The Effect of Perceived Price Fairness on Customers Loyalty Mediated by Customers Satisfaction and Perceived Switching Cost

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ABSTRACT

The aim of this research is to develop a conceptual background that examines how perceived price fairness affects customer loyalty, with the mediating impact of two variables: customer satisfaction and customer loyalty. Perceived price fairness refers to the judgement customers have of the prices of a good or service being, just, satisfactory and rational. Generally, the customer's judgment of price fairness impacts their level of satisfaction and loyalty behavior. In addition, perceived switching costs greatly impact customers willingness to maintain a relationship with the business. This study implemented the deductive approach using a sample population of 381student customers of markets/supermarkets in North Cyprus. Quantitative data has been obtained through the use of questionnaires and the above mentioned relationships are analyzed using SPSS statistical software.

Results show that the impact of perceived price fairness on customer loyalty is significantly influenced by the levels of customer satisfaction and perceived switching costs. When prices are perceived as unfair, loyalty may still persist if a customer enjoys satisfaction or has high perceived switching cost for shopping from alternative markets.

Keywords: perceived price fairness, customer satisfaction, customer loyalty, perceived switching cost, supermarkets in North Cyprus.

ÖZ

Bu araştırmanın amacı fiyat adalet algısının müşteri sadakatini nasıl etkilediğini incelemek ve bu etkiye müşteri memnuniyeti ile algılanan değiştirme maliyetlerinin ne kadar aracılık etkisini yapmakta olduğunu görmektir. Fiyat adalet algısı, müşterilerin bir mal veya hizmetin fiyatlarının tarafsız, tatmin edici ve rasyonel olduğuna karar vermesini ifade eder. Genel olarak, müşterinin fiyat adaleti değerlendirmesi, memnuniyet seviyesine ve sadakat davranışına etki eder. Ek olarak, algılanan değiştirme maliyetleri, müşterilerin şu anki işletme yerine alternatif olarak diğer rakip işletemelere gitmelerinin kendilerine getireceği ilave maliyetleri kapsar. Bu maliyetler de sadakate olan etkilere aracılık etkisi yapabilir. Bu çalışma, Kuzey Kıbrıs'taki 381 müşteri / süpermarket müşterisinin örnek nüfusu kullanılarak tümdengelim yaklaşımını uyguladı. Anketler kullanılarak kantitatif veriler elde edilmiş ve yukarıda belirtilen ilişkiler SPSS istatistik yazılımı kullanılarak analiz edilmiştir.

Analiz sonuçlarına göre, fiyat adaleti algısının müşteri sadakatine olan etkisi yüksektir ve bu etkiye hem müşteri memnuniyeti hem de değiştirme maliyeti algısı faktörleri önemli derecede aracılık etkisi yapmaktadır. Bu durumda, fiyatların adaletsiz olduğunu düşünen müşteriler, memnuniyet seviyelerinin yüksek olması veya algıladıkları değiştirme maliyetlerininin yüksek olması halinde sadık müşteri olarak kalmaya devam edebilirler.

Anahtar Kelimeler: Fiyat Adaleti Algısı, Müşteri Memnuniyeti, Müşteri Sadakati, Değiştirme Maliyeti Algısı, Kuzey Kıbrıs'taki süpermarketler.

DEDICATION

I dedicate this work to my lovely family.

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But he said to me, “My Grace is sufficient for you, for my power is made perfect in weakness’’. 2 Corinthians 12:9

First I return all glory to God Almighty for the strength, wisdom and knowledge He gave me throughout this research up to this final end. For it was possible only by his grace.

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LIST OF ABBREVIATIONS

CL	Customer Loyalty
CS	Customer Satisfaction
FSC	Financial Switching Cost
NFSC	Non-Financial Switching Cost
PPF	Perceived Price Fairness
PSC	Perceived Switching Cost
SM	Supermarkets

Chapter 1

INTRODUCTION

1.1 Background of the Study

Due to increasing globalization and economic integration, the business sectors are becoming highly competitive. Business owners and management have to ensure maximum satisfaction of their customers at comparatively affordable prices, increasing market share while making profit. A customer switching to other supermarkets is a great concern for every supermarket owner because the benefits of selling to current customers outweigh that of trying to gain new customers (Abu-Alhaija, Nerina, Hashim & Jaharuddin, 2018). As a result of this the businesses have invested in relationship marketing. Relationship marketing has motivated businesses to take full advantage of customer's loyalty which serves as competitive advantage and contribute to the success of the firm (Curran & Healy, 2014). Customer's perceived switching cost is a great concern in recent studies (Pick & Eisend, 2013; Sanchez- Garcia et al., 2012). Correspondingly, businesses incur monetary losses if their customers switch to other competitors (Zhang et al., 2012). In this respect, more attention should be given to relationship marketing focusing on long term goals such as acquiring, satisfying and maintaining long term loyalty with customers.

Due to the rising economic crises faced by most developing countries such as North Cyprus, which is the center of this research, customers are very conscious about price fluctuations which greatly influence their purchase decisions. Especially students, living on limited incomes are most affected by these price fluctuations. Their perception of price fairness is greatly influenced by their previous purchases and their reference prices which in turn greatly determine their choice of supermarket/market for future transactions.

This study focuses on the impact of price fairness perception on satisfaction and loyalty of customers among students in Northern Cyprus supermarkets. This study further examines the mediating effect of perceived switching cost on the relationship between perceived price fairness and customer loyalty. 500 questionnaires were distributed to randomly selected students from different backgrounds in North Cyprus.

1.1.1 Supermarkets in North Cyprus

The emerging economy of North Cyprus is heavily linked to Turkey and the currency used is the Turkish lira. The strong bond between North Cyprus and Turkey is obvious as these countries have shared a common legacy, values, language and religion. The service sector dominates the North Cyprus economy which is education and tourism. In order to facilitate trade, imports and exports are carried through Turkey. Due to the rapidly increasing population of North Cyprus, entrepreneurs are motivated to startup businesses including supermarkets, in order to meet up with the demand of the population. Throughout the centuries the people of North Cyprus are influenced by several cultures as a result of its central location at the crossroad of Europe, Asia and Africa. Currently, the Turkish and British cultures have dominating influences in the choice of products in the supermarkets. The supermarkets have very generous open hours and make provisions for all types of items such as fresh food stuffs, groceries, bakery, dairy products, and to all sorts of longer shelf life items on the whole. The supermarkets have well-trained staff who can interact and communicate with the customers, who are largely international students. This research shall examine students' behavior within a wide range of supermarkets in the various cities in North Cyprus.

1.1.2 Supermarket Behavior Among Students

In North Cyprus there are a large number of supermarkets offering a variety of goods and services to meet up with the day to day demands of students. Students usually have a limited budget. Hence there is need for these supermarkets to strike a careful balance between price and satisfaction in order to be successful in the highly competitive business environment while providing the best quality of goods and services at affordable prices. Moreover, it is important to understand the preferences and needs of students as a business. The students represent one of the largest groups of consumers for supermarket goods and services in North Cyprus. The behavior of students towards various supermarkets can be influenced by a variety of factors which includes physical proximity from home, differences in prices of goods, supermarket behaviors such as promotions, bonuses, and discounts and also influence from friends and relatives. The study focuses on student's perceptions of numerous factors such as price fairness perception, satisfaction, switching cost, and their loyalty.

1.2 Problem Statement

Fairness plays a key role in shaping the behavior of individuals (Malc, Mumel & Pisnik, 2016). Therefore, it is advantageous for businesses to understand how their customers derive their judgements of price fairness and what triggers the formation of these judgements. The unstable economy of North Cyprus motivates market/supermarket owners and their management team to charge different prices for the same products and services. This has led prices to be perceived as unfair by various customers. Different consumers express different behaviors, portray different emotions and have different degree of satisfaction, all partly due to perception of price fairness (Kaura, Prasad, & Sharma, 2015).

This study explores the effect of customer's price fairness perception on the levels of customer satisfaction and customer loyalty. In addition, this research further investigates the mediating roles of perceived switching cost and customer satisfaction on the relationship between price fairness and customer loyalty. When a purchase transaction and its consequences are acceptable and unbiased, this can be referred to as the customer's perception of ideal price fairness (Beldona & Kwansa, 2008). The customers' perception of fairness plays a great role in the degree of satisfaction attained, loyalty intensions, intensions to switch, and long term profitability (Malc, Mumel & Pisnik, 2016; Ahmat et al., 2011).

