are predicting 49.3% of Purchase Intention.

7.4 Analysis of Structural Model

Structural equation modelling was used to evaluate the assumptions, and the findings are displayed in Table No. 5 and Figure No. 3.

Results of structural model

Figure No.3 Result of Structural Model



7.5 Hypotheses Testing

Table 5: Hypotheses Testing Result of the Structural Model

Hypotheses	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Supported
H1: There is no significant impact of Price on Purchase Intention of Amul Chocolates	0.185	0.2	0.087	2.13	0.033	No
H2: There is no significant impact of Quality on Purchase Intention	0.615	0.612	0.081	7.567	0	No

Source: Authors own calculation using SmartPLS 4 software

8. Conclusion

The study highlights that there is a significant impact of both Price and Service Quality on purchase intention of retailers towards Amul Chocolates. Though, it has also been analyzed (reference from Table No.5) that impact of Service Quality is significantly more than Perceived Price or discounted price. The influence of service quality on Purchase intention is stronger. As a result, plans for providing better services should be developed. Instead of providing incentives and discounts, it would be more useful to provide a replacement policy, credit facility, timely delivery, and fresh products.

9. Limitation And Further Scope Of Study

The study is based on Structural equation model but, it has taken into account only the two factors that are influencing the Purchase intention namely Price and Service Quality. But there are many more factors that influence the Purchase intention of Retailers. **Therefore, further studies can be done taking other factors into account. Moreover, data was collected from selected retailers of Bhopal therefore, it is highly recommended that further studies should be conducted in a broader geographical area (Country as a whole).**

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