

# Can You “Expect Great Things” at Kohl’s?

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## Introduction

The idea of bargain shopping is popular in the United States. Americans today are proud to call themselves bargain shoppers; however, are these people really getting a bargain? The following research paper answers the question: What are the most influential factors on consumer satisfaction? A survey of the literature explains that people previously have been getting bargains at discount and department stores such as Kohl’s. The research compares prices of three stores to Kohl’s department stores. A Hastings College student sample evaluates perceived quality at each of these stores. The results show that Kohl’s prices are less than other department stores and Kohl’s also has the highest perceived quality among Wal-Mart, K-Mart, and Sears. The following literature review sets the foundation for why more research is needed and provides the framework for the methodology used.

## Literature Review

The literature review defines “bargain” and indicates why people search hard to find a “bargain.” Also, several sources help to solve the question “Is the customer really receiving a bargain?” The dictionary defines a bargain as, “an advantageous purchase, esp. one acquired at less than the usual cost” (www.dictionary.com 2006). The consumer acts in such a way that he/she pays the lowest cost and not experience any buyer’s remorse.

If consumer satisfaction is not met then the consumer has buyer’s remorse. The book *Shop ‘Til You Drop: Consumer Behavior and American Culture* defines remorse as “a feeling we have that we’ve done something wrong” (Berger 2005). In order to bypass remorse, a consumer does a lot of research before entering the market for bargains. A true bargain hunter spends energy and time hunting for the right price. The consumer must ask him/herself if the effort was really worth the bargain (Berger 2005). Therefore, a company must fill this void with positive reinforcements throughout the store experience, so a consumer leaves with positive

buyer thoughts and not buyer's remorse. If buyer's remorse is present, then the value of the bargain drops dramatically and in some cases may not even be a bargain anymore.

Arthur Berger explains two reasons for bargains to become buyer's remorse. First, we think that the more we own the better we feel. A consumer continues to collect materialistic items until he/she is completely satisfied and has no buyer's remorse for these new items. Second, the familiar idea of keeping up with the "Joneses" has caused many families to continue to consume in order to maintain the same lifestyle (Berger 2005). A company must strive to fight against buyer's remorse.

The consumer of today wants good products at low bargain prices. Michael Silverstein states, "Today we want premium products at a low (or lower) price, and companies that cannot deliver them are being squeezed" (Silverstein 2006). Shoppers react to sale advertising. If a customer observes clearance and/or sale signs in the store, he/she is more likely to make a purchase.

A journal article by Michael D. Johnson and Claes Fornell explained how to measure customer satisfaction. There are two important questions that must be asked. Can customer satisfaction be compared between individuals? Can customer satisfaction be compared between different products? It is interesting that measuring customer satisfaction among individuals has been a debate for some time. Overall, the article states that customer satisfaction is hard to measure and a strong index must be made. One measurement tool is axioms of rationality (Johnson 1991). From the comparisons of satisfaction, there was a framework produced.

The framework "is consistent with Van Raaij's (1981) general model for economic psychology" (Johnson 1991). In order to look at the differences of satisfaction, the customer's expectations and/or perceptions of performance must be understood. The assimilation-contrast theory was used to understand the differences of satisfaction. The theory states "the relative importance of performance versus expectations depends on their discrepancy" (Johnson 1991). The diagram shows the direct relationship between expectations and current performance and takes into account the assimilation effects (Johnson 1991).

At first, expectations of a product are not available because a consumer has never purchased or had the experience with the good. Therefore, perceived performance has the only effect on satisfaction. The second level of experience occurs once the consumer has purchased the good and develops a satisfaction level before the next purchase. The experience has an effect on perceived performance, which in total leads to the satisfaction of the product. Finally, experience and perceived expectations become one and lead to the overall satisfaction of the good. The expectations of nondurable goods such as jeans "should become strong, stable and generally consistent with a product's perceived performance" (Johnson 1991).