1.3 Purpose of the Study

The aim of this study is to examine the relationship between the independent variable of perceived price fairness and the dependent variable of customer loyalty. Furthermore, this study aims at investigating the mediating effect of customer satisfaction and of perceived switching cost on the relationship between perceived price fairness and customer loyalty. Continuous increases in living standards ın North Cyprus have greatly influenced the prices of goods and services in the supermarkets. Students are very smart to notice price variation of goods and services in the different supermarkets which in turn influences their perception of fairness of the price and their behavioral outcomes. Hence, their loyalty intensions and choice of supermarket will depend on how far they are convinced of the fairness of prices and satisfaction they derive from their previous experiences in the supermarket. On the other hand, unfair perception of price or dissatisfaction is a motivating factor for customers switching to rivals whom they perceive as having better options to satisfy their demands. Hence, this drives us to the following research questions:

- Given the perception that the supermarket offers fair prices, how does this affect customer loyalty?
- What is the impact of customer satisfaction as a mediator in the relationship between the perceived price fairness and customer loyalty?
- To what extend does perceived switching cost mediate the relationship between perceived price fairness and customer loyalty?

1.4 Contribution of the Study

This study will positively expand the body of knowledge on perceived price fairness, customer satisfaction, customer loyalty and perceived switching cost. Furthermore, the findings in this research positively build on previous research on the mediating role of perceived switching cost on the relationship between perceived price fairness and customer loyalty. This study will also pave way for future research on the mediating role of perceived switching cost.

Furthermore, in practical terms this study aims at providing insights to supermarket owners and their management team on the importance of developing marketing activities to positively impact customer’s perception of price fairness which lead to customer satisfaction and customer loyalty.

1.5 Scope of the Study

This study collected the required empirical data through a survey carrıed out on 381 students of different backgrounds residing in North Cyprus over a period three months, examining their behavior towards markets/supermarkets of their choice in this country.

1.6 Outline of the Thesis

This thesis consisting of six chapters is structured as follows:

Chapter One provides an outline of the research, describing the background of the study, the problem statement, the purpose of the study, the contribution and the scope of the study.

Chapter Two describes the constructs used in the study namely perceived price fairness, customer loyalty, customer satisfaction and perceived switching cost and elaborates on the relationships between them, referring to various studies.

Chapter Three presents the conceptual model and hypotheses developed. In this section, relevant theories and nature of the empirical evidence supporting the research hypotheses are discussed.

Chapter Four presents the research method used in the study, describing data collection procedures, sample population and analytical methods deployed.

Chapter Five presents and discusses the analysis and empirical results of the study.

Chapter Six consists of the summary and discussions about the findings, managerial implications, research limitations and recommendations and the conclusion.

Chapter 2

LITERATURE REVIEW

This chapter presents a review of relevant literary on perceived price fairness, perceived switching cost, customer satisfaction, and customer loyalty.

2.1 Perceived Price Fairness

Recently, many businesses and marketing researchers are showing interest in the concept of perceived price fairness, a key element in pricing, influencing customer's satisfaction and loyalty. One of the most relevant information, used by customers when making a purchase decision and future assessments of good or services is price (Ryu & Han, 2010). Price can be defined the amount in monetary terms charged for a good or service (Khandelwal & Bajpai, 2012). However, there is a difference between the actual price and the perceived price (Kim et al., 2012). Perceived price fairness is a significant factor in shaping customer's contentment, behavior, and intentions. Perceived price fairness is a mental element with a substantial impact on the response of customers to changes in prices (Lee et al., 2011). When there is a price increase in a business, customers are unhappy and unwilling to purchase from that business whose prices are perceived to be unfair. Businesses are interested in this construct because it is essential for them to implement an effective pricing strategy while making a profit without any adverse effect on the customers. Due to the highly competitive business environment, identifying the right business metrics which play key roles in a business's long term success is a managerial priority for improving the business's effectiveness and efficiency (Fanasch & Frick, 2018).

Furthermore, perceived price fairness has a major impact on the behavior and emotions of customers (Ahmat et al., 2011; Kaura, Prasad, & Sharma, 2015; Malc, Mumel, & Pisnik, 2016). Perceived price fairness of customers is a determinant of their satisfaction level, thus provoking diverse emotions and actions such as loyalty, spreading of positive information about the business and switching from one vendor to another. Therefore, when a consumer's evaluation and related emotions of whether the price difference for the same product is reasonable, rationally acceptable, or justifiable, this is referred to as perceived price fairness (Beldona & Kwansa, 2008; Habel et al., 2016; Shaddy et al., 2018). Past research suggested that knowledge and experience could be major factors influencing the perceived price fairness (Asadi, Khazaei, & Reza, 2014). Furthermore, studies on pricing have cross examined various aspects of prices such as price equality relationship and reference prices. In addition, scholars have advanced that price acceptability is affected by perceptions on the equality of the fairness of market prices. On the other hand, following the customer's perspective, inequality of price can be advantageous when a price is lower than the reference price and of course disadvantageous when the price is higher than the reference price (Jin et al., 2014). Consumers have some preconceived ideas about what a fair price is for a given item and at the same time they may be willing to spend more than that amount for the particular item depending on the circumstances. All these ideas are trying to examine the consumer behavior and its relationship to consumer judgment of perceived price fairness. Furthermore, although businesses are free to allocate varying prices to their goods or services, nevertheless, they should consider the judgements of customers concerning prices because unfair price perceptions will result in negative consequences. Correspondingly, when customers consider the pricing policy as unfair, they become dissatisfied, view that business negatively and are motivated to switch to alternative providers. Previous studies outlined that perceived price unfairness results in the dissatisfaction of customers, termination of the exchange relationship, negative word of mouth, and other similar actions that tarnish the image of sellers (Kaura, Prasad, & Sharma, 2015). Therefore, it is vital for researchers to lay more emphasis on the concept of perceived price fairness to prevent the negative reactions of customers triggered by adverse effects of dynamic pricing. Several marketing researchers have carried out studies to examine customers' reactions towards prices in consideration of the dual entitlement theory, distributive theory, and equity theory (Kahneman et al.1986; Thibaut & Walker, 1975; Adams, 1965). The distributive justice theory, for instance, pays attention to the perceived fairness of the distribution of resources and rewards. Other researchers adopting this theory referred to distributive justice as the allocating of rewards to persons based on price, i.e. their contribution to an exchange relationship (Chung, Jin, Patrick & James, 2016). Moreover, individuals sometimes develop a perception of fairness when the persons partaking in an exchange relationship is rewarded equally for their investments. In this same regard, distributive justice theory contends that a customer has the price fairness perception when the goods and services he acquires from a business are worth the sacrifice to obtain them (Habel, Schon, Alavi, & Wieseke, 2016).

Likewise, equity theory (Adams, 1965, Martins, 1995), involves comparison of percentages of customers' contributions to a particular relationship versus the outputs. Previous studies adopting this theory have mentioned that the perception of inequity in the transaction results in dis satisfied customers, who will then try to regain equity by developing a new behavior.

As suggested by Kahneman et al. (1986), dual entitlement theory argues that the exchange parties' reference transactions determines customers' perceptions of price fairness. Kahneman et al. (1986) outlines that exchange parties have rights to reference prices and profits in an exchange transaction. Therefore, if any of the parties do not acquire their entitlement, the relationship is believed to be unfair. This principle can be applied in several ways. For instance, loyal customers develop the belief of price unfairness if the customers take note that they are paying higher prices for same goods or services compared to other customers, in a manner which is contrary to their expectations of being offered advantageous prices due to their loyalty to the business. The above customers would then believe that they were not attributed their entitlement. The social comparison theory is essential to concepts that deal with the attitudes and behaviors of individuals. Perception of fairness is an outcome based on comparison (Xia et al., 2004). Customers draw conclusions of fairness or unfairness based on various comparisons such as comparisons with past experiences, other businesses and other customers (Lil & Sy, 2009).

In the modern market economy, an excessive price often faces press criticism, regulatory procedures, and public boycotts (Nagle, Hogan and d Zale, 2011). This perceived price unfairness may lead to negative consequences for the seller by undermining the seller-buyer relationship. Therefore businesses should understand and to manage perceptions of fairness. Fairness as a concept is not directly related to supply and demand, but the seller's profitability does influence perceived fairness, though not entirely (Nagle, Hogan, & Zale, 2011). Price fairness perception can be illustrated below (Monroe & Cox, 2004).

