

**THE FIT OF CHINESE FIRMS' CUSTOMER SATISFACTION STRATEGIES IN A
DEVELOPED COUNTRY MARKET: AN EMPIRICAL STUDY OF CHINESE
PRODUCTS IN NORWAY**

BY

EMUAKPOYERI ROSEMARY DUKU

STUDENT NO: 141599

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ABSTRACT

Customer satisfaction is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining and measuring it with no overall consensus emerging on either. Customer satisfaction and product quality are often treated together as functions of customer's perceptions and expectations and research has shown that high product quality contribute significantly to profitability. Product quality is required to be first measured in order to improve the quality in production companies. Practitioners and academicians are eager on measuring product quality and customer satisfaction accurately in order to have better understanding of its indispensable antecedent and consequences, and eventually ascertain methods for improving and measuring product quality in search for competitive advantage. The aim of this study is to determine the fit of Chinese firm's customer satisfaction strategy in a developed market: an empirical study of Norway.

A questionnaire used in this study was published on a website and the sample used in this research was students from the University of Agder (UiA). This study also examined the product quality gap by comparing customers' expectations and their actual perceptions. The results of the study indicated that all of the customer satisfaction precursor variables of price and quality are important. The findings of the study reveal that there is an inverse relationship between price and customer satisfaction. Further, when quality is high the satisfaction is also high. The same trend was established for the relationship between price and satisfaction. To achieve high purchase intention, the importance of satisfaction was clearly evident in the study. In conclusion, therefore, for the developing country products to be successfully in the developed market, the product aspects of price, quality have to be systematically addressed.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The concept of consumer satisfaction occupies a central role in marketing practice. Putting customer on the top and delivering superior value to customers is an ongoing concern of management in many businesses and markets today, and the issue of value is considered one of the most popular concepts among business managers and researchers (Ravald & Grönroos, 1996). Knowing the points and nodes where the value resides is most critical for managers and organizations. The importance of customer satisfaction, therefore, cannot be underrated. This is because it is the magma of greater levels of customer satisfaction, which leads to greater levels of customer loyalty and retention, positive word-of-mouth to word-of-mouth, a stronger competitive position, and ultimately higher market share (Fornell *et al.*, 1996; Bearden & Teel, 1983).

Satisfaction is a major outcome of about every marketing activity and serves to link processes culminating in purchase and consumption with post purchase process like attitude change, repeat purchase, and brand loyalty (Churchill *et al.*, 1982). The centrality of the concept is reflected by its inclusion in the marketing concept that profits are generated through the satisfaction of consumer needs and wants. A high level of loyalty in turn leads to a steady stream of future cash flow; transaction costs should also decrease with high customer loyalty; and the costs of attracting new customers should be lower for firms that achieve a high level of customer satisfaction and loyalty (Matzler & Hinterhuber, 1998)

The concept of satisfaction is used in variety of ways. In the extant literature satisfaction has been used to reflect perceived customer value (Ulaga & Chacour, 2001), quality (Ravald & Grönroos, 1996), price (Spreng, Dixon, & Olshavsky 1993), performance and expectation (Yi, 1990), and competitive advantage (Muller, 1991). Measuring customer satisfaction with quality has become a popular approach.

Customer satisfaction research is influenced mainly by the disconfirmation paradigm (Parasuraman *et al.*, 1988). In a disconfirmation paradigm, the customer's satisfaction is a result of comparison between perceived performance and benchmarks, such as, expectations. Satisfaction occurs when the product's performance is equal to what was expected. If the

product's performance exceeds expectations, the customer is very satisfied and dissatisfied if it remains below expectations. The widely accepted quality models recently have been criticized (Anderson *et al.*, 1994). It has been argued that the customer's perception of price, costs, services & efficient supply chains should be taken into account. Customer satisfaction or assessing customer-perceived value, however, goes beyond simply tracking customer satisfaction with product quality.

1.2 Problem Identification

Looking into the world of customers and products they patronize, it can be seen that customers go for products that are less expensive but are of good quality. It can also be noticed that some products look like the authentic products, are expensive or sometimes not but are not durable. Products that are not durable do not satisfy the demands and requirements of customers. In the past, a number of studies have already established the links between price and customer satisfaction, and between satisfaction and quality of products. Fornell *et al.*, (1995) linked customer satisfaction and quality initiatives to firm financial performance. Although the "cognitive evaluations – emotional responses – behavioural intentions" link is conceptually the strongest in explaining how customers form their behavioural intentions, many studies have also found a direct positive link between quality perceptions (arguably a cognitive evaluation) and customer behavioural intentions (e.g., Boulding *et al.*, 1993; Zeithaml *et al.*, 1996).

Indeed, one of the few exceptions is the recent study by Varki and Colgate (2001). Their study illustrated that given the importance of price perceptions, surprisingly little work has been done on the impact of price in the product sector and they argued the need for future research to focus more on this link. Based on a survey of the banking sector, they found evidence to support a direct positive association between price perceptions and customer behavioural intentions. If indeed such a hypothesis holds true in a service environment such as banking, it may also make sense in the Product sector. Fornell (1992), during the Swedish Customer Satisfaction Barometer study found further a criterion that can impact on customer repurchase habits. He showed that where supply is homogeneous and demand heterogeneous, overall satisfaction levels are low, and that customers could remain with a service provider even with low levels of satisfaction under such circumstances.

Further, Lambert (1998) argued that in addition to industry characteristics, such as homogeneous supply environments, certain customer characteristics such as customer's relative wealth, and the importance of the product or service in the individual's utility function, could also determine customer behaviors. It is expected that customer indifference formed by perceptions of service homogeneity and spend will strengthen the level of customer retention). Though this is presented in the context of a developing country market, such a strategy may have severe implications for a developed market like Norway.

1.3 Research question and objectives

There is growing managerial and academic interest on the issue of customer satisfaction as an indicator of quality of services and products which firms offer (Anderson & Sullivan, 1993). There is an old notion that the customer is king and customer comes first and this can be seen in a sense of satisfaction. Top companies recognize that customer satisfaction is a key corporate objective, and a source of profitability (Muller, 1991). Kotler (1991, p.19) posits that customer satisfaction is an indicator of the company's future profits. Domingos (2005) Customer value is of critical interest to companies, because it determines how much it is worth spending to acquire a particular customer.

Fornell (1992) offers several benefits of high customer satisfaction for the firm. These include, but not limited to: increased customer loyalty, reduced price elasticities, insulation of current customers from competitive efforts, lower costs of future transactions, reduced failure and attracting new customer costs. Increased loyalty of the current customers leads to more customers will repurchase in the future and should be reflected in the firm's economic returns as this would also ensure a steady stream of future cash flow (Reichheld and Sasser 1990).

Companies are expected to satisfy their customers by every means possible so that the company can be trusted by their customers (Mentzer *et al.*, 2006). As a matter of fact, it should be in the interest of every manager to improve the satisfaction of his or her customers. To be able to do this, every company should put more emphasis on various measures to improve the level of satisfaction. Some companies use the efficient logistics and supply chain, others rely on after sale services, low price, better quality, advertisements and sales promotion in order to get spaces in customer minds and improve the overall level of satisfaction. The better quality of services and products at reasonable price can be an important factor in influencing customers and their level of satisfaction (Youngman, 2008).

Chinese products have gained prominence in the developed nations including Norway and most parts of the world for average quality and low priced products. Chinese products are product driven, that is mass production and low price, and this is the strategy they employ to penetrate into the pocket of consumers worldwide. According to Young, Huang and McDermott (1996) many Chinese firms believe that a low price strategy is their main competitive advantage. In Norway, there is hardly a shop you enter without finding one or two Chinese products at competitive prices. The research questions for this study will be:

1. Are developed market customers satisfied with Chinese products?
2. What is the effect of the price on their level of satisfaction?
3. What is the effect of quality in their level of satisfaction?
4. Does customer satisfaction from Chinese products result in future purchase intentions?

1.4 Significance of the Study

Over the years, there has been a recent surge in the production of fairly low quality products from different companies around the globe. These companies engage in the production or manufacturing of products. The consumers' at the end of the day are the determinant of the quality of these products. There have been many countries, markets and customers who are interested in Chinese products. Since China is one of the biggest economies in the world today in economic sense and has positioned herself as formidable force in the world and successful in the production of items ranging from electronics to foot wears, I have decided to focus on Chinese products in Norway in this research. The point in case is to investigate the association between price, quality with customer satisfaction and future purchase intentions. This is an important relationship to explore as customers are the heartbeat of any business because without the customers no business, organizations or company will stand to succeed. Indeed, before going ahead to manufacture any product, it is very important for companies to take into consideration the desires and demand of customers. The quality of any product depends on the perception of the customers about the product. Kotelnikov (2001) asserted that the only perceived reality is in the value and quality of a product by the customers. In this process it is important to note that the price that the customer pays also has an important role in the customer's satisfaction

A customer can be said to be a person or group of people that makes use of the products of an organization or company with great value. As time passes, manufacturers are expected to improve on their production standards to meet up to the requirements of the customers which have effect on satisfaction. This is so because the expectation of customer increases as time goes on. Customers prefer those products and producers that meet up their demand and requirements (Kotelnikov, 2001). Companies that gain much profit are those that satisfy the requirements of the customers and as such more and more customers are forced to buy products from such companies because of their good quality of production at good prices and continued customer satisfaction.