From this new information, an index was formed to measure customer satisfaction. The American Customer Satisfaction Index (ACSI) is a reliable measure of customers' overall satisfaction within an industry, sector, and/or nationally. A study using the ACSI used similar variables that are used in my analysis of the research question. Customer satisfaction is measured by degree of loyalty. First, two variables were made to understand the repurchase likelihood of a good. The questions asked if a firm raised its prices how many would not buy the good again and if the price was lowered how many would choose to purchase again (Fornell 1996). The survey also looked at three other measures including overall satisfaction rating,

performance of product exceeds or meets expectations, and rating of performance of good within the customer's ideal good in that category. The "psychological distance between performance and expectations, and between performance and the customer's ideal point" was found with these three variables (Fornell 1996).

The ACSI survey has three core questions that are asked at each interview for whichever organization is being studied. The U.S. Department of Labor recently asked these core questions in a survey:

1. Utilizing a scale of 1 to 10 where "1" means "Very Dissatisfied" and "10" means "Very Satisfied" what is your overall satisfaction with the services provided from \_\_\_\_\_?
2. Considering all of the expectations you may have had about the services, to what extent have the services met your expectations? "1" now means "Falls Short of Your Expectations" and "10" means "Exceeds Your Expectations."
3. Now think of the ideal program for people in your circumstances. How well do you think the services you received compare with the ideal set of services? "1" now means "Not very close to the Ideal" and "10" means "Very Close to the Ideal." (Sickles).

The reason for using a government survey is because public organizations do not make their survey questions available to the public. If asking the three core questions to retail industries such as Kohl's the questions might be restated as follows:

1. Utilizing a scale of 1 to 10 where "1" means "Very Dissatisfied" and "10" means "Very Satisfied" what is your overall satisfaction with the products provided by Kohl's?
2. Considering all of the expectations you may have had about the products, to what extent have the products met your expectations? "1" now means "Falls Short of Your Expectations" and "10" means "Exceeds Your Expectations."
3. Now think of the ideal store for people in your circumstances. How well do you think the products you received compare with the ideal set of products? "1" now means "Not very close to the Ideal" and "10" means "Very Close to the Ideal."

The Natural Resources Conservation Service performed a survey using all 18 of the American Customer Satisfaction Index questions. The exact questions are included in Appendix 1 of this paper. The 18 questions would be reworded in order to pertain to the retail industry and Kohl's department stores (University of Michigan 2005).

The Fornell study found some interesting results about customer satisfaction and price. First, as expected, expectations are highly linked to quality, value, and customer satisfaction. There was a direct relationship between expectations of the product and satisfaction. The main finding from the study indicates that, "the impact of quality on overall customer satisfaction is greater than that of value in each of the seven sectors" (Fornell 1996). The seven sectors are public administration/government, other services, finance/insurance, retail, transportation/communication/utilities, manufacturing/durables, and manufacturing/nondurables (Fornell 1996). Durable goods are "goods, as household appliances, machinery, or sports equipment, that are not consumed or destroyed in use and can be used for a period of time, usually three or more years" (www.dictionary.com 2006).

Nondurable goods are "goods that are used up quickly or purchased frequently, as food and apparel (www.dictionary.com 2006). The retail industry which Kohl's is a part of, has a price driven satisfaction rating of .44, which is below the average of .47. The scale of the rating is between zero and one. The rating is found by taking "a one-point change in perceived value on overall customer satisfaction divided by the total effect of a one-point change in perceived quality on overall customer satisfaction" (Fornell 1996). Manufacturing/nondurables has a relatively high ratio because competition in the industry leads toward price competition. Also, transportation/communications/utilities has a high ratio because of the importance price plays in the competitive industry. Public administration/government ratio shows the effects of the "take it or leave it" approach to pricing in this industry (Fornell 1996). The reason Kohl's satisfaction rating is low is based on the fact that quality and value are relatively low in this sector (Fornell 1996). The section of this paper which addresses the need for further research explains why loyalty must be connected with the price driven satisfaction ratio.

A 1991 research study gives insight into the effects of price, brand, and store information on buyer's evaluations. The methodology used in the study included a 5x3x3 format. There were five price levels, three brand levels, and three store levels. A web diagram of the different relationships analyzed within the study is shown below. There were two products researched: calculators and stereo headset players. The study was done to "suggest that the external cues of price, brand name, and store name are three cues that influence perceptions of product quality and value, and hence willingness to buy" (Dodds 1991).