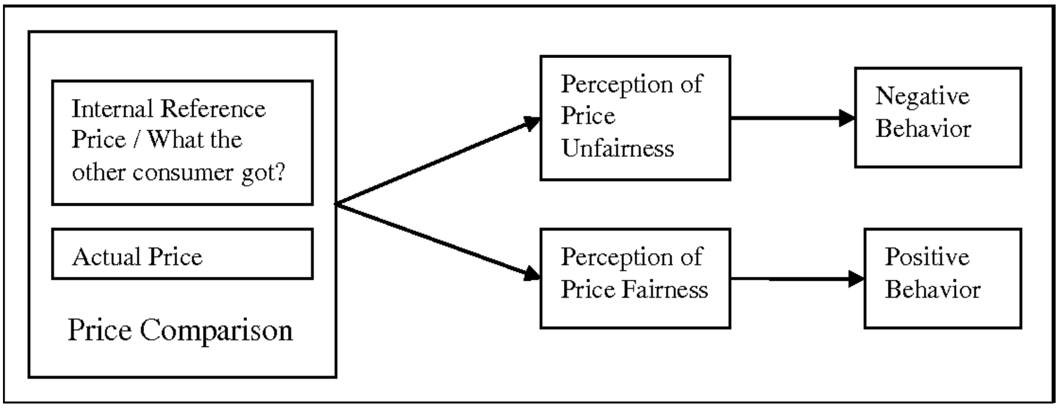

Figure 1: Dimension of Perceived Price Fairness

The model explains how the customer analyses the actual price and starts comparing the differences with others buying similar commodities. After the customer's judgment of the price, he may consider the perceived price as unfair or as fair. If he considers the price as unfair, the customer will have negative behavior, but if the price is judged as being appropriate, then the customer will portray a positive response. The price plays a central role in the purchasing process as well as in the post-purchasing processes. Previous studies on switching behavior in businesses analyzed that most of the customers switched from one seller to another because of unfair price perception (Hanaysha & Pech, 2018). Such behavior influences customer satisfaction, loyalty and the likelihood of recommending to others.

In addition, the concept of perceived price fairness, and the diverse market pricing features, can be influenced by two factors, namely, the illusion of control and lateral consumer relationships (Lee, Illia, & Lawson-Body, 2011). Several behavioral studies state that the above-mentioned factors significantly affect individual decision making and perception of fairness. In a dynamic pricing environment, final price is hard to predict (e.g., auction, discount). This permits the above mentioned factors to substantially affect the fairness of price perception of customers (Lee, Illia, & Lawson-Body, 2011).

2.1.1 Illusion of Control

According to Langer (1975), personal expectancy regarding success probability which is inappropriately higher than the objective probability is called illusion of control. Individuals driven by illusion of control believe that they can exercise obtain superior autonomy in their decisions mainly through executive decision support systems. Previous research on the impact of the illusion of control on perceived price fairness outlined that when customers believe that they have more probability of influencing the pricing decisions they are more likely to percieve prices as fair(Lee, Illia, & Lawson-Body, 2011; Xia et al., 2004; Vaidyanathan & Aggarwal, 2003). Similarly, Vaidyana Nathan and Aggorwal (2003) pointed out that the ability to control prices is a vital factor that influences a customer’s price fairness perception. The more control a customer has over pricing in the market environment, the higher their perceived price fairness.

2.1.2 Lateral Consumer Relationship

Another factor affecting perceived price fairness involves the lateral relationships consumers have with each other. When a customer compares the prices he/she paid for a good or a service and the prices others paid for identical goods or services, the consumer develops perception of either price fairness or unfairness (Lee, Illia & Lawson-Body, 2011). This is characterized as the lateral consumer relationship concept. Several theories supporting this concept include equity theory, social comparison theory and distributive justice theory (Martin and Monroe, 1994; Kalik and Ambrose, 1992; Hormons, 1961). It is outlined by social comparison theory that instead of objective outcomes, independent examination of performance determines whether an individual is fairly or unfairly treated, and satisfied or dissatisfied. Similarly, equity theory and distributive theory both suggest that an individual is expected to receive an increased reward proportional to their sacrifice in a business relationship. In brief, we can state that lateral consumer relationship between customers is an important factor that affects perceived price fairness.

2.2 Customer Satisfaction

The success of every business organization depends on the satisfaction derived by their customers. Satisfaction is a word obtained from two Latin words “Satis” and “Face” which can be further explained as sufficient and carrying out something respectively (Seyed & Saidi-Mehrabad, 2016). Satisfaction is referred to as trying to completely achieve a certain degree of outcome. After the consumption of a good or service by a customer, the positive judgement developed by the customer is known as satisfaction (Gupta & Bansal, 2012). Past research has recognized customer satisfaction as a vital element motivating behavior of customers in the long run (Keshavarz & Jamshidi, 2018; Mohsen Nazari, Vahid Tabatabaie, 2014). Therefore, we can refer to customer satisfaction as an output derived from a customer’s pre-purchase condition. Thus customer satisfaction is directly connected to the needs of the customers. It is noteworthy that the concept of customer satisfaction has no globally accepted strategy definition for measuring it. Rather than being precise in nature, customer satisfaction measures are more exploratory (Guterman, 2015). However, no matter what measurement strategies are implemented for customer satisfaction, it lowers price sensitivity by reducing price elasticity (degree of responsiveness of price) and lessens the loss incurred by customers as a result of variations in good or service quality in the short term (Kruger, 2015).

Furthermore, there are generally two major customer satisfaction approaches which dominate the literature, the expectancy disconfirmation approach, and the performance only approach (Gilbert, Veloutsou, 2006). According to the expectancy disconfirmation a comparison is done between the expectations and the actual experience of a customer (Picazo-Vela, 2011). Good or service performance decreases or increases depending on what a customer expects when purchasing, whilst keeping in mind the negative or positive influences from past experiences. The performance only approach is the second customer satisfaction approach whereby the features of goods or services are evaluated in terms of specific transaction characteristics. This entails evaluations carried out after a particular purchase experience and the conceptualization of satisfaction takes place at a single-period during the post-purchase assessment (Ngo, 2015).

2.3 Customer Loyalty

Recently, many marketing studies focused on customer loyalty and its impact on business success (Curran & Healy, 2014; Nyadzayo & Khajehzadeh, 2016; Toufaily, Ricard, & Perrien, 2013). One of the desired goals of businesses is retaining existing customers. Loyal customers who are faithful will most probably repurchase, resist the actions of rivals, and generate greater turnover (El-Manstrly, 2016). When a customer's attitude exhibits desire to establish a long-term relationship with a business this is referred to as customers loyalty (Nguyen, Leclerc, & LeBlanc, 2013). In brief, loyalty is the extent to which a customer intends to purchase again from the seller. It should be noted that it costs less to pursue an old customer to purchase from a business compared to getting new customers (Abu-Alhaija, Nerina, Hashim & Jaharuddin, 2018). The most commonly mentioned outcome of a robust buyer-seller relationship is customer loyalty (Mohsen Nazari, Vahid Tabatabaie, 2014). A loyal customer not only purchases more frequently from the business, but also serves as ambassadors to the business by disseminating positive word of mouth. They are also resistant to new offerings proposed by competitors. A key measurement for the growth, financial performance, and long term success of a business is customer loyalty (Kuar & Soch, 2012; Nyadzayo & Khajehzadeh, 2016). Furthermore, customer loyalty enables businesses to minimize costs related to marketing, increases market share, and maximizes costs associated with switching (Rosenberg & Crepiel, 2017).

Several studies investigated factors influencing customer loyalty and proposed direct or indirect relationships using other variables including perceived price fairness, customer satisfaction and customers' switching costs (Asadi, Khazaei, & Jalilvand, 2014; Mannan, Mohiuddin, Chowdhury, & Sarker, 2017; Yilmaz, Ari, & Gurbuz, 2018). However, most scholars concentrated on customer satisfaction (Kaura, Prasad, & Sharma, 2015). Moreover, it has been observed that acquiring new customers costs five to ten times more than retaining current customers (Slater and Narver, 1999). Correspondingly, three components are crucial for customer loyalty to prevail. These are belief (perceived price fairness), affect (satisfaction), and cognition (customer loyalty). For instance, when businesses satisfy their customers with their product, the customers in turn trust the business and become loyal, always preferring to purchase from that business.