Howard & Sheth (1969) relates consumer satisfaction with the psychological state to appraise the reasonableness between what he gets and gives, that is, perceived benefits. On the same note Churchill & Surprenant (1982 in BE) consider consumer satisfaction as result of purchase and consumption of a certain product, which make the consumer to compare the expected rewards and actual spending. Bei & Chiao (2001) explain that after the appraisal process positive or negative feeling or emotions occurs about the product.

If the feelings are positive, the customer uses the products in future and to some extent repeats the purchase and become loyal. Mc Dougall & Levesque (2000) mentioned that consumer satisfaction leads to brand loyalty. The loyalty customers' show is a vital contributor for the growth of a company's profit. Companies tend to neglect the ethics of superior service and this results in complaints from the customer as products from such companies do not reach standards needed by customers. Many companies also neglect good customer service, relationships and efficient logistic and supply chains which results to lack of communication. This communication gap in turn leads to poor production of products by companies (Kotelnikov, 2001).

It is true that not all customers demands can be met by manufacturers because of the increasing demand and requirements of customer in shape of different tastes, perceptions, attitudes and life styles, but it is expected that manufacturers would try their possible best to incorporate most, if not all, of the requirements in order for their product to satisfy the customers, because in the perception of customers lies the degree of quality a product is given (Kotelnikov, 2001).

This study is aimed at researching on the importance of the strategies of Chinese firms on customer satisfaction in a developed market using Norway as a reference case. Without the customers, finished products cannot be distributed and sold and this may lead to companies running at a loss since their products are not being patronized. This research work will be of huge importance to different groups of people in view of the fact that customer satisfaction which is determined by the quality of products, price which in turn leads to purchase intention has been a long debated issue and is all about inquiry on the search for quality of products.

One group comprises of the company (manufacturers and producers). This study will enable them to see satisfaction from the customer's point of view, see to how they can improve on their products (strategy) to satisfy the customers' needs and be able to maintain a long term good relationship with them. The second group is the middle men in the supply chain which helps to transfer the manufactured products from the producers to the end customer. This study will help them to be able to pass relevant information to the producers on time so that necessary changes and adjustments can be made where possible. The third group worth mentioning is the customers who are at the receiving end and they will find this work interesting as they will become more sensitive to the quality of products

CHAPTER TWO: LITERATURE REVIEW

2.1 Preamble

This chapter deals with the review of related literature on the role of quality, and price of the products in customer satisfaction. It also explores the issues surrounding the determination of, price and quality of products and, satisfaction with products by the consumers. Also of interest is the phenomena of customer future purchase intentions.

2.2 Customer satisfaction

Customer satisfaction can be defined as customers' evaluation of products or service with regards to their needs and expectations (Oliver, 1980). "Satisfaction can broadly be characterized as a post-purchase evaluation of product quality given pre-purchase expectations" (Kotler, 1991). Customer satisfaction is not a new concept and a great number of research efforts have been made to understand its antecedents and consequences. Marketing scholars have been particularly interested in the conceptualization and measurement of product/service quality that may lead to customer satisfaction.

In view of the considerable relevance of customer satisfaction for the success of a company, it comes as no surprise to find that a large number of marketing studies are devoted to measuring customers' perception of the fitness of company performances (Day & Perkins, 1992; Yi, 1990). There is the notion that customer satisfaction must always be interpreted as a multidimensional phenomenon, linked upstream and downstream to hypothetical constructs, such as the perceived quality of a product and customer retention.

Before we can attempt to discuss measuring of customer satisfaction, it is important that we define the concept of satisfaction. According to Anderson (1994), a satisfaction rating can be described as a decision regarding the fitness of a chosen product for its intended purpose. He postulates that "... consumer satisfaction is generally construed to be a post consumption evaluation dependent on perceived quality or value, expectations, and confirmation/disconfirmation – degree (if any) of discrepancy between actual and expected quality ..." (Anderson, 1994, p. 20). It thus follows that (dis)satisfaction is the result of a complex information-processing process, which essentially consists of a desired/actual comparison of a consumer's perception of a product or service (actual) and his expectations with regard to its fitness for its intended purpose (desired). The congruence or divergence yielded by this comparison between the perceived product quality and the anticipated quality

is expressed as (dis)confirmation. Since this construct is directly linked to the target, disconfirmation leads to dissatisfaction (Oliver & DeSarbo, 1988). If we accept this view, satisfaction can be interpreted as the result of a comparative process, in which the “desired” component serves as a measure for evaluating perceptions of a given relationship between (dis)confirmation and (dis)satisfaction with a particular performance. It can thus be seen that, in the event of his expectations being disconfirmed, a customer’s dissatisfaction is considerably greater than his satisfaction, should the anticipated product quality be confirmed to exactly the same degree.

Some of the problems of poor quality products may lead to customer (dis)satisfaction are as follows: 1) Poor customer service and relationship, and Poor manufacturing raw materials and process

2.2.1 Poor Customer Service and Relationship

One of the problems that companies and organizations are facing is their poor relationship with the customer of their products. Products that are manufactured without taking into consideration the former feedbacks of customers and also the requirements of customer may not reach the standards that they want it to reach and this is one of the problems that is leading us into this research from the products perspective.

2.2.2 Poor Manufacturing Raw Materials and Process

The quality of finished products depends heavily on the requirements of the customers and also on the raw materials and process employed for the manufacturing of a product. In a case where companies make use of inferior components in the manufacturing process, it would yield products of very low quality too.

The problems discussed above are few of the many problems why most products are not durable and seem to have many negative customer complaints. This paper will examine if Chinese firms’ strategies of customer satisfaction matches those of the developed market like Norway and if not, how such companies would operate or the strategies they would employ to make sure that their products meet the desire of the customers (satisfaction).

2.3 Purchase intention

It is important to understand customers' purchase intentions because customers' behavior can usually be predicted by their intention. As a necessary measure in understanding customer loyalty, purchase intention has been considered indispensable in this loyalty construct (Dick & Basu, 1994; Jacoby & Chestnut, 1978). However, behavioral-based loyalty has been questioned because it fails to distinguish between true loyalty and spurious loyalty (Jacoby & Chestnut, 1978). Oliver & Rust (1997) asserted that loyalty should include cognitive, affective, conative (behavioral intent), and action (repeat purchase behavior) dimensions.

According to Day (1969), intentional measure can be more effective than behavioral measure in capturing the consumers' mind because customers may make purchases due to constraints instead of real preferences. According to Zeithaml *et al.*, (1996), purchase intention is one dimension of behavioral intention. To examine consumers' behavioral patterns, purchase intention has been used to predict actual behavior (Ajzen & Fishbein, 1980). Purchase intention is reportedly correlated to actual behavior (Ajzen & Fishbein, 1980; Oliver & Bearden, 1985) and this relationship has been empirically tested in hospitality and tourism businesses.

In an attempt to investigate how purchase intention affects the psychology of consumer behaviour Lars Perner has given an official definition of consumer behaviour as "the study of individuals, group or organizations and the processes they use to select, secure, use and dispose-off products, services, experiences or ideas to satisfy needs and the impacts that the processes have on the consumer and society" (Lars Perner: consumer behaviour the psychology of marketing). It has also been defined as "purchase decision making pattern that is complex amalgam of needs and desires and is influenced by factors, such as, the consumer's (1) Societal role (parent, spouse, worker etc) (2) social and cultural environment and norms (3) aspirations and inhibitions" (businessdictionary.com).

2.4 Quality

According to Zeithaml (1998), quality could be defined broadly as superiority or excellence; and by extension, perceived quality refers to consumers judgment about a product's overall excellence or superiority. In the existing literature on quality, an important question is raised, that is: If the quality of the present product and its expectations has a positive impact on customer satisfaction, then which effect is stronger?

In response to this question it is argued in some quarters that when expectations primarily represent past quality experiences and/or experiential quality information, we would expect current quality to have a greater impact for several reasons. First, current quality experiences will be more salient and take precedence over past quality experiences in determining customer satisfaction. Actual experience with a good or service should outweigh other information, especially in the aggregate. Furthermore, Oliver (1989) argues that transaction-specific satisfaction for ongoing consumption activities (durable goods, services, and repeatedly purchasing packaged goods) should be primarily a function of perceived performance. Expectations will be passive and have a minimal effect on satisfaction under these conditions (Bolton & Drew, 1991; Oliver, 1989). In such a situation as this, the level of and even degree of variation in quality is well known to customers. This same argument has even greater force when the focus is on cumulative customer satisfaction.

Also important to note is that cumulative customer satisfaction is dependent on many experiences. For example, customer knowledge, particularly in relatively mature and stable markets, should be such that expectations should accurately mirror current quality. The contribution of expectations to customer satisfaction should be mainly in the form of predicting future quality. Unless there is uncertainty with regard to future quality, the contribution of expectations to overall customer satisfaction should be minimal (Anderson, 1994a).