There were eight different hypotheses stated; however, only four of them pertain to the research I performed. The hypotheses are:

1. When perceptions of brand name are more favorable (vs. less favorable), *ceteris paribus*<sup>1</sup>
  - a) buyers' perceptions of quality are higher,
  - b) buyers' perceptions of value are greater, and
  - c) buyers' willingness to buy is greater.
2. When perceptions of store name are more favorable (vs. less favorable), *ceteris paribus*,
  - a) buyers perceptions of quality are higher,
  - b) buyers' perceptions of value are greater, and
  - c) buyers' willingness to buy is greater
3. When other information is included with price information (i.e., multiple cues: price-brand, price-store, price-brand-store), *ceteris paribus*, the price effect is stronger than in a price-only condition (i.e., single cue: price) on:
  - a) buyers' perceptions of quality,
  - b) buyers' perceptions of value, and
  - c) buyers' willingness to buy.
4. When other information is included with brand information (i.e., multiple cues: brand-price, brand-store, brand-price-store), *ceteris paribus*, the

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<sup>1</sup> *ceteris paribus*- all other things equal

brand effect on buyers' perceptions of quality is stronger than in a brand-only condition (i.e., single cue: brand) (Dodds 1991).

By using ANOVA tests, the hypotheses were analyzed. The results showed that calculators had "a significant brand name effect on buyers' perceptions of quality" and also "a significant store name effect on buyers' perceptions of quality, but not on their perceptions of value" (Dodds 1991). The hypothesis about single-cue versus multiple-cue was found to be contradicting. "The results suggest that the effect of price on perceived quality and perceived value is greater in a single-cue (SC) design than in a multiple-cue (MC) design" (Dodds 1991). Finally, "the effect of brand name on perceived quality is greater in a multiple-cue design than in a single-cue design for the calculator...but not for the stereo headset player" (Dodds 1991).

A study performed in 1989 looked at consumers perceived price quality and objective price quality. There were four different research studies performed and the main findings were that "consumers perceive objective price-quality relationships with only a modest degree of accuracy" (Lichtenstein 1989). Also, nondurable goods price-quality perceptions are more accurate than durable goods (Lichtenstein 1989). There were three distinct hypotheses tested within each of the four studies:

1. There is a positive relationship between perceived and objective price-quality relationships.
2. The correlation between price-perceived quality and price-objective quality is lower for individuals who have a price-perceived quality schema or a no price-perceived quality schema than for individuals who do not have either such schema.
3. The correlation between price-perceived quality and price-objective quality is higher for nondurable goods than for durable goods (Lichtenstein 1989).

The first and third studies were similar in their method. Study 1 used business students and 15 product categories while study 3 used business students and 18 product categories. Study 2 and 4 were similar as well. Study 2 used a sample group of people exiting a superstore who had to mail in the survey. The same 15 product categories were used as in study 1. Study 4 used a sample group of people exiting a superstore, but included 18 product categories. The product categories came from *Consumer Reports*.

The main tests performed between all four studies included Spearman's Rank order correlation, individual t-tests, tests of association, and cluster analysis. Using each of these tests, there were three main conclusions drawn:

1. There appears to be a positive, but not strong, correlation between the perceived and objective price-quality relationships.
2. Perception accuracy appears to be moderated by product type.
3. There seem to be up to four distinct clusters of consumers based on price-quality perceptions: a price-perceived quality schema group, a nondurable price-perceived quality schema group, a durable price-perceived quality schema group, and a no price-perceived quality schema group (Lichtenstein 1989).

There were some flaws within the research study including questionable reliability of *Consumer Reports*, only single measurement types were used to view some of the variables, and the results are hard to generalize because of the products used. Also, nonprobability

samples were used, so it is not possible to relate the data to a population (Lichtenstein 1989). Given these flaws, there is more research to be done about perceived price-quality and objective price-quality relationships.

There was a review performed with several of the studies discussing the issue of the effect of price, brand name, and store name on consumer's perceived quality. The study looked at why studies found such inconsistent results and looked at four methodological reasons. First, the number of cues used in a study account for the effects revealed by the results. Second, the type of experiment performed changes the effect depending if it is a within-subject or between-subject design. Third, price manipulation can happen, so significant evidence is found. Fourth, the price level used affects the perceived quality. For example, higher priced items have a greater effect on the perceived quality of the good (Rao 1989).