Furthermore, the diverse nature of customer loyalty makes it a multifaceted construct to study (Kaur & Soch, 2012). Customers are not the same, exhibiting different buying habits. The family condition, financial status, lifestyle, the relationship between the sellers and the customer, and the geographical location are major factors determining the buying habits of customers. Accordingly, there are four stages of loyalty: cognitive loyalty, affective loyalty, intention loyalty and behavioral loyalty.

2.3.1 Cognitive Loyalty

Cognitive loyalty constitutes the initial state of a customer's loyalty, and at this stage they can still make a switch. With this type of loyalty, attention is not directed to the brand of the product itself, but rather directed at the cost and advantage of what is offered. Thus cognitive loyalty is often considered the least strong loyalty. Furthermore, once there is perceived alternative offering with better cost and benefits, consumers are likely to switch to the new product (Goutam, & Gopalakrishna, 2018). In cognitive loyalty, the perceived performance of the offering is the major factor that influences customer response.

2.3.2 Affective Loyalty

There exists a close relationship between cognitive and affectively loyalty. According to Oliver (1999) before customers develop affective loyalty, they are first loyal cognitively; in this regard, affective loyalty is established only after purchases are done repeatedly. It is the wish of every producer/supplier to create and retain customers who continuously consume their products without observing alternative competitors. Affective loyalty refers to the aspiration of a customer to continue a relationship with a supplier as a result of positive feelings generated by the purchasing experience towards established bond with the seller (Oliver, 1999). According to Kim et al. (2018) affective loyalty occurs when the seller successfully retains a relationship which is sustainable in the long run with its customers. When a seller receives the eventual benefits of this type of customer loyalty, then its customers will voluntarily choose to buy from that seller a particular good or service. This can be described as affective loyalty. At times, affective loyalty may be jeopardized, due to an increase in other attractive competitive offerings with effective adverts (Shahzad Shahriari, 2014).

2.3.3 Intention Loyalty

With intention loyalty, the loyalty may be company specific or brand/product specific. Most customers in this loyalty stage do constantly request for the same product, and such customers are known as brand loyal customers (Figallo, 1998). The customer may also purchase a different product from the same supplier. Thus the customer intends to purchase from a particular supplier. On the other hand, intention loyalty is described as an attitudinal mind which is supplemented by the urge to act. When a customer repeatedly purchase a specific category of goods or services; intention loyalty seems to outweigh affective loyalty, but it equally has its' loopholes as well. Its' shortcomings include the fact that constant delivery failures may lead to diminishing intention loyalty. Even though customers are intentionally loyal, they sometimes want to try new alternatives especially when there is repeated failure to supply (Oliver, 1999). It is of great importance for any business to measure customer loyalty and develop retention strategies.

2.3.4 Behavioral Loyalty

Curran & Healy (2014) referred to behavioral loyalty as how customers behave and evaluated it by measuring the recurring purchases of customers. Behavioral loyalty is a significant element in marketing research (Cheng, 2011). According to Bilgihan, Madanoglu & Ricci (2016) behavioral loyalty is the degree to which, in future, the customers intend to repeat their purchasing behavior pattern and the intention to switch to other organizations is minimal or non-existent (Bilgihan, Madanoglu & Ricci, 2016). Some sellers feel that both satisfaction and loyalty are complementary and a satisfied customer will always repurchase from them. But this is not always the case as a satisfied customer may never repurchase from the same supplier because of the influence of other factors such as perceived switching cost.

2.3.5 Attitudinal Loyalty

It is psychological in nature, not behavioral, and is defined as the emotional outlook of a good or service portrayed by a customer (Cossio- Silva et al., 2015). According to Watson, Beck, Henderson & Palmatier, (2015), attitudinal loyalty is a vital component of all customers' loyalty. Unpredictable emotions make up a customers' loyalty to a good, to a service or to a business. Accordingly, attitudinal loyalty is a personal attitude (Cheng (2011). The results of attitudinal loyalty of customers are not certainly repeated patronage, but it is manifested in the form of positive word of mouth and the zeal to recommend the good or service of their provider to friends and relatives, thus contributing to building a positive image for the business. Past studies have a harmonized conception that attitudinal loyalty is a strong determinant of behavioral loyalty (Bilgihan, Madanoglu & Ricci, 2016).

2.4 Perceived Switching Costs

The business environment is becoming highly competitive. Customers are faced with a lot of choices and have the flexibility of changing sellers with the belief that they many get a better deal. Changing sellers, however has its costs, switching costs. The lack of attention on perceived switching cost in most research is odd given its vital role in the responses of customers (Blut et al., 2015). Perceived switching cost refers to the customer's judgment of cost (financial or non-financial) incurred in switching from one organization to another (Pick and Eisend, 2013). Perceived switching costs are all expected or experienced costs associated with switching from one supplier to another. Recently, researchers have shown interest in switching costs because they provide deeper insights on how customers react towards marketing and related activities. Businesses decide on customer retention strategies such as offering discounts and special benefits to their loyal customers. Past studies have noted that the cost of retaining existing customer base is significantly lower than the cost of obtaining new customers, so customers perceived switching cost has become a vital area of concern for most businesses (Mannan, Mohiuddin, Chowdhury, & Sarker,2017; Parganas, Papadimitriou, Anagnostopoulos, & Theodoropoulos, 2017). Higher levels of perceived switching costs are advantageous to firms as it makes it costly for customers to switch thereby reducing the effect of competitive actions of competitors (Anderson & Simester, 2013). It also serves as a hindrance to customers wishing to explore other sellers (Matzler et al., 2015; Pick and Eisend, 2013). Even though the customer may be dissatisfied with a good or service, when perceived switching costs are high, the customer still remains loyal to the business (Picon et al., 2013). Even though recent studies prove that perceived switching cost is an important element for business success, there is insufficient transparency and harmony concerning the single or multiple dimensional elements of this variable (Picon et al., 2013). In previous studies, Anton, Camarero & Carrero, (2007), perceived switching cost is reviewed and implemented as a single item which is known as the unidimensional approach. Conversely, most writers considered this approach as limited and as ignoring the full dimensions of the construct (Lam et al., 2004; Mannan, Mohiuddin, Chowdhury, & Sarker, 2017; Ruiz, Gremler, Washburn, & Cepeda, 2008). A multi-dimensional operationalization of perceived switching cost is advantageous to management by recognizing different types of switching costs, which can be classified as ‘tangible’, ‘intangible’, ‘artificial’, ‘positive’, and ‘negative’ switching costs (Chamman & Palmatier, 2015; Jones, Reynolds, Mothersbaugh, & Beatty, 2007). Accordingly, positive switching costs are those costs associated with searching for alternatives in terms of as effort and time. Negative switching costs are the disadvantages associated with losing the benefits of a relationship such as interactional advantages with seller's employees. Generally switching cost is higher in businesses that deal with more complex goods and services and the characteristics of such costs vary depending on different market types (Borrosco & Picon, 2012; Mannan, Mohiuddin, Chowdhury, & Sarker, 2017). Furthermore, perceived switching cost is classified into financial switching costs (monetary or economic cost), psychological switching costs (relational cost), and procedural switching costs (Borrosco & Picon, 2012; Nagengast et al., 2014). Firstly, financial costs are referred to as sunk cost and can further be subdivided into two categories which include the loss of advantages involved with the forgoing of a present relationship such as the loss of loyalty scheme remunerations (Kim, Park, & Jeong, 2004). Also, financial losses may also be incurred in the beginning such as loss of a deposit. Secondly, psychological costs are defined as cost derived from social ties that are developed in the course of time (for instance, customer-personnel relationships) and the emotional state or behaviors involved such as risk, dissatisfaction, frustration, discomfort, uncertainty, inconveniences in understanding and acquiring knowledge about a new seller and the anxiousness caused by the lack of ability of customers to anticipate the implication of their choice and decisions. Thirdly, procedural costs involve the cost in terms of effort and time used up by the customers to end their relationship with the current market for switching competitors (Nagengast et al. 2014). It is a cost which is generated when a customer is making a decision and when the customer implementing the decision. The decision making and implementation processes involve need identification, search of information, and assessment of different options, and decision to purchase. For instance, a student who is contemplating switching from one market to another should evaluate the different alternative markets with regards to different criteria such as goods or service quality and quantity, value-added, distance, billing procedure, customers' service. In this regard, perceived high switching cost is advantageous to markets and directly strengthens customer loyalty level. It limits the reaction of customers to price fairness and low customer satisfaction (Fornell, 1992). Therefore, carrying out a study on just a single dimension of a concept which is multi-dimensional is most likely insufficient to provide a completely reliable evaluation of the construct itself and its relation with other constructs such as customer's satisfaction and customers loyalty (Mannan et al. 2017; Chamman & Palmatier, 2015; Hu & Hwang, 2006. However, this study will assume a general widely shared view of this concept while analyzing it effects on customer loyalty. Figure 2 below demonstrates the different types of customers and their categories depending on their perception of switching cost and switching intentions.