In all, the definition of quality given by Zeithaml (1998), which is quality could be defined broadly as superiority or excellence; and by extension, perceived quality refers to consumers judgment about a product's overall excellence or superiority; will be adopted for this study

2.5 Price

Price has been defined as the “monetary value: the property of having material worth”(wordnetweb.com) Another definition of price is “market value or agreed exchange value that will purchase a definite quantity, weight or other measure of a good or service... Price may also be discovered and negotiated between two parties involved. In commerce, it boils down to what (1) A buyer is willing to pay (2) a seller is willing to accept and (3) the competition is allowing to be charged...” (businessdictionary.com).

Other aspects of price that have attracted attention in the literature are: price transparency, price fairness and relative price. These are discussed in the sections that follow.

2.5.1 Price transparency

Price transparency can be considered as an important aspect of pricing policy. Increasing access to information, access to more alternatives, more simplified transactions, increasing communication between customers and a general distrust and resentment among customers are five trends that increase customer power (Urban, 2003). As a consequence, customers will increasingly demand open, honest and complete information on products and prices. Price transparency exists when the customer can easily get a clear, comprehensive, current and effortless overview about a company's quoted prices (Diller, 1997). As a consequence of a high price transparency, customers' search and evaluation costs will diminish, which should lead to higher price satisfaction.

2.5.2 Relative price

The price of the product compared to that of the competitors is what is known as relative price. If customers have price comparisons available during the decision-making process, they will compare the price of the product or service with that of the competitor, and the outcome of this comparison process will directly influence price satisfaction. The importance of relative prices is well recognized in theory as well as in practice. Kmart, for an instance, recently undertook a “Dare to Compare” campaign in which in-store signs indicated its lower prices with those of key competitors (Merrick 2001a, 2001b). A vast body of literature studies the effects of price comparison and the effects of comparative price claims on consumers' perceptions of a comparatively priced product's pricing and value (Compeau & Grewal 1994;

Grewal *et al.*, 1996). It can be expected that the relative price of an offer directly influences satisfaction with the price and, as a consequence, satisfaction with the offer.

2.5.3 Price fairness

It has been found that perceived price fairness or unfairness is one psychological factor that has an important influence on consumers' reaction to prices. Consumers are not willing to pay a price that is perceived as unfair. Consumer reactions can result in boycotts, civil actions or in lower sales (Campbell, 1999). Two aspects of price fairness can be differentiated (Herrmann *et al* 2000): price-quality ratio as it is perceived by the customer; and the correlation of a product's real price and its socially accepted price or the price of a comparative other party.

What consumers perceive as a socially acceptable price depends on several factors. According to equity theory (Adams, 1963), consumers form judgments by comparing their investments (e.g., price paid) to the benefits (quality) they receive. Buyers seem to compare their gains to the gains of the exchange partner (Oliver & Swan, 1989). If customers think that the seller earns exceptionally high profits the exchange will be perceived as unfair.

2.6 The role of supply chain management in the determination of price and quality

Companies can achieve low cost or high valued products by managing their supply chain effectively. A company spends heavily to purchase the raw materials needed for production, and also the components. It has been discovered that a large portion of the cost of production goes to the purchase of raw materials. Therefore the cost of a product or service rendered by a company highly depends on the quality of raw materials supplied by the supplier. One of the reasons that cause the production of low quality products is the relationship between customers and other levels in the supply chain. Therefore for organizations to improve the quality of their products and services it is expected that firms work in harmony with suppliers so that the quality level of raw materials to be supplied is ensured and therefore the products will be authentic and durable and at a considerate price (Besterfield, 2009).

The goal of suppliers and firms are believed to be the same as they all aim to satisfy the final consumer of the product. It is therefore obvious that if the quality of supply is good, the producer or the company tend to remain the long term supplier of such products to the

customer as he (customer) finds such final products of high quality. Due to the fact that both the suppliers and the firm have resources that are inadequate, it is very good for them to work hand in hand to get the best out of their investment (Besterfield, 2009).

It has been discovered that companies that are successful and gain more profit are those companies that employ certain strategies for attaining quality in their supply chain. To attain quality in production and therefore satisfy the desires of customers, companies tend to use two distinct strategies. These two strategies that companies use to meet the needs and expectations of companies include total quality management usually referred to as TQM and benchmarking in the supply chain. These two strategies help companies in meeting the standards that the customers would like and therefore leads to good customer feedbacks.

2.6.1 Total Quality Management (TQM)

This is a technique used by many companies to improve on the quality of their products and their general performance so as to meet the expectations of customer or even exceed the requirements of the customers. To achieve this, successful companies incorporate all the processes and functions connected to quality in the entire arm of the organization. Total quality management takes into consideration every measure and action to improve the overall quality of the company, which may include: assurance of quality, improving product quality, quality control and maintenance, managing the plan and improvement of quality. Total quality management covers every measure taken to improve quality in all levels of the organization including the employees (Murray, 2010).

2.6.2 Principles of Total Quality Management (TQM)

To define total quality management in a better way, it is said to be the supervising of ideas and measures that are focused on the attainment of quality products and services, and successful delivery for utilization by the customers. To achieve the aim of this strategy, successful companies follow certain principles that are expected to be put to practice. These principles include:

First, the top management of the company should be responsible for the implementation of TQM, and for creating an environment so TQM will be successful. Next, employees should

go through certain training that would educate them on the methods for quality assurance in an organization (Murray, 2010). An improvement in the quality of products is expected to bring about an improvement in the level of customer satisfaction. Before decisions are made, companies that are successful always carry out performance measurement before decisions are made based on the measurements. The use of the proper methodology and tools make certain the identification of non-conforming activities and also makes sure that such activities are responded to swiftly and constantly. The requirements of customers increase with time so any company without improvements may not meet the demands of customers. In this light, it is successful companies that always try to improve on the procedures in manufacturing and maintaining quality (Murray, 2010).

Another principle is that companies should allow and solicit for feedback. It can be seen clearly that companies that succeed are those that have good customer feedbacks and therefore more customers patronize them. Such companies make sure that the culture of the company is projected towards improving the intellect of the employees and encouraging collective hard work to ensure that there is a constant improvement in the quality of products. This will make such employees to be able to identify problems related to the quality and therefore enabling the company act fast to solve such problems (Murray, 2010). The second technique employed by companies today is benchmarking.

2.6.3 Benchmarking in the Supply Chain

Benchmarking can be said to be the constant review of the performance of a company to know if the company is improving in its quality or if it is depreciating so that such deficiencies can be eradicated. Companies that are successful today use this technique to check for deficiencies in the processes of their supply chain. It allows the company to know how they will benefit if they improve on the quality of their product by increasing productivity, the correctness in inventory, and so on (Murray, 2010).

2.7 Logistics Standardization

Logistics standardization which includes the standardization and systematic packaging of products, the bar coding of logistics information, and the container unitization of loading, unloading, transportation, storage and so on is an effective measure to reduce the logistics cost and improves the efficiency. Logistics is a comprehensive industry, which involves transportation, packaging, storage, loading, unloading, handling, distribution processing, distribution and information and so on. Chinese modern logistics industry is developed on the basis of the traditional industry. As the traditional logistics were artificially separated for a lot of stages and all of them cannot converge and coordinate well, combined with the blocked information sharing, low level of standardization of the industrial logistics, decentralized management and small-scale, so resulting in inefficient and high costs.

2.7.1 The Strategy of the Industrial Logistics Cost Reduction

The establishment of the standardization of the logistics facility should be in accordance with prevailing international practice and national standard-setting. Then take the whole logistics system as a starting point to study the coordination of the technical and work standards in the various sub-systems and sub-fields, so as to unify the standard for the entire logistics system. Meanwhile study the coordination between the logistics system and other related systems, to seek the uniform standard for the large logistics system. The specific measures include logistics facility and related technical equipment normalization, implementation of the standard terms of logistics, unified technical standards and technical management standards for the industrial logistics, the unification of industrial equipment standard, the adoption of the same summons, and specification of goods, policy and regulation as well as the reunification of the tray

2.7.2 How to achieve sustainable competitive advantage through cost leadership

Cost leadership is all about lowering cost consequently lowering prices of commodities. Organisations that implement cost leadership look for methods and approaches that will reduce the amounts spent during production. Reducing production costs has two main benefits to the Company: First of all, the company will attain higher profit margins thereby achieving its goals. Secondly, the organisation can afford to lower prices and this will give them an edge over all other competitors in their business environment. (Baird, 1994)

2.7.3 Achieving cost leadership through economies of scale

Cost leadership can be implemented in a number of ways; companies can use economies of scale. There are links between volume and cost of production; the more a company produces, the less their cost of production. However, there is an optimum volume beyond which firms cannot minimize their cost of production. This aspect of cost leadership can be achieved through various routes. For example, Companies that produce large numbers of items are able to take advantage of specialized equipment. This will go a long way in ensuring that more products are produced with less finance.