The results show there is systematic sampling error within these studies. A homogeneity test was performed and the results showed the data points were not homogenous. The results of the four methodological questions states single cue versus multiple cue where brand name on perceived quality had large effect. The store name had a small effect and was not significantly evident. Price manipulation had a significant effect on observed price-perceived quality relationships. The type of research design must be considered because within-subject designs are more powerful than between-subject designs. The price level methodological question still needs to have more research performed to understand the price-perceived quality relationship (Rao 1989).

## Theories

The theory of consumer behavior is an important aspect to consider when the researcher studies bargain shopping. *The Theory of Buyer Behavior* by John A. Howard and Jagdish N. Sheth reviews the buyer's process and the different variables involved. The four-step process includes brand choice, motivation, gathering information, and reviewing past purchases (Howard 1969). Even though the source is old, a theory should not change over time and is still relevant today.

Within the process, there are two input variables that have an effect on a consumer's reactions. First, the advertising industry plays a key role in instigating the need or desire to shop. It goes back to the opening scenario of this paper where a person sees a sale at Kohl's and wants to look at the bargains. Second, the social aspect of buyer behavior is more evident today because people go shopping for something to do.

The output variables of buyer behavior include attention, brand comprehension, attitude, intention, and purchase. First, attention is comparison shopping of the different brands available to consumers. A consumer searches for information about the product before beginning the purchasing process. Second, many consumers are brand loyal and first look at the price comparison between their normal brand and a brand on sale. If the brand on sale is equal in quality, size, and satisfaction then the consumer reacts to the sale price. Third, the consumer must ask him/herself if the chosen brand satisfies the need or want. If there is a chance of buyer's remorse then a different brand is researched. Fourth, certain consumer expectations must be met or the shopper tries a different brand. A consumer knows the expectations he/she expects from a product. Some examples of expectations from a product are that they perform as stated in advertising or other consumer reports, quality is as good as

price indicates, and brand name lives up to what it states. The final step is to actually make a purchase (Howard 1969).

Another aspect of buyer behavior is the seven learning constructs.

1. Motive
2. Brand comprehension
3. Importance and Satisfaction of product
4. Overall satisfaction
5. Attitude about product
6. Confidence of consumer
7. Actually walk away with Satisfaction

A motive is the reason a person makes a purchase. For example, when a family purchases a new house there are certain amenities that must be bought in order to furnish the house. A couple discusses why they need the furniture and this is their motive of purchase. Most Americans today state he/she has a certain brand that makes him/her more satisfied than others and he/she recognizes this satisfaction through brand comprehension. Many teenagers today are pressured into purchasing the name brands of clothes such as Tommy Hilfiger over the store brands of Kohl's. There are certain options that come with different products that must be analyzed and the consumer must evaluate the satisfaction from each of these options. Another look at furnishing a house shows that there are many options within different furniture types. For example, does the family want a couch that reclines on both ends or a simple two seat corner couch? The final decision depends on the satisfaction received from each of the options. For the fourth learning construct, the total satisfaction of the product must be calculated.

The consumer makes a mental forecast about the product being purchased. The consumer asks questions about the when, where, and why of the product and brand. If the answers are positive, then the consumer continues the buying process. The family furnishing a house asks when new furniture needs to be bought to replace their old furniture. Then the family searches for where the brand is located and can be purchased from. The furniture only lasts for a certain time, so the family must know the lifespan of the furniture. The sixth construct is the confidence of the consumer in the product. The family must know that they are receiving the best possible product at the best price. Also, does the product meet the expectations that the advertising industry states? Finally, once a product is purchased the consumer must leave satisfied with the purchase. When the family tries the furniture in their house, they must be content and happy with the purchase. The new furniture should meet the needs and expectations of the consumer (Howard 1969).

The theory of buyer behavior explains the reasons why a person shops. For example, shoppers might react to advertising and make a purchase. There are times when the full process of research to purchase is performed. However, there are consumers who skip the steps and buy because they "must have it." The following analysis assumes that consumers base their buying behavior decisions on rational researched information about a product.