		Switching cost	
		Low	High
Switching Intension	Low	**Disloyal customers** Intend to switch, and low costs may not restrict them.	**Captive customers** Intend to switch but are prevented by high switching costs.
	High	**Committed customers** Decide to stay irrespective of low switching costs.	**Calculative customers** Decide to stay, but not because high switching costs entrap them.

Figure 2: Categories of Customers in Relation to Perceived Switching Costs

Chapter 3

RESEARCH HYPOTHESIS

3.1 Conceptual Model

The conceptual model developed for this study rests on three hypotheses derived from the literary studies which focused on the interrelationship between perceived price fairness, customer satisfaction, customer loyalty and perceived switching costs. The proposed model indicates that there is a positive relationship between perceived price fairness and customer loyalty. The model also indicates the mediating effects of both customer satisfaction and perceived switching costs on the relationship between perceived price fairness and customer loyalty.

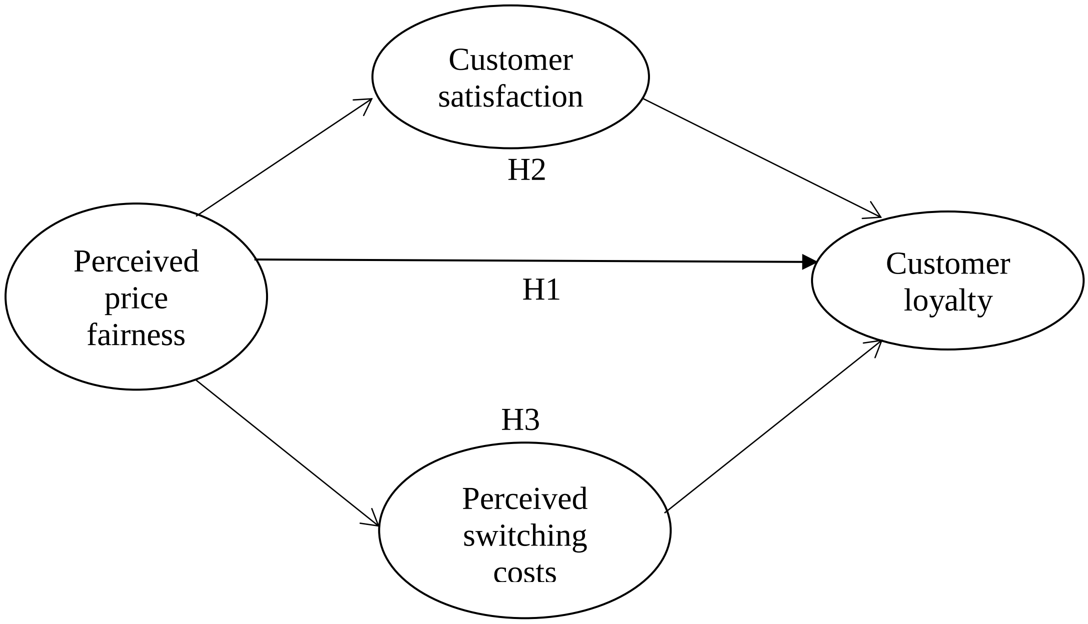

Figure 3: Conceptual Model

3.2 Hypotheses Development

3.2.1 Perceived Price Fairness and Customer Loyalty

Customer loyalty is an essential factor for increasing market share and determining profitability in any business. Therefore, a loyal customer is considered as a competitive asset to business (Chen, 2012). Price in the customer's point of view is a sacrifice made to acquire good or service (Bei & Chaio, 2001). Therefore repurchase intentions are assured once a customer has the perception that the price charged is reasonable. On the other hand, customers will not repurchase the product or service if they consider the sacrifice not worth it and the perceived price to be unreasonable (Bei & Chaio, 2001). The comparison level theory by Skogland & Siguaw (2004) as provided by existing literature supports the relationship between perceived price fairness and customer loyalty. A review by Skogland & Siguaw (2004) outlined that the basis of this theory is the standards which are used by an individual to assess satisfaction derived from a good or service provided and which determine whether the individual will remain loyal to the seller or switch to other competitors (Keshavarz & Jamshidi, 2018).

When the price is perceived to be unfair it may influence customers to express negative emotions such as dissatisfaction, anger, disappointment, laying a lot of complaints, and spreading a lot of negative word of mouth among friends and relatives (Hanaysha & Pech, 2018). Whether the price is perceived to be fair or not, customers have the conception that it not only influences satisfaction but also the willingness to maintain long term relationships with the seller. The perception of the price being unfair negatively affects consumers' repurchase intentions and behaviors. Furthermore the result of a study carried out by Githiri (2018); Asma, Dine, Wafaa &

Redouan (2018); Asadi, Khazaei & Jalilvand (2014); Hassan, Nawaz & Aksel (2013); Silva (2012) proved a positive and significant relationship between fairness of price perception and customers loyalty. Hence, based on the theory and above-mentioned evidence, we proposed the following relationship between perceived price fairness and customer loyalty.

H1: Perceived price fairness is positively related to customer loyalty**.**

3.2.2 Customer Satisfaction as Mediator

As shown on the conceptual framework of this study, customer satisfaction has a mediating effect on perceived price fairness and customer loyalty relationship. When a customer perceives price as fair and is satisfied, the customer naturally tends to be loyal. According to Kaura, Prasad & Sharma (2015) the effect of perceived price fairness on customer loyalty reduced to an insignificant level when customer satisfaction is involved. Based on the above evidence, customer satisfaction mediates the relationship between perceived price fairness and customer loyalty. Furthermore, the indirect influence of perceived price fairness on customer loyalty through customer satisfaction was supported by marketing studies that concluded customer satisfaction mediates the relationship between perceived price fairness and customer loyalty (Han & Ryu, 2009; Martin, Ponder & Lueg, 2009). Accordingly, we propose the following hypothesis.

H2: Customer satisfaction mediates the relationship between perceived price fairness and customer loyalty.

3.2.3 Perceived Switching Cost as Mediator

Generally, perceived price fairness can be considered as a critical factor for customer loyalty (Asadi, Khazaei & Jalilvand, 2014). However, this notion is recently being challenged by contrary opinions that the result of perceived price fairness is not necessarily customer loyalty and the result of unfair prices is not always switching to competitors (Chuah et al. 2017). Thus, other constructs may influence the relationship between perceived price fairness and customers loyalty such as perceived switching cost either acting as a mediator or moderator. Another name for switching cost is switching barriers and refers to cost (money, time, effort and knowledge) which hinder customers from switching from one business to another.

Perceived switching cost is a powerful marketing defense tool that enables the firm to generate higher income and maintain a long term relationship with their customers. (Russo et al., 2016; Qiu et al., 2015; Matzler et al., 2015). Accordingly, the following hypothesis is proposed:

H3: Perceived switching cost mediates the relationship between perceived price fairness and customer loyalty.

Chapter 4

RESEARCH METHODOLOGY

This study aims to examine the impact of customer perceived price fairness on customer loyalty. Furthermore, this research seeks to investigate the mediating role of perceived switching costs and customer satisfaction on the relationship between perceived price fairness and customer loyalty. In accordance with this aim, this chapter outlines data collection procedure, the content of the questionnaire, sources from which they were adopted and information concerning the methodological analysis of data.