Economies of scale in cost leadership can also be implemented through the use of larger manufacturing plants. When companies have huge manufacturing operations, then they are able to reduce their cost of production per unit item. Economies of Scale can also be achieved by taking advantage of specialization of the employees. Research has shown that when Companies exercise division of labour, then chances are they will become efficient in their levels of production. Companies that apply this principle are Chinese toy manufacturers. These Companies realize that most employees have their own field of specialization. Some focus on sewing, others gluing, others deal with assembling. These companies made it their duty to let certain employees specialize in their Fields. Consequently, their employees were faster and more efficient. Employees produced more goods and these Companies were able to achieve cost leadership. This is the reason why toys from China are cheaper than most other toys in the world. (Grant, 2005)

Lastly, economies of scale and overhead costs can be merged. Companies that take advantage of this strategy are able to spread their overall costs across higher numbers of units. These will mean that they can afford to lower their prices. (Benter and Booms, 1981)

Companies should also be aware of diseconomies of scale. There are physical limitations on the physical expansion a Company can undertake. Companies who want to take advantage of cost leadership ought to know the maximum level which their expansion plans can reach. For example, some manufacturing processes can only be stretched to a certain extent. Otherwise further expansion will only cause more harm than good. (Barney, 1991)

Diseconomies of scale can also present companies with restrictions when trying to achieve cost leadership. A company that is undergoing expansion may experience problems when

trying to go global. This will normally come in the form of ineffective managerial positions. Most Companies lack the ability to efficiently manage higher numbers of employees. Firms should also be aware that employees get demotivated when implementing division of labour. Cost leadership is implemented through specialization. However, this causes monotony and leaves little room for creativity. Consequently, such workers will lose morale to complete their tasks and this will affect the overall profits gained by the Company. Some of the alternatives that companies can use to correct this problem include;

- participation schemes
- Quality circles

Companies that implement this strategy should make sure that the distances they have to travel to reach their suppliers and markets are considered. Organizations that plan on expanding their levels of production need to ascertain that the new locations for manufacture are not too far away from their locations. This is because when transportation costs are too high, companies will have to pay a lot in terms of transport and this will offset any decreases in cost associated with increased levels of production. (Dyer and Ernest, 1991)

An example of the Southern China Growth Triangle

The Southern China Growth area comprises Hong Kong, Taiwan, and the southern provinces of China (Thant et al. 1994). Because China lags behind Taiwan and Hong Kong considerably in economic development and has a very large population, growth in this triangle has enormous potential. Establishment of this triangle was spurred by market forces and private sector initiatives rather than by policy coordination among the countries. However, government policies have supported the economic links that were instituted. The PRC's economic reforms and open door policy initiated in 1978 laid the foundation for economic success in Guangdong and Fujian provinces. Establishment of China's first Special Economic Zone (SEZ) in 1980 provided for tax concessions, expanded land use rights, and simplified procedures for foreign investment. Policies for land use, finance, and trade were designed to reduce transaction costs and to provide greater access to the domestic as well as the world market. Policies formulated within the SEZs themselves have been even more liberal than those in other parts of the triangle. For China, the triangle has provided exports, foreign exchange, and employment as well as access to the larger global economy.

Rapid economic growth and higher incomes have occurred in Guangdong and Fujian Provinces with materials and components from Taiwan's manufacturing sectors and the support of Hong Kong's advanced services sector. Geographical proximity and common language are the most compelling factors for capital to move across the border from Hong Kong into Guangdong Province, or for investment to flow across the Formosa Strait from Taiwan to Fujian Province. Cantonese is a Chinese dialect spoken in both Hong Kong and Guangdong, while Fujianese is spoken in both Taiwan and Fujian. For Hong Kong and Taipei, the triangle has provided a means of implementing structural changes in manufacturing and export patterns at minimal cost. In spite of recent political posturing on the part of China, economic planners in Hong Kong and Taiwan are optimistic that economic logic will continue to drive regional integration.

2.7.4 Low-Cost Sourcing

As Japanese and U.S firms seek to reduce the cost of their latest innovations, they are outsourcing production to low-cost contract manufacturers. China has a growing number of low-cost parts and components suppliers. With a minimum of overhead and a large pool of low-cost labor in China, there is a growing list of high-quality vendors in China. The continuing miniaturization of products has led to joint ventures with companies from Japan, the United States, Taiwan, Hong Kong, and other Asian countries. The success of these firms is dependent upon providing competitive value in a timely manner. Low-cost board assembly operations in China utilize the latest SMT equipment required by new computer and telecommunications products. Capital intensity will increase as IC packaging and SMT assembly operations are installed.

In the 1980s, Korea and Taiwan provided the first step in the cost reduction chain by providing the most advanced process capabilities. Singapore and Malaysia became additional sources for contract manufacturing with the establishment of global vendors like SCI and Solectron. Today, further cost reduction is possible by moving production to lower cost regions like China and the Philippines. Wong's Electronics in Hong Kong provides a three-step process for cost reduction that includes low-cost labor, low-cost sourcing, and low-cost production designs.

Hong Kong, Thailand, Malaysia, and China are considered the home of lowest-cost manufacturing competitors in the electronics industry today. They offer limited component

technology or product design skills, but provide many low-cost suppliers of generic, low-technology components. Since low-cost manufacturing countries generally lack the technologies required to become industry leaders, they must follow the technology trends as quickly as possible. OEM competitors from Taiwan and Singapore are being forced to open branch plants in China or other Southeast Asian countries to produce the most labor-intensive, cost-driven products.

2.8 Conceptual framework and Hypotheses

The study's conceptual framework is based on the extant literature on customer satisfaction. In particular, the literature providing the explanation of customer satisfaction basing on price and quality of the product or service are utilized. Ultimately, when a customer is satisfied, it is expected that this will result into more future purchases. Therefore, the literature that links customer satisfaction to future purchase is also used to delineate the study's conceptual framework. In the conceptual framework, price and quality are considered important indicators of the firm's customer satisfaction strategy. This is based on Porter's (1985) classification of strategies. According to Porter (1985) there are two types of strategies: differentiation and cost leadership.

2.8.1 Cost Leadership:

A Cost leadership strategy basically is a firm's theory about how to compete success fully basing on low costs and in turn low prices (Peng, 2009). This is the approach that used by a business that seeks to be a low cost producer in an industry. This strategy involves economics of scale resulting in the ability to accept lower prices, if necessary, yet a firm also remains profitable. This can basically be regarded as the case for Chinese products around the world.

2.8.2 Product Differentiation

"A differentiation strategy focuses on how to deliver products that customers perceive to be valuable and different" (Peng, 2009). This is the approach used by a business that views itself as unique with regard to certain characteristics valued by customers throughout the industry. This strategy is associated with fashionable department and may be able to command above average prices for its outputs. Unlike in the first strategy, differentiation deals with highly valued products.

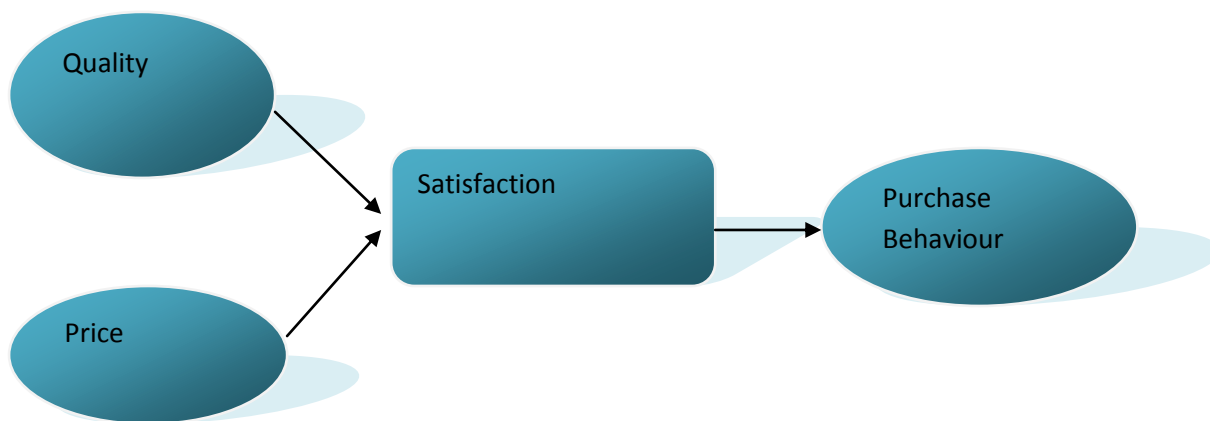


Figure 1: A conceptual model of quality, price, satisfaction and purchase intention
Relationship

2.8.3 The conceptual relationship between the variables

2.8.1.1 The relationship between quality and price

A lot of research has been designed to test the general wisdom that price and quality are positively related” (Zeithaml, Valerie A: consumer perception on price, Quality and Value: A means-End model and synthetic Evidence). Although, there has been mixed evidence over the years, results have shown that there is indeed a positive relationship between price and quality.

Monroe and Krishnan (1985) concluded that a positive price-quality relationship does appear to exist despite the inconsistency of the statistical significance of the research findings. Sproles (1977), correlated the prices of products with quality ratings obtained through consumer reports and consumers’ Research Magazine. A positive price-objective relationship was found in 51% of the 135 product categories, no relationship was found in 35% and a negative relationship was found in 14%. Peterson and Wilson (1985) and Olshavsky (1985) argue that the emphasis in price –quality studies should not be on documenting the general price –quality relationship but on the conditions under which price information is likely to lead to an inference about product quality. Scott and Bettman (1986) confirmed that consumers differ in their beliefs about the association between the price and quality variables. These studies provide evidence that some consumers have a schema of price reliance.