## **Methodology**

For the variable customer satisfaction, I used the American Customer Satisfaction Index (ACSI). The index is a "cause-and-effect model with indices for drivers of satisfaction on the left

side...satisfaction in the center, and outcomes of satisfaction on the right side" (www.theasci.org 2006).

The three drivers of satisfaction include customer expectations, perceived quality, and perceived value. The indices were formed from the following multivariable components.

#### **Customer Expectations**

1. Overall expectation of quality (prepurchase)
2. Expectation regarding customization, or how well the product fits the customer's personal requirements (prepurchase)
3. Expectation regarding reliability, or how often things would go wrong (prepurchase)

#### **Perceived Quality**

1. Overall evaluation of quality experience (postpurchase)
2. Evaluation of customization experience, or how well the product fit the customer's personal requirements (postpurchase)
3. Evaluation of reliability experience, or how often things have gone wrong (postpurchase)

#### **Perceived Value**

1. Rating of quality given price
2. Rating of price given quality

#### **ACSI**

1. Overall satisfaction
2. Expectancy disconfirmation (performance that falls short of or exceeds expectations)
3. Performance versus the customer's ideal product or service in the category

#### **Customer Complaints**

1. Has the customer complained either formally or informally about the product or service?

#### **Customer Loyalty**

1. Repurchase likelihood rating
2. Price tolerance (increase) given repurchase
3. Price tolerance (decrease) to induce repurchase

The questionnaire had eight demographic and seventeen structured questions (Fornell 1996). The data that the ACSI uses comes from a computer-assisted-telephone interview that randomly selects individuals between 18 and 84 to answer questions based on a purchase of a good. "The respondent is asked questions about the purchase and use of specific products and services purchased within specified, recent time periods" (www.theasci.org 2006). After the respondents are asked questions, then the responses to each question are coded, so that the right responses go to the correct company (www.theasci.org 2006). For example, a consumer is found to have shopped for a pair of jeans at Kohl's and each of the responses about these jeans are coded. However, many times consumers state a specific brand instead of store, so each store is coded as a provider of that brand. For instance, a person states that Levi's have been purchased recently. Then each store that sells Levi's would be coded to account for the brand name (www.theasci.org 2006).

The company's final index is computed from a Partial Least Squares model. The model is a "procedure for estimating causal models, which does not impose distributional assumptions on the data, and accommodates continuous as well as categorical variables" (Fornell 1996).



The amount of loyalty is the dependent variable, which is weighted to make the 0-100 point scale (Fornell 1996).

In order to analyze the price variable, comparison shopping was performed. The three stores compared to Kohl's department store prices were Wal-Mart, K-Mart, and Sears. The prices used in my comparison were the original prices and the sale prices. The date of comparison was March 15, 2007. Jeans were chosen as the product to be tested for this research project.

A nine question survey was written to help analyze perceived quality of the goods and the effect on a bargain. The survey was proctored on March 26, 2007 in Principles of Macro-Economics and Principles of Micro-Economics classes at Hastings College. The sample includes the 78 students who attended class on the proctored day. The survey asked the students to view a pair of jeans from each of the stores and state the perceived quality for each pair of jeans before knowing the store name. After the students stated the quality of the jeans, they rated the order of quality for the four stores.

After the perceived quality of the jeans was given only knowing the brand name, the store name was then announced. The students were asked to state the perceived quality of the jeans after knowing the store name. Then the students were asked to rate the perceived quality of the jeans after knowing the store name. The question states, "Please rate in order of quality the four stores given above." However, I did not clarify that the students were to use each number only once when rating the perceived quality of the jeans. Also, the wording of the question should have been better because students thought they were rating the stores and not the jeans.

There were price analysis questions asked in order to compare price with quality and answer the research hypothesis. Also, demographic questions are asked to understand the range of the sample and know who comprises the sample. All strong surveys have demographic questions to be able to find basic information about the sample. The demographic questions for my survey included "Gender" and "Age."

## Analysis

The research question is, "what are the most influential factors on consumer satisfaction?" The function model used is "customer satisfaction is a function of price and perceived quality." The hypothesis states, perceived quality is the most influential factor on consumer satisfaction.