4.1 Deductive Approach

According to the deductive approach, the researcher moves from a general to a more specific observation. It is sometimes referred to as the "top-down" approach or deductive reasoning. Conclusions drawn using this approach rely on the available evidence. The advantage of the deductive research approach is that it facilitates the explanations of the pattern and the relationship between the variables being examined (Altinay & Paraskovas, 2008).

The method applied in this research is the deductive approach, in order to empirically test the research construct according to related theories, then bring out deductions from the results. This is evident in chapter two where the theories implemented in this research such as equity theory, distributive theory, and social comparison theory was elaborated in relation to perceived price fairness, customer loyalty, customer satisfaction and perceived switching costs. The hypotheses of this study were developed based on the theories mentioned above and empirical evidence was obtained through surveys on students in North Cyprus.

4.2 Sample Population

A sample is a sub-element of a population chosen by the researcher for a study. As depicted by Field (2005), a sample represents a combination of units from a population. Though a sample is smaller, the results represent the truth about the population of interest. Due to resources constraints, a sample was adopted for this study. This research is using a large sample size of 381.

The sampling plan and parameter selected for this research is convenience sampling. Convenience sampling is a categorized as non-probability sampling method whereby the sample for the study is chosen depending on the accessibility and convenience. The researcher used this technique in choosing a sample for this study because of easy access to university students. In addition, the chosen sample was convenient for the researcher as most of the English speaking supermarket/market customers of the population were university students. The research tool for this study is student customers of supermarkets or markets in North Cyprus. According to Cassel & Symon (2004), a survey which is comprehensively carried out over a period of time and data is gathered with the aim to analyze the studies context is known as a case study research. Due to the research limitations, however this study will just aim to be a survey rather than a case study.

4.3 Research Methods

To carry out a study, two main strategies can be implemented which include quantitative approach and qualitative approach. The choice of research method depends on the researcher's objectives and the nature of the data to be collected. The qualitative research method is explorative, deals with the behavior of human beings and what is responsible for their actions. Hence, qualitative research method permits the researcher to acquire an in-depth understanding regarding the reasons and the processes involved.

Quantitative research is one which enables the researcher to use statistical and mathematical tools to obtain results to the research question. Therefore, this method attempts to quantify the research problem and is conclusive. Hence, seeks to provide projectable findings and conclusions to a larger population. Furthermore, it is structured so that the collection and analysis of data can be derived from diverse sources. In addition, quantitative research aims at using statistical or mathematical methods through the quantification of constructs to define how a construct affects another in a population (Altinay and Paraskeva, 2008). Quantitative research method includes surveys and questionnaires. It entails structurally enquiring individual's opinions so that you can develop concrete tests and statistics to achieve the research objectives. The results obtained during a quantitative research can be interpreted similarly by different scholars and a general conclusion can be derived.

This study adopts the quantitative research method because it seeks to examine the effects of the research constructs, provide results and conclusions that can be generalized. Furthermore, the quantitative method which is the method implemented in this research includes data collection and evaluation of numerical data using a statistical software such as SPSS. Thus, this study has followed the sequential steps of a quantitative research method by assessing perceived price fairness in the supermarkets or markets and its influences on customer loyalty with customer satisfaction and perceived switching cost as mediating variables.

4.4 Data Collection and Analysis

According to Johnson et al., (2012) the most important section in research is data collection. It enables the researcher to compile information from different authentic and reliable sources. The validity and reliability of every research are dependent on the emphasis and methodological approach implemented by the researcher. Basically, to carry out any research, there are two types of data collections. They include primary and secondary data collection. This study is collecting primary data through the administration of questionnaires.

4.4.1 Ethical Issues and Confidentiality

The data was obtained from students from various universities around TRNC. The respondents were informed about the confidentiality and anonymity of all information individually provided. Standard questions adopted from previous researchers were used to carry out the survey. The questionnaires were distributed within a period of one month during autumn of 2018.

4.5 Questionnaire Structure

A questionnaire can be described as a research tool which is made up of some questions with the aim of gathering respondent’s feelings, beliefs, experiences attitudes or perceptions. Questionnaires were self-administered to students in various locations (school campus, house, markets, and church) who visited a market or supermarket frequently. A total of 450 questionnaires were distributed, and valid responses were 381 questionnaires. The research questions were adopted from past research. The questions were divided into three parts. The first part of the questionnaire states the purpose for the thesis, with details on how the survey is designed. The second part comprises of 25 questions, subdivided into five sections to permit the research measure the specific constructs of the research. The elements measured in this section included; perceived price fairness, customer satisfaction, customer loyalty and perceived switching cost. According to the review of the literature presented in this study, the information required to carry out this research is specific hence questionnaires were developed using previous studies questions and are presented in the appendix.

4.5.1 Perceived Price Fairness

Considering that the market customers have diverse characteristics, the prices charged by the market are being judged differently by various customers, and this influences their perceptions. The section aims at gathering information about the different perception of customers concerning market prices. This is necessary because perceived price fairness affects the loyalty of customers and the profitability of the business (Kaura, Prasad, & Sharma, 2015; Mumel & Pisnik, 2016). Perceived price fairness was measured using four items questions adopted from Kimes & Writz 2007; Martin – Consuegra et al., 2007.

4.5.2 Customer Satisfaction

Customer satisfaction from past research has been recognized as a major predictor of long term behavior of customers (Keshavarz & Jamshidi, 2018). Customer satisfaction was measured using five items. The questions were adopted from Collier & Bienstock, 2006; Martin-Consuegra et al., 2007.

4.5.3 Customer Loyalty

The most commonly mentioned outcome of a strong buyer-seller relationship is customer loyalty (Mohsen Nazari, Vahid Tabatabaie, 2014). Five items measured customer loyalty. They were adopted from the following sources; Collier & Bienstock, 2006; Aydin & Ozer, 2005.

4.5.4 Perceived Switching Costs

Perceived switching cost was subdivided into two sections. Non-financial perceived switching costs were measured in five items and financial perceived switching costs were measured in six items. Both subsections of perceived switching costs were adopted from (N'Goala (2007); Aydin and Ozer (2005);

4.5.5 Control Variables

The final part of the questionnaire consisted of demographic questions (control variables). Seven questions were asked to respondents in this section which comprise age, education level, income level, the frequency of market visit, marital status, gender, and occupation.

4.6 Measurement and Data Analysis

In this study, the analysis is carried out in respect to objective standards which are valid and reliable. The measurement scale for the research constructs tested consisted of 25- items evaluated on a five-point Likert scale from (1) Strongly disagree, (2) Disagree, (3) Undecided, (4) Agree, (5) Strongly agree. Furthermore, the analysis was made up of demographic profiles to extract some personal information about the respondents, mean, standard deviation, and correlation of the study. Then, the research hypotheses were tested using regression analysis.

Chapter 5

EMPIRICAL ANALYSIS AND RESULTS

5.1 Introduction

The data collected for this study have been analyzed using the IBM Statistical Package for Social Science (SPSS), its extended module SPSS Analysis of A Moment Structure (AMOS). This section is made up of the data analysis and their interpretations. The report presented includes respondents profile, descriptive statistics, bivariate correlations, confirmatory factor analysis, path analysis and test of mediation.

5.2 Respondents Profile

A total of 500 questionnaires were distributed to students in TRNC, and only 381 were appropriately filled and returned giving a response rate of 76.2%. The demographic profile of the sample population is presented in Table 1 below. Table 1 depicts that a majority of the respondents were male (65.4%) while 34.6% were females. 84.4% of the respondents were aged with the range of 17-30 years, and 14.2% respondents between 31-44 years. The analysis reported 0.5% high school level respondents, Most of the respondents were bachelor students (65.6%), and masters students (24.9%). Regarding the respondents' income level, the analysis indicated 36.7% of the respondents earned less than 1000Turkish Lira(TL), 36.2% respondents earned within the range of 1001-2000Tl, 13.1% of the respondents earned between 2001-3000Tl, 8.4% respondents earned between 3001-4000, the remaining respondents earned above 4000Tl. Note should be taken that at the time of the study, 1USD =5.49Tl. The frequency of market/supermarket visit analysis were as follows: Most of the respondents frequented the market/SM 1-2 times a week, 27.6%% of the respondents visited the market/SM 2-4 times a month , 4.2% respondents visited the market /SM once per month and the remaining respondents visited the market /SM once every two months. The sample consisted of 89.2% for single respondents and 10.8% of married respondents.