H1. There is a positive relationship between quality of product and price

2.8.2.2 The relationship between quality and customer satisfaction

Customer satisfaction is a function of several factors, one of which is the quality of the product or service. In the modern market where a lot of competition exists, most producers strive to please customers by ensuring they give the best quality in their products so as to avoid losing their customers to competitors. A lot of previous research especially in marketing has emphasized the construct and dimension of product quality or its relation with customer satisfaction. Rayner & Porter (1991), Voss & Blackmon (1994) and Larson & Sinha (1995), provide evidence for a positive correlation between quality and customer satisfaction. The research findings reported by Caruana (2002) and Tsiotsou (2006) verify the preceding role of perceived quality and suggest a direct effect of perceived quality on consumer satisfaction. Thus it is expedient that the higher the perceived quality of a product, the higher the consumer satisfaction. This association is examined for the case of Chinese products in Norway in the following hypothesis:

H2: There is a positive relationship between quality of Chinese products and customer satisfaction with these products.

2.8.2.3 The relationship between Price and customer satisfaction

As for the relation of price to satisfaction, Anderson, Fornell & Lehmann (1994) emphasized price as an important factor of consumer satisfaction because whenever consumers evaluate the value of an acquired product, they think of the price. From consumers cognitive conception, price is something that must be given up or sacrificed to obtain certain kinds of products (Zeithaml, 1998). Low price does not necessarily mean guarantee of satisfaction, however, to most consumers' perceived price is more meaningful than monetary satisfaction. When a consumer gets full satisfaction from any purchased product, the sacrifice given up to obtain such product does not really matter to them. "From a customer perspective, price is what is given up or sacrificed to obtain a product. When consumers perceive that the price of a service or product is reasonable, it is possible for them to display the intention of repeat purchase behaviour. On the other hand, if consumers do not feel that their sacrifices are worthwhile, they may not make the purchase again even when they are satisfied with the quality of the product or service" (Lien-Ti Bei, National Chengchi university, Yu Ching Chiao, National Chengchi University: An intergrated model for the effects of perceived product, perceived service quality and perceived price fairness on consumer satisfaction and

loyalty). This association is examined for the case of Chinese products in Norway in the following hypothesis:

H3: There is a negative relationship between the price of Chinese products and customer satisfaction with these products.

2.8.2.4 The relationship between purchase intention and customer satisfaction

Several researches have tried to look at the impact of these two variables whether satisfaction affects consumers' purchase intentions. According to Lee (1998), perceived product quality not only had effects on consumer satisfaction, but also placed influence directly on consumer loyalty. The more a customer is satisfied with the product, the more they become loyal by repeating purchases and buying often. Consumer satisfaction leads to brand loyalty. (Cronin, Brady and Hult 2000; Cronin and Taylor 1992; Lee 1998; McDougall and Levesque 2000). In a modification of Oliver's definition (1997, p.392), loyalty is defined as a deeply held commitment to repeat purchases of a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour. This definition focuses on behaviour. From the behavioural view the definition and measurement of consumer loyalty are based upon a consumer's actual purchasing behaviour. This association is examined for the case of Chinese products in Norway in the following hypothesis:

H4: There is a positive relationship between customer satisfaction with Chinese products and future purchase intentions for these products

CHAPTER THREE: METHODOLOGY

3.1 Preamble

This chapter presents a brief description of the research methodology used for this study. This includes the purpose of the research, research approach, research strategy, sample selection methods, data collection methods and data measurement methods. At the end of this methodology part validity and reliability issues will be discussed to follow the quality standards of the research.

3.2 Research Purpose

Research can be classified in terms of its purpose. Accordingly, Saunders, Lewis & Thornhill (2003) mentioned that they are most often classified as exploratory, descriptive or explanatory while Cooper and Schindler (2003) categorized it descriptive and causal. This way the essential difference between descriptive and causal studies lies in their objectives. If the research is concerned with finding out who, what, where, when, or how much, then the study is descriptive. In a causal study, we try to explain relationships among variables.

Exploratory research is useful when the research questions are vague or when there is little theory available to guide predictions. At times, research may find it impossible to formulate a basic statement of the research problem. Exploratory research is used to develop a better understanding (Hair, Babin, Money & Samoel 2003). Exploratory studies are a valuable means of finding out what is happening, to seek new insight, to ask questions and to assess phenomena in a new light. It is particularly useful if researcher wish to clarify the understanding of a problem.

There are three principle ways of conducting exploratory research: a search of the literature, talking to experts in the subject, conducting focus group interviews (Saunders, Lewis & Thornhill 2003). In contrast to exploratory studies, more formalized studies are typically structures with clearly stated hypotheses or investigative questions. Formal studies serve a variety of research objectives:

- Descriptions of phenomena or characteristics associated with subject population (the who, what, when, where, and how of a topic).
- Estimates of the proportions of a population that have these characteristics

- Discovery of associations among different variables (Cooper & Schindler, 2003).

Generally, things are described by providing measure of an event or activity. For example, which brands are most preferred? What advertisements are most effective? These are the questions that can be answered by descriptive research.

Descriptive research designs are usually structured and specifically designed to measure the characteristics described in a research question. Hypotheses, derived from the theory, usually serve to guide the process and provide a list of what needs to be measured (Hair, Babin, Money & Samouel 2003). The object of descriptive research is to portray an accurate profile of persons, events or situations. It is necessary to have a clear picture of the phenomena on which researcher wish to collect data prior to the collection of the data (Saunders, Lewis & Thornhill 2003).

Studies that establish causal relationships between variables may be termed explanatory studies. The emphasis here is on studying a situation or a problem in order to explain the relationship between variables (Saunders, Lewis & Thornhill 2003). Explanatory studies are designed to test whether one event causes another (Hair, Babin, Money & Samouel 2003).

The purpose of this research is descriptive. The data has been collected through questionnaire, which is aimed to give an understanding of the fit of Chinese firm's strategy of customer satisfaction.

3.3 Research Approach

The knowledge claims, the strategies and the method all contribute to a research approach that tends to be more quantitative, qualitative or mixed (Creswell 2003).

3.3.1 Quantitative Research

Quantitative approach is one in which the investigator primarily uses post positivist claims for developing knowledge (i.e. cause and effect thinking, reduction to specific variables and hypotheses and questions, use of instrument and observation, and the test of theories), employs strategies of inquiry such as experiments and surveys and collects data on predetermined instruments that yield statistical data (Creswell 2003). Quantitative research is frequently referred to as hypothesis-testing research.

Characteristically, studies begin with statements of theory from which research hypotheses are derived. Then an experimental design is established in which the variables in question (the dependent variables) are measured while controlling for the effects of selected independent variables. Subject included in the study are selected at random which is desirable to reduce error and to cancel bias. The sample of subjects is drawn to reflect the population (Newman & Benz 1998).

The procedures are deductive in nature, contributing to the scientific knowledge base by theory testing. This is the nature of quantitative methodology. Because true experimental designs require tightly controlled conditions, the richness and depth of measuring for participant may be sacrificed. As a validity concern, this may be a limitation of quantitative designs (Newman & Benz 1998)

3.3.2 Qualitative Research

Qualitative research is multi faceted involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them (Newman & Benz 1998).

Qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivists perspectives (i.e., the multiple meaning of individual experiences, meaning socially and historically constructed, with an intent of developing a theory or pattern) or advocacy/participatory perspectives (i.e., political, issue-oriented, collaborative or change oriented) or both. It also uses strategies of inquiry such as narratives, phenomenology, ethnography, grounded theory studies or case studies. The researcher collects open-ended, emerging data with the primary intent of developing themes from the data (Creswell 2003).

Since the purpose of this research is to understand the fit of Chinese firm's customer satisfaction strategy in a developed market like Norway and also get customers' perspective on their satisfaction, quantitative research is found to be more appropriate for this study.

3.4 Research Design

The Research design will be a general plan of how researcher will go about answering the research questions that has been set by researcher. It will contain clear objectives, derived from research questions specify the sources from which researcher intend to collect data and consider the constraints that researcher will inevitably have such as access to data, time, location and money, ethical issues (Thornhill et. al., 2003).

Based on the following conditions: forms of research question, control over behavioral events and focus on contemporary events, five research designs were identified in social science. These are: experiments, surveys, archival analysis, histories and case studies

The most important condition for selecting research strategy is to identify the type of research question being asked. “Who”, “What”, “Where”, “How” and “Why” are the categorization scheme for the types of research questions. There are two possibilities need to investigate by asking the “What” question. First, some types of what questions are justifiable for conducting an exploratory study and the goal is to develop pertinent hypotheses and propositions for further inquiry. Any of the five research strategies can be used in that situation- exploratory survey, exploratory experiment, or an exploratory case study. The second type of what question is actually form a “how many” or “how much” line of inquiry and the outcomes from a particular situation. The survey or archival analysis is more favorable than other designs and will only be mentioned for the sake of this study.

3.4.1 Survey

The survey strategy is a popular and common strategy in business research that is usually associated with the deductive approach. Survey allows the collection of large amount of data from a sizeable population in a highly economical way. Questionnaire, a structured observation and structures interview often falls into this strategy (Thornhill et. al., 2003). In this study a survey has been done using a questionnaire.