The American Customer Satisfaction Index shows that Kohl's has the best satisfaction rating among department and discount stores. The companies included in the index are K-mart, Army and Air Force Exchange Service, Wal-Mart, The May Department Stores, Federated Department Stores, Sears Roebuck and Co., Target Corporation-Target/Mervyn's, Target Corporation-Marshall Field's, Target Corporation, J.C. Penney, Dillard's, another category, and an overall rating. First, let us examine the customer satisfaction rating for Sears compared to Kohl's department stores. In the year 2005, Sears had a 73 index rating while Kohl's held an 80 rating. The index means that when perceived value, customer expectations, and perceived quality were added together Kohl's was seven points higher than Sears stores ([www.theasci.org](http://www.theasci.org) 2006). Second, Wal-Mart had an index rating of 72 in 2005. Third, K-Mart had an index rating of 70 in 2005 ([www.theasci.org](http://www.theasci.org) 2006).

The first variable researched was price of goods at Kohl's compared to other similar stores in Hastings, Nebraska and Grand Island, Nebraska. The price comparison shows two different important pieces of information. First, the amount the sale item is reduced is an important factor. In this research, K-Mart had the greatest sale percentage at 23 percent. Kohl's sales price was equal to Sears' while Wal-Mart did not have a sale on the given day. Second, the actual price of the jeans is an important factor. In this case, K-Mart had the cheapest price while Kohl's tied for the most expensive.

The survey results show the mean price students are willing to pay equals \$55.84. The median value equaled \$50. In comparing the results with the prices from the four stores, the store prices are definitely a bargain to the students. A cumulative histogram also explains that 25% of the sample is only willing to pay less than \$25 which is the highest original price of the jeans. The null hypothesis is that the maximum price the sample is willing to pay is \$25.00. The alternative hypothesis is that the maximum price the sample is willing to pay is greater than \$25.00. Therefore, from the sample only about 25% of the sample would not find a bargain. A one-sample t-test explains that there is significant evidence to reject the null hypothesis that the maximum price Hastings College students are willing to pay is equal to \$25. However, price is not the only variable affecting the customer satisfaction index, so perceived quality was researched through the use of a survey.

The second variable researched was the importance of perceived quality on a customer's overall satisfaction. The rating of perceived quality for the jeans changed significantly after the students were told which store the jeans were purchased from. Wal-Mart had the strongest quality rating before the store name was given, while the other three stores had lower quality ratings. Kohl's had the second highest rating with Sears and K-Mart rounding out the sample. The rating of perceived quality after giving the name of the store shows that Kohl's has the highest perceived quality. Knowing where the jeans were purchased had a major effect on the perceived quality of the goods.

Next, the question "Is price more important than quality?" is exactly the same question asked by Fornell in a previous research study (Fornell 1996). The results from the survey performed match the results found from Fornell. The research survey states that 68% of the sample thinks quality is more important than price. The perceived quality analysis discussed earlier also coincides with these findings. A binomial test was run in order to reject the null hypothesis that price is more important than quality. The alternative hypothesis states that quality is more important than price. A test value of .50 is used to show that more than 50% of the sample thinks quality is more important than price. The results show that the null hypothesis can be rejected with 99% confidence because of the .002 significance value. Therefore, the sample surveyed finds quality to be more important than price just as Fornell did in his 1996 research study.

Finally, there is not a strong correlation between a person paying for his/her own clothes and thinking price is more important than quality. A chi-square test is performed to find significant evidence that the two variables are independent. The null hypothesis states that there is no relationship between the two variables. The alternative hypothesis states there is a relationship. The research does not allow us to reject the null hypothesis because the significant evidence is .11. In order to reject the null hypothesis, the significance value should be equal to or less than .10. Therefore, there is not a relationship between the variables.

The research performed can be compared to the American Customer Satisfaction Index. The Index stated that Kohl's had the greatest satisfaction compared to Sears, Wal-Mart, and K-Mart. The variables used to find satisfaction included price and perceived quality. This research study shows some of the same results as the Index. The prices at Kohl's were equal to or higher than the other stores, but at the same time the survey stated that the quality received at each store was more important than price. Therefore, the price variable matches the results from the satisfaction index. The perceived quality variable through the survey showed that when students knew the name of the stores, Kohl's had the highest satisfaction rating. However, Kohl's came in second behind Wal-Mart when the students only knew the brand of the jeans. Therefore, Kohl's high satisfaction rating through the Index can be compared with the results of the survey. Kohl's definitely received high perceived quality from the survey. The last part of the analysis stated that there is some relationship between paying for your own clothes and considering price to be more important.