Table 1: Respondents Profile (n=381)

	Frequency	Percent
Age		
17-30	320	84.0
31-44	54	14.2
45-58	3	.8
58+	4	1.0
Total	381	100.0
Gender		
Male	249	65.4
Female	132	34.6
Total	381	100.0
Education		
High school level	2	0.5
University level	250	65.6
Masters level	95	24.9
Doctoral level	34	8.9
Total	381	100.0
Income		
Less than 1000	140	36.7
1001-2000	138	36.2
2001-3000	50	13.1
3001-4000	32	8.4
4001-5000	4	1.0
Above 5000	17	4.5
Total	381	100.0
Frequency of market visit		
1-2/ week	258	67.7
2-4/month	105	27.6
1 /month	16	4.2
1 every 2months	2	.5
Total	381	100.0
Marital status		
Single	340	89.2
Married	41	10.8
Total	381	100.0

Table 2 below shows the statistical analysis results representing the mean, standard deviation, correlations and the study variables internal consistency reliability estimates. As shown by the results, Education Level (mean= 2.42; SD = 0.659), Perceived Price Fairness (Mean= 3.16; SD = 1.00), Customer Satisfaction (mean = 3.36; SD = 0.93) Customer Loyalty (mean= 3.29; SD = 0.93), Financial Switching cost (mean= 2.83; SD=1.05), Non-Financial Switching Cost (mean = 3.01; SD = 1.03).

Table 2: Descriptive Statistics and Bivariate Correlations

	M	SD	Education	PPF	CS	CL	FSC	NMSC
Education	2.42	0.659	-					
PPF	3.16	1.00	0.09	**.752**				
CS	3.36	0.93	0.14*	.531**	**0.81**			
CL	3.29	0.93	0.12**	.500**	.581**	**0.83**		
FSC	2.83	1.05	0.08	.482**	.426**	.374**	**0.78**	
NFSC	3.01	1.03	0.02	.385**	.371**	.362**	.491**	**0.83**

Notes: * Correlation is significant at the0.05 level (1-tailed) and ** 0.01 level (2-tailed), On the diagonal are each construct Cronbach alpha score, N = 381

To find the relationship among the study variables, the Pearson's correlation was used as shown on Table 2. The correlation ranges between 0 – 1. All the research variables were positively correlated and significant at 0.01 levels (2 – tailed). One control variable (Education Level) was significantly related to the research constructs. The respondents' education level were positively associated with customer satisfaction and customer loyalty and significant at 0.05 level (2- tailed and 0.01 level (2-tailed) respectively hence used for further analysis. According to Cohen, (1998, pp 79 – 81), the suggested range indicated as follows; 0.1 – 0.29 = weak, 0.3 – 0.49 = moderate and 0.5 – 1.0 = strong thus as shown on the analysis, the correlation between PPF and CS, PPF and CL, CS and CL were strong positively correlated, PPF and FSC, PPF and NFSC, CS and FSC, CL and FSC, CL and NFSC, FSC and NFSC were all moderately positively correlated while the remaining correlations among the research constructs were weak positively correlated.

5.3 Measurement Model

The two-step approach by Anderson & Gerbing (1988) was used for this study to test the measurement model and assessment of hypotheses. Firstly, the measurement model was tested which consisted of the convergent and discriminant validity, then the confirmatory factor analysis was used to test the composite reliability of the measurement scales (Anderson & Gerbing, 1988; Fornell Larcker, 1981).

Several items were discarded from the scales due to correlation measurement error as shown on Table 3. The items deleted from further analysis included one item from PPF measure, two items from NFSC measure, 3 items from FSC measure, one item from CS measure and 2 items from CL measure. All loadings were significant at 0.01 level and PPF1, NFSC3, FSC3, CS1, CL1 were set to 1.00 to fix the scale to the latent variable. Furthermore, the S. factor model fits the data well. The model fit indexes were as follows: (x^2=168.57; df =93; x^2/df= 1.813; NFI =0.93; TLI =0.96; CFI= 0.93; RMSEA= 0.046). All the factors were above the cut off of 0.50, the average variance extracted (AVE) greater than 0.50 and included: PPF = 0.503, NFSC = 0.573, FSC = 0.544, CS = 0.804, CL = 0.832. As shown on Table 2, the correlation coefficients (r) among the variables were less than 0.90. Therefore, as shown by the factor loadings, the average variances extracted, the model fit statistics and the correlation coefficients, the results provided support for both convergent and discriminant validity.

Table 3: Confirmatory Factor Analysis (CFA)

	Estimate	C.R.	AVE	CR
PPF			0.503	0.752
PPF4	0.707	11.708		
PPF3	-	-		
PPF2	0.692	11.522		
PPF1	0.728	1.00*		
NMSC			0.573	0.798
NFSC5	0.644	10.517		
NFSC4	0.72	11.575		
NFSC3	0.887	1.00*		
NFSC2	-	-		
NFSC1	-	-		
FSC			0.544	0.78
FSC6	-	-		
FSC5	0.674	11.355		
FSC4	0.83	12.901		
FSC3	0.699	1.00*		
FSC2	-	-		
FSC1	-	-		
CS			0.804	0.578
CS4				
CS3	0.773	14.088		
CS2	0.735	13.475		
CS1	0.772	1.00*		
CL			0.832	0.554
CL6	-	-		
CL5	-	-		
CL4	0.685	12.886		
CL3	0.791	14.897		
CL2	0.727	13.704		
CL1	0.77	1.00*		
Model fit indexes: (x^2=168.57; df =93; x^2/df= 1.813; NFI =0.93; TLI =0.96; CFI= 0.93; RMSEA= 0.046).				

Notes: All loadings are significant at the .01 level, (-) Dropped during confirmatory factor analysis. * Set to 1.00 to fix the scale of the latent variable.

In addition, one of the most frequently used indicator of internal consistency is the Cronbach's alpha. The acceptable Cronbach's alpha coefficients of a scale should be greater than 0.7 (Nunnally, 1978, p.245). The results on Table 2 indicated a Cronbach's alpha of 0.752 for PPF, 0.81 for CS, 0.83 for CL, 0.78 for FSC and 0.83 for NFSC; which are all above the acceptable threshold. The composite reliability results as shown on Table 3 were above 0.70 (Fornell & Larcker, 1981). Thus we conclude the reliability of our measures.

5.4 Hypothesis Testing

The assessment of the hypotheses one to three was done using regression analysis. The S factor model fits the data well. As depicted on Table 4, Model 1 shows a positive significant relationship between perceive price fairness and customer satisfaction (β = 0.487, P < 0.001, R^2 = 0.29, F=77.248). Based on Model 2, perceived price fairness is positively related to switching cost (β = 0.699, P < 0.001, R^2 = 0.683, F=406.998).

Model 3 shows that there is no significant direct positive relationship between perceived price fairness and customers' loyalty. It also shows a significant positive mediating effect of both customers' satisfaction. ((β = 0.405, P < 0.001) and perceived switching costs ((β = 0.218, P < 0.001) on perceived price fairness and customer loyalty relationship.

As outlined on table on Table 5, the total effect of perceived price fairness on customer loyalty is positive and significant (β = 0458, P < 0.001, t = 11.079) and there was no significant direct effect between perceived price fairness and customer loyalty.

The specific indirect effect was investigated using a bootstrap with 10,000 resamples to estimate the 95% bias corrected confidence interval (CI) of the indirect effect. A confidence interval not containing zero provides evidence of the statistical significance of the indirect effect. Table 6 explains that perceived price fairness positively affects customer loyalty through the mediating effect of both customer satisfaction and perceived switching cost. Furthermore, the point estimates for the differences between the corresponding indirect effects were examined and the results show whether or not there was a statistically different indirect effect between the two mediating variables. As shown by the 95% confidence intervals, the indirect effects were not statistically different from each other. This implies the indirect effect of perceived price fairness on customer loyalty through the mediating variable customer satisfaction did not differ from the indirect effect of perceived price fairness on customer loyalty through the mediating effect of perceived switching cost.