3.4.2 Pilot Test

A pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. It should, therefore, draw subjects from the target population and simulate the procedures and protocols that have been designated for data collection (Cooper and Schindler, 2003)

3.5 Sample Selection

The basic idea of sampling is that by selecting some of the elements in a population, researcher may draw conclusions about the entire population. There are several compelling reasons for sampling, including: lower cost, greater accuracy of result, greater speed of data collection and availability of population selection (Cooper & Schindler 2003). Sampling entails any practice that involves a portion of a population in order to make a conclusion regarding the whole population. Although it is often somewhat different from the target population, the major reason for executing a sampling is that, if properly selected, samples are sufficiently accurate in describing the characteristic of object interest (Zikmund, 2003, p. 369)

3.5.1 Selecting the sampling method

Selection of the sampling method to use in a study depends on a number of related theoretical and practical issues. These include considering the nature of the study, the objectives of the study and the time and budget available. Traditional sampling method can be divided into two categories: probability and non- probability sampling (Samuel et. al., 2003).

Probability sampling is most commonly associated with survey-based research where researcher needs to make inferences from the sample about a population to answer the research questions or to meet research objectives (Saunders et. al., 2003). In probability sampling, sampling elements are selected randomly and the probability of being selected is determined ahead of time by the researcher. If done properly, probability sampling ensures that the sample is representative (Hair et. al., 2003)

Non-probability sampling provides a range of alternative techniques based on researcher subjective judgment (Saunders et. al., 2003). In non-probability sampling the selection of elements for the sample is not necessarily made with the aim of being statistically representative of the population. Rather the researcher uses the subjective methods such as personal experience, convenience, expert judgment and so on to select the elements in the sample. As a result, the probability of any element of the population being chosen is not known (Samuel et. al. 2003).

According to Samuel et al.(2003) most non-probability sampling methods are:

➤ **Convenience sampling**

Convenience sampling involves selecting sample members who can provide required information and who are more available to participate in the study.

Convenience samples enable the researcher to complete a large number of interviews cost effectively and quickly but they suffer from selection bias because of difference of target population (Hair et. al., 2003).

➤ **Judgment sampling**

Researcher's judgment is used to select sample element and it involves for a specific purpose. Group of people who have knowledge about particular problem they can be selected as sample element. Sometimes it referred as a purposive sample because it involves a specific purpose. Judgment sampling is more convenience and low cost involvement. (Hair et. al., 2003).

➤ **Quota sampling**

Objective of quota sampling is to have proportional representation of the strata of the target population for the total sample and the certain characteristics describe the dimensions of the population (Cooper & Schindler 2003). In quota sampling the researcher defines the strata of the target population, determines the total size and set a quota for the sample elements from each stratum. The findings from the sampling cannot be generalized because the choice of elements is not done using a probability sampling methods (Samuel et. al. 2003).

The study sample for this research has been selected from the students of the University of Agder(Uia) . Every student in the study population had an equal chance of responding to the online questionnaire. It can therefore be concluded that the sample for the study was randomly selected. The present study was focused on Chinese product consumers, regardless of their age and sex, as the target population. Thus, the unit of analysis in this research is the product.

In determining sample size, Roscoe (in Sekaran, 2003) proposes the following rules of thumb:

- Sample sizes larger than 30 and less than 500 are appropriate for most research.

- Where samples are to be broken into subsample; (males/females, juniors/ seniors, etc.), a minimum sample size of 30 for each category is necessary.
- In multivariate research (including multivariate regression analyses), the sample size should be several times (preferably 10 times or more) as large as the number of variables in the study.
- For simple experimental research with tight experimental controls (matched pairs, etc.), successful research is possible with samples as small as 10 to 20 in size.

Moreover, Nunnally & Bernstein (1994) suggested that, in order to reduce sampling error, a sample of at least 10 subjects per variable or item is needed. Comrey & Lee (1992) provided the guidelines to assess the adequacy of the total sample size. Comrey & Lee further noted that samples of size 100 can give more than adequate reliability correlation coefficients.

Based on these rules, a total of 3000 electronic questionnaires were distributed at the University of Agder (uia) to all students and the response rate was quite impressive as 500 respondents took the survey and responded.

3.6 Data Collection

There are two major approaches to gathering information about a situation, person, problem or phenomenon. Sometimes, information required is already available and only need to be extracted. However there are times when the information must be collected. Based upon these broad approaches to information gathering data are categorized as: Secondary data and Primary data.

Secondary data are collected from secondary sources such as governments, publications, personal records, census (Ranjit Kumar 1996) and primary data are collected through: observation, interviews and/or questionnaires (Hair et. al., 2003).

According to Creswell (2003) data collection procedure in qualitative research involves four basic types: Observations, Interviews, documents and audio-visual materials. There are many methods of data collection. No one can write a perfect instrument, even if that researcher has had years of experience in developing instruments (Pett et al., 2003). Nevertheless, it has been

tried to meet, at least, the minimum standards in developing questionnaire as the present survey instrument. The survey has employed internet-based questionnaires only.

The questionnaire consists of two sections. The first section consisted of the purpose of the research. The second part of the questionnaire included respondent's profile such as sex of the respondents. The remaining part of this section included questions on the factors that are at the heart of the study's inquiry. The questionnaire comprised Likert items.

The research employed survey technique such as the primary data collecting method. For this purpose, self-administered questionnaires were utilized as the main data collecting devices. Self-administered questionnaire is a questionnaire that is filled in by the respondent rather than by an interviewer (Zikmund, 2003, p. 212). This types of data collecting mean can be completed either by printed or internet-based media. In this case, the latter was used.

3.7 Data measurement

After collecting all the data the process of analysis begins. To summarize and rearrange the data several interrelated procedure are performed during the data analysis stage (Zikmund 2000).

For quantitative data analysis, statistical tools of Microsoft excel and SPSS are used for data input and analysis. The statistics results were presented in contingency table form with detailed description. Contingency tables are a staple of quantitative science. Frequency tables of two variables presented simultaneously are called contingency tables. Contingency tables are constructed by listing all the levels of one variable as rows in a table and the levels of the other variables as columns, then finding the joint or cell frequency for each cell. The cell frequencies are then summed across both rows and columns. The sums are placed in the margins, the values of which are called marginal frequencies. The lower right hand corner value contains the sum of either the row or column marginal frequencies, which both must be equal to N. The contingency tables are often followed with some statistical measures such as correlations and Chi square, among others. In this research, Microsoft excel was employed for data entry from the questionnaires. SPSS was later used for carrying out the necessary analysis, which involved generating contingency tables and statistical measures such as Chi square and correlations. Furthermore, graphs were also provided as a way of illustrating some of the findings in a pictorial format.

3.8 Validity and Reliability

In order to reduce the possibility of getting the answer wrong, attention need to be paid to two particular issues on research design: reliability and validity (Saunders et. al., 2003).

3.8.1 Validity

Validity is concerned with whether the findings are really about what they appear to be about (Saunders et. al., 2003). Validity is defined as the extent to which data collection method or methods accurately measure what they were intended to measure (Saunders et. al., 2003). Cooper & Schindler (2003) believe that validity refers to the extent to which a test measures what we actually wish to measure. There are two major forms: external and internal validity. The external validity of research findings refers to the data's ability to be generalized across persons, settings, and times. Internal validity is the ability of a research instrument to measure what is purposed to measure (Cooper & Schindler, 2003).

To address the problem of validity, a thorough literature review was carried out to establish the domain of the factors to be studied. This ensured that the questions included in the questionnaire are specifically relevant for what they are intended to measure.

3.8.2 Reliability

According to Saunders et. al., 2003, reliability refers to the degree to which data collection method or methods will yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense was made from the raw data. Cooper & Schindler (2003) have defined reliability as many things to many people, but in most contexts the notion of consistency emerges. A measure is reliable to the degree that it supplies consistent results. Reliability is a necessary contributor to validity but is not a sufficient condition for validity.

Reliability can be accessed by the following questions (Easterby-Smith et al., 2002: p.53):

- (1) Will the measures yield the same results on other occasions?
- (2) Will similar observation be reached by other observers?
- (3) Is there transparency in how sense was made from the raw data?

SPSS software offers "Reliability Analysis Statistics": Reliability analysis allows you to study the properties of measurement scales and the items that make them up. The Reliability

Analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. Intra-class correlation coefficients can be used to compute intra reliability estimates.

The following models of reliability are available:

- Alpha (Cronbach). This is a model of internal consistency, based on the average inter-item correlation.
- Split-half. This model splits the scale into two parts and examines the correlation between the parts.
- Guttman. This model computes Guttman's lower bounds for true reliability.
- Parallel. This model assumes that all items have equal variances and equal error variances across replications.

Numbers of different steps were taken to ensure the reliability of the study:

- Data was collected from the reliable sources, from respondents who are users of Chinese products.
- Survey question were made based on everyday issues as it concerns the products and several options were given so that they can make their choices of answer.
- Data has been collected through two weeks, within this short period of time no major event has been changed with the related topic.

For instance, the respondent were instructed to indicate to what extent they would agree or disagree with certain statements.