There were four different correlation tests run. First, perceived quality rating was compared to perceived quality rating once the store name was revealed. The null hypothesis tested is there is no relationship between perceived quality and the rating. Kohl's and K-Mart's significant evidence shows I can be 99.9% confident there is a relationship. The Pearson correlation indicates there is a positive correlation between the two variables. Therefore, as perceived quality increases the perceived rating increases.

Next, perceived quality knowing the store name and the rating was compared. The results show I can be 99.9% confident in rejecting the null hypothesis that there is no relationship between perceived quality of the jeans knowing the store name and the rating given the store. The relationship is again positive where an increase in perceived quality equals an increase in the rating.

A correlation between maximum price and the perceived quality rating only knowing brand name gives no conclusive results. Of the four stores, all the null hypotheses must be accepted that there is no relationship between the variables. This is an interesting finding because the study by Dodds et. al. found there was significant evidence at all four price levels and three store levels that price affects buyers' product evaluations (Dodds 1991). Therefore, my findings go against what Dodds study found and can lead to more research performed about the correlation between perceived quality and brand name.

The final correlation performed was between price and perceived quality knowing the store name. The null hypothesis remains there is no relationship between the two variables. The only store having significant evidence is K-Mart with a 95% confidence level. It is interesting to point out that Kohl's has the highest significance value. Based on my literature review, the two variables should have had a significant effect on perceived quality (Dodds 1991).

### **Future Research**

The research question, "what are the most influential factors on consumer satisfaction?" is a start to more research. First, the only two variables discussed in this research project were price and perceived quality. The variable "price" has many sub variables within it that must be researched to have a better understanding of price effects on customer

satisfaction. For example, there are special sale days such as senior citizen discounts. Also, preferred customers receive coupons to receive greater discounts on goods.

There are numerous other variables that can be viewed and understood about bargain shopping. First, the customer's buying behavior has several effects whether or not he/she is receiving a bargain. One question that must be asked is, "what are customer's responses to buy-one-get-one-free advertisements?" Also, why do customers react to early bird sales such as the one that took place February 24, 2007 at Kohl's? An early bird sale is defined as a limited time frame for the sale prices.

Second, the variety of goods one store has compared with another must be measured in order to understand the customer's feelings about a purchase. For example, are more customers interested in the sale prices at Kohl's because they have a better selection of merchandise than K-Mart (Fornell 1996)?

Third, the research only focused on jeans within Kohl's department stores. There are several departments within Kohl's such as jewelry, house ware, and beauty. A more detailed analysis of price within these departments would give a better overall view of comparison shopping.

Lastly, the article *The American Customer Satisfaction Index: Nature, Purpose, and Findings* discusses how to improve the index (Fornell 1996). Within the price-driven satisfaction ratio another variable needs to be added. The article states, "the price-driven satisfaction ratio also should be associated with degree of loyalty" (Fornell 1996). The amount of loyalty a customer has towards a particular store helps enhance the amount of satisfaction received from a store. For example, the research must control for the categorical characteristics and industrial factors which help influence the amount of loyalty toward a particular store (Fornell 1996).

## Conclusion

The research performed answers the question "What are the most influential factors on consumer satisfaction?" The model used to answer the research question was customer satisfaction is a function of price and perceived quality. The hypothesis was that the most influential factor on consumer satisfaction is perceived quality. The American Customer Satisfaction Index gave a base to understand customer satisfaction. The comparison shopping showed that Kohl's prices are on average higher than competitor prices and have equal to or lower than competitor sale percentages. The effect of perceived quality showed that knowing the name of the store where the jeans were purchased had significant influence on the rating of perceived quality. The correlation tests run give significant evidence that there is a relationship between perceived quality and perceived quality rating. Overall, the hypothesis is accurate that perceived quality is the most influential factor on consumer's satisfaction. The research is open for more discussion and analysis using more variables and more in-depth measurement tools.

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