Table 4: Regression Results of the Parallel Mediation Model

	Dependent variable					
	Model 1 Customer satisfaction		Model 2 Switching cost		Model 3 Customer loyalty	
	Coefficient	SE	Coefficient	SE	Coefficient	SE
Constant	1.499***	.193	.905***	.116	.762***	.198
Control variable						
Education level	.13*	.062	-.013	.037	.062	.057
Independent variable						
Perceived price fairness	.487***	.041	.699***	.025	.108	.067
Mediators						
Customer satisfaction	-	-	-	-	.405***	0.48
Switching cost	-	-	-	-	.218**	.079
R^2	.29		.683		.402	
F	77.248***		406.998***		63.31***	

Note. * $p < .05$, ** $p < .01$, *** $p < .001$.

Table 5: Total Effect and Direct Effect of Perceived Price Fairness on Customer Loyalty

	Effect	SE	T	P	95% confidence interval LL	UL
Total	.458	.041	11.079	.000	.377	.539
Direct	.108	.067	1.6205	.106	-.023	.240

Table 6: Indirect Effect of Perceived Price Fairness on Customer loyalty

	Effect	BootSE	95% confidence interval LL	UL
Total	.377	.076	.226	.521
Customer satisfaction	.213	.038	.138	.287
Switching cost	.164	.078	.019	.312

Chapter 6

DISCUSSION AND CONCLUSION

6.1 Discussion of Results

Following the analysis that was conducted on the hypotheses, the interpretations are as follows;

Hypothesis 1 (H1) suggested a positive relationship between perceived price fairness and customer loyalty. This claim was supported as the results showed a positively significant relationship. This is consistent with previous studies who obtained a positive relationship between perceived price fairness and customer loyalty (Asma, Dine, Wafaa & Redouan (2018); Asadi, Khazaei & Jalilvand (2014). Thus when a customers' judgement about a seller's prices is fair, he tends to be satisfied and their willingness to repurchase and maintain relationship with the business organization will increase. Conversely, if the customer perceives prices as unfair, the customers' probability to repurchase from that business is low and may result in termination of the relationship. Therefore, based on the empirical evidence, (H1), which states that perceived price fairness is positively related to customer loyalty is accepted.

Hypothesis 2 (H2), stated that customer satisfaction acts as a mediator of the relationship between perceived price fairness and customer loyalty. As shown by empirical findings, customer satisfaction does act as a full mediator between price fairness perception and customers' loyalty. Given a customer's price fairness perception of the goods or services offered by a business, the resulting loyalty toward the business is fully as a result of customer satisfaction. This is consistent with previous findings (Han & Ryu, 2009; Martin, Ponder & Lueg, 2009).

Hypothesis (H3) stated that perceived switching cost mediates the relationship between perceived price fairness and customer loyalty. The empirical findings of this study support this hypothesis as the results show a full mediation. Therefore, if a customer perceives that he will incur costs to switch from one business to another and the current business offers perceived fair prices, this will cause the customer to continue its relationship with the current business.

6.2 Implications

This study has valuable implications for marketing and management staffs, policy makers and the general society. This study enforces the relationship between several concepts related to management and marketing by assessing the impact of perceived price fairness on customer loyalty. This study is essential to managers of markets or supermarkets as it provides more insight on the impact of their managerial decisions such as pricing and on gaining and keeping customer loyalty, if necessary by adjusting the switching costs or satisfaction level thus increasing profitability, sustainability, increased market share and competitive advantage over rivals. Furthermore, this study is important for future entrepreneurs as it elaborates on the role switching costs play in customer relationships and enable them to consider how to decrease or increase or take into account such costs when planning business strategies that will enable growth and profit maximization.

The research on perceived price fairness and perceived switching cost and their behavioral outcomes can been extended through this study to other societies from market/supermarket behaviors among students in North Cyprus. In addition, this study is important on its own for businesses in North Cyprus to be able to manage their customers appropriately and trigger positive perception and actions which in the long run is advantageous to the organization.

6.3 Limitations

This study was limited to only English speaking students of North Cyprus, whereas some students have different communication languages such as the Turkish speaking students whose opinions could have been relevant to obtain a more general result. The collection of data was done during the period when most students were writing exams and over a short period of one month. Hence, most of the respondents were not patient in reading through the questions before responding and even left some questions unanswered. In addition, even though the case study were students in TRNC, most of the respondents were students in universities around the researchers city Famagusta, North Cyprus because of lack of time and financial constraints of the researcher.

In addition only a single time period was used to evaluate the respondent's behavioral rating intensions. Thus this research does not consider the fluctuation of human behavior which very during different time periods.

6.4 Suggestions

Future research about this topic may target supermarket or market behavior for students in universities in other cities apart from Famagusta and Nicosia and in different countries. Also a suitable and longer timeframe may be used to be able to get more reliable and appropriate responds from respondents especially during periods when price changes are noticeably rapid or large. Future scholars on this topic may also lay more emphasis on the sampling techniques to employ which will produce more representative results of the general population.

6.5 Conclusion

Apart from level of education, all the other demographic variables had no significant correlation with the main studied variables. This study provides a general overview of varying customer behavior in relation to customer satisfaction and perceived switching cost showing that these two factors have a significant mediating effect on the relationship between perceived price fairness's effects on customer loyalty extending existing literature on the subject matter and can be generalized to the entire society.

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APPENDIX

QUESTIONNAIRE

Thank you for making out time to take this survey on the impact of perceived price fairness on customer loyalty with the mediating roles of customer satisfaction and perceived switching costs. This survey is carried out by a student of the department on business administration in Eastern Mediterranean University, Cyprus for academic purpose only. I fully assure you that all of the answers you provide in this survey will be kept confidential. Only the summary of this survey data will be reported and will not identify any individual.

Please write down the name of the main supermarket you visit…………………………….

Please read each question and carefully indicate your level of agreement or disagreement by marking the appropriate response category

1 Strongly disagree 2 Disagree 3 Undecided 4 Agree 5 Strongly agree

Perceived Price Fairness	**1**	**2**	**3**	**4**	**5**
1. The supermarket offers the best possible price that meets my needs					
2. The supermarket offers a variety of pricing options					
3. The prices charged by this supermarket is irrational					
4. Compared to other markets, this market offers comparatively affordable prices					

Non- Financial Switching Cost	**1**	**2**	**3**	**4**	**5**
5. In order for me to change my supermarket it will cost me a lot of time.					
6. For me to change my main supermarket it will require me a lot of effort					
7. I may not benefit the same privileges and discounts I get from my main supermarket if I switch to other markets					

8. It is risky to change my main supermarket as the new supermarket may not give me the goods and services that meet my needs					
9. It will be tough for me to adjust to a new brand of products and their quality in a new supermarket					
10. Putting into consideration everything, I will incur low cost if i stop using my main supermarket and start visiting a new market					
11. I may incur some cost to know the classification and usage of goods if I switch to other supermarket					
12. The services and benefits I get from my main supermarket is comparatively high compared to the price I pay for the product					
13. The price of goods I get in my main supermarket are lower than that of other markets					
14. As an old and loyal customer, I get more discounts and rewards in my main supermarket.					
15. If I switch to other markets, I may face economic loss.					
Customers Satisfaction	**1**	**2**	**3**	**4**	**5**
16. In choosing this supermarket I think I did the right choice					
17. The products in my supermarket choice meets my expectations					
18. My experiences in this supermarket makes me satisfied					
19. My maın supermarket does not make me delıghted					

Customers Loyalty	**1**	**2**	**3**	**4**	**5**
20. I prefer my supermarket more compared to others					
21. I will propose my supermarket to others					
22. I will always consider this market as my first choice					
23. I have visited my supermarket more compared to other					
24. I have used more of my supermarkets products compared to others					
25. In future I don’t expect to do more business with my supermarket					

Demographic Questions

1. **Age**
   ( ) 17-30
   ( ) 31-44
   ( ) 45-58
   ( ) 58+

2. **Education level**
   ( ) high school level
   ( ) University level
   ( ) graduate level

3. **Frequency of market visit**
   ( )1-2 times a week
   ( )2-4 times a month
   ( )once every month
   ( )once every 2 months

4. **Income Level**
   ( ) less than 500Tl ( ) 2000-3000Tl
   ( ) 501-1000Tl ( ) 3001-4000 Tl
   ( ) 1001- 2000Tl ( ) Above 4000Tl

5. **Marital Status**
   ( ) Single ( ) Married

6. **Gender**
   ( ) Male ( ) Female

7. **Occupation** (Please specify if any)…………………………………