The response option that accompanied each statement is a 7-point likert scale that allows the respondent to select his/her level of agreement or disagreement with statement such as “how would you rate the quality of products made in China that you have bought or used ‘where 1

represents extremely low and 7 represents extremely high. The response options in this section used odd numbers that allow the respondents to select for the middle scale step to be the neutral or indifferent. The reason behind this is to avoid the respondent that may, in reality, be undecided. As Pett et al.(2003) argued that being forced to make a choice can lead the respondents to feelings of frustration and ultimately a decision to not complete the instrument. Thus, the highest score was assigned to, for example, “Strongly Agree” and the lowest score to “Strongly Disagree” option.

CHAPTER FOUR: ANALYSIS OF FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents data that has been collected through quantitative survey. At first we give an overview of the sample population and after that the data will be presented according to the research questions outlined in the introduction.

4.2 Overview of the Sample.

Main purpose of this study is to understand the fit of Chinese firm's customer satisfaction strategy in a developed market using Norway as a case study. Based on the objectives of the study the respondents should be familiar with and should have experience of using Chinese products.

4.3 Quantitative Data Presentation

Online survey has been conducted based on the structured questionnaire. The questionnaire has been developed based on the variables that were identified in the literature review. The purpose of the questionnaire survey was to develop empirical evidence on the quality and aspect of Chinese products that are important to people who are familiar with them. Also information on the satisfaction and purchase intentions were collected.

4.3.1 Sample and Response Rate

All the students had access to the questionnaires (approximately 8,000) a link and a brief introduction about the study were provided on their personal page. About 500 responses were received from the respondents which makes the total number of responses from online survey to be rather low (approximately 0.829 percent of the number of members). But basing on the sample size guidelines offered by Roscoe (in Sekaran, 2003), a sample of 500 is deemed sufficient for this study.

The guidelines offered include:

- Sample sizes larger than 30 and less than 500 are appropriate for most research.
- Where samples are to be broken into subsample; (males/females, juniors/ seniors, etc.), a minimum sample size of 30 for each category is necessary.

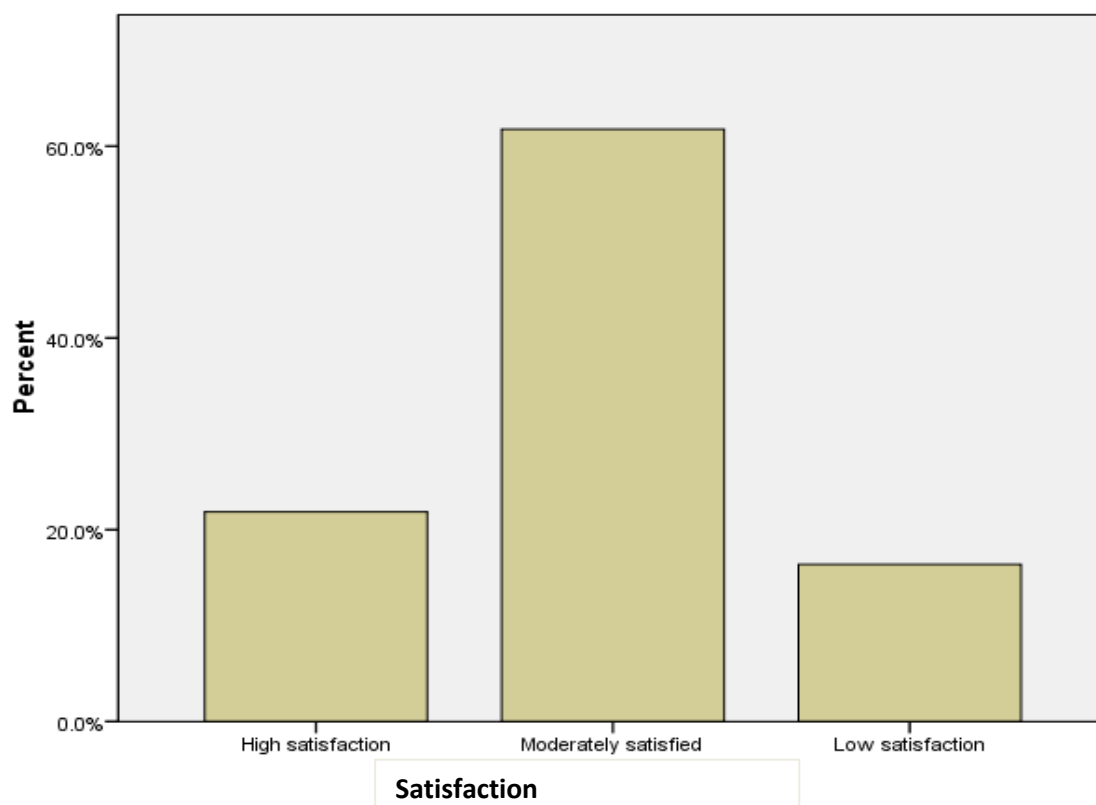
- In multivariate research (including multivariate regression analyses), the sample size should be several times (preferably 10 times or more) as large as the number of variables in the study.
- For simple experimental research with tight experimental controls (matched pairs, etc.), successful research is possible with samples as small as 10 to 20 in size.

4.4 Customer satisfaction

4.4.1 General levels of satisfaction

In this research the aspects of customer satisfaction with the Chinese products were investigated. In general, the proportion of highly satisfied customers of the Chinese products was higher than those who are less satisfied (see the graph 2 below). However, the majority of the respondents indicated an average level of satisfaction.

Bar chart fig 4.1 General level of satisfaction

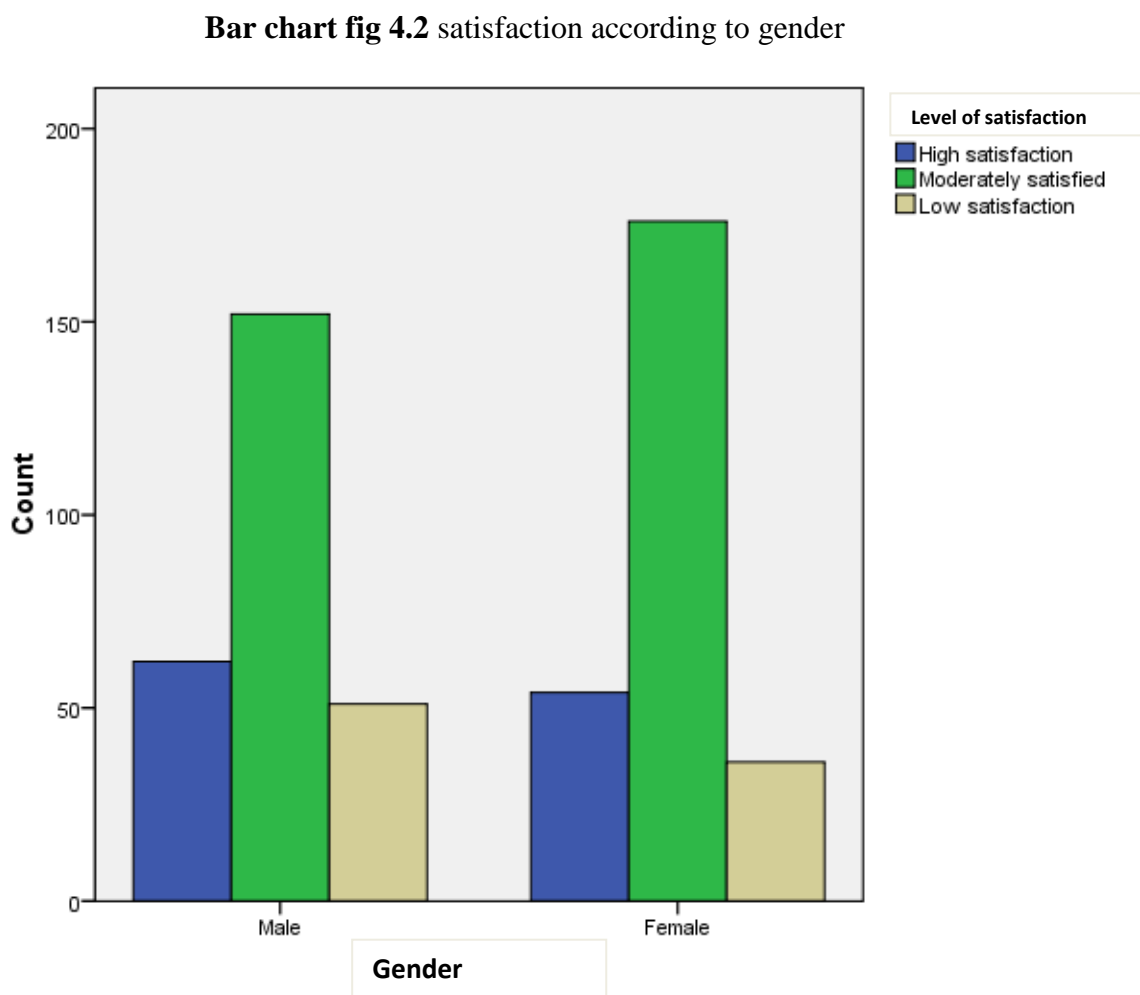


From the Bar chart fig 4.1 above, we can see that about 60% of the total sample was moderately satisfied with the products. About 21% were highly satisfied and less than 15% of the total samples indicated a low level of satisfaction. Overall, since Norway is a developed

market, we can say that the customers in a developed market are moderately satisfied with Chinese products which is not very satisfactory for any company that wants to expand beyond the shores of its country and be successful because more than half of the sample is in the middle range of satisfaction which indicates that the likelihood to switch to other products is probable.

4.4.2 Satisfaction according to gender

The preliminary findings indicate that a difference exists in the level of satisfaction between males and females. In the figure below it can be observed that females are least satisfied with the Chinese products than males.



However, when the data was subjected to further analysis by conducting a Chi-square difference test, the difference was not found statistically significant as shown in the table below.

Table 4.1 Level of satisfaction and Gender

		Gender		Total
		Male	Female	
Level of satisfaction	High satisfaction	62	54	116
	Moderately satisfied	152	176	328
	Low satisfaction	51	36	87
Total		265	266	531

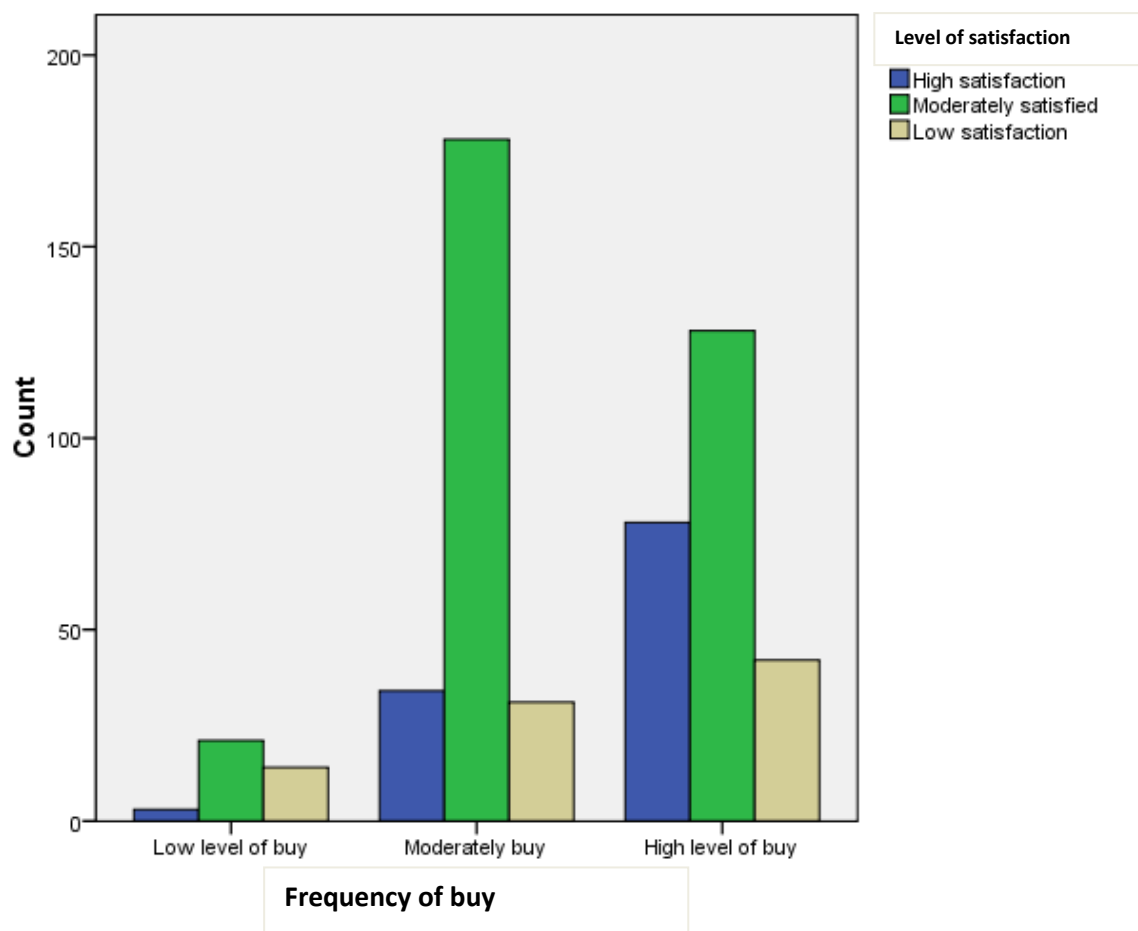
X^2 4.892, p value = 0.807

Overall, Bar chart in figure 4.2 above shows that more than half of responders were female. About 500 had replied the questionnaires out of which only 200 were males, the rest were females. It also shows that the females were also less satisfied than the male and this could be with the products than their male counterpart.

4.4.3 Satisfaction according to purchase frequency

Bar chart fig 4.3 below shows the frequency with which the respondents purchase Chinese products and the result indicates that those who frequently buy the products are more satisfied while those who are least satisfied seldomly patronize Chinese products.

Bar chart fig.4.3 customer purchase frequency



The above result was also subjected to further test which indicates that those who buy the products more often account for about 31.5% of the total respondents while those who do not frequently purchase Chinese products due to low level of satisfaction, accounts for 36.8%. The rest of the respondents are in the middle (see table 4.2 below). The difference indicated by the table below is very significant at 0.000 significance level.

Table 4.2 Level of satisfaction and frequency of buy

		Frequency of buy			Total
		Low level of buy	Moderately buy	High level of buy	
Level of satisfaction	High satisfaction	7.9%	14.0%	31.5%	21.7%
	Moderately satisfied	55.3%	73.3%	51.6%	61.8%
	Low satisfaction	36.8%	12.8%	16.9%	16.4%
Total		100.0%	100.0%	100.0%	100.0%

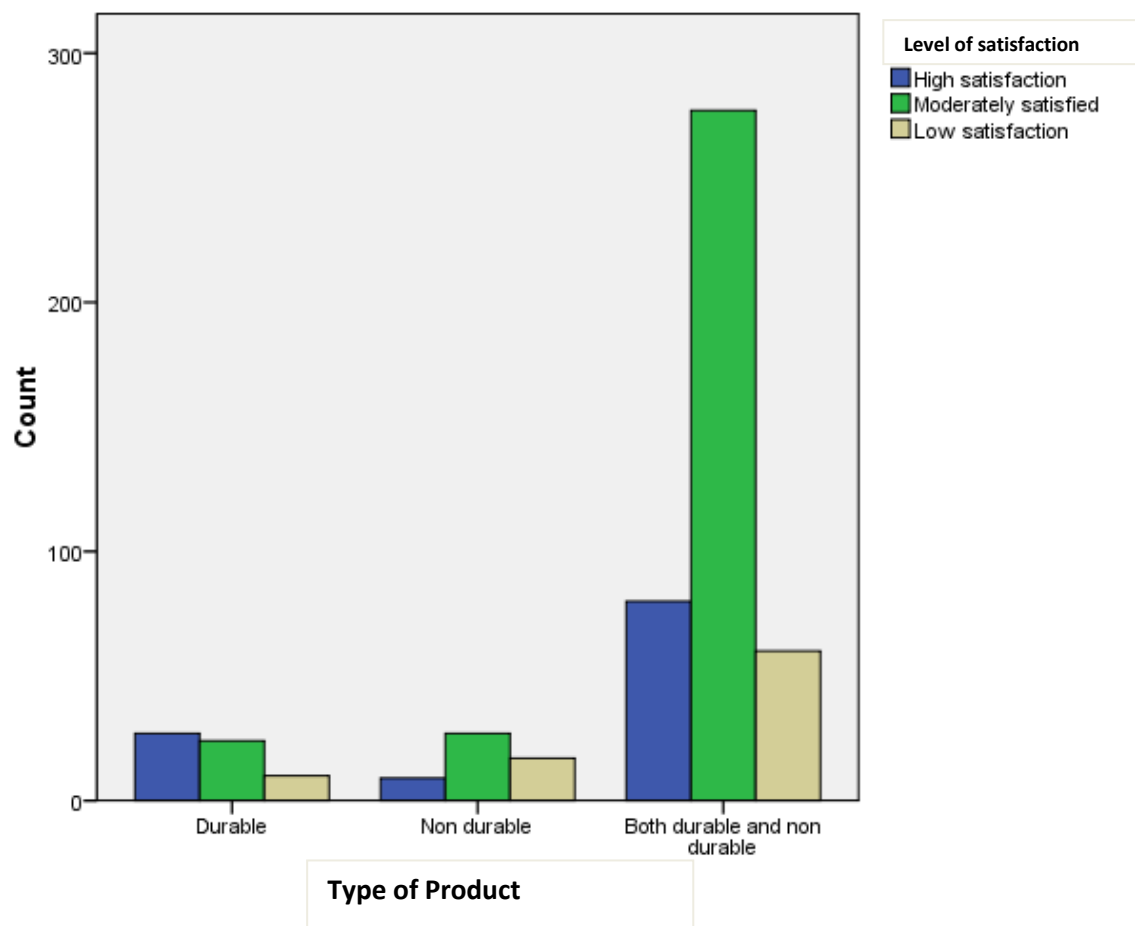
X^2 42.061, P value = 0.000

Overall, the total numbers of respondents who frequently buy the products are more than those who do not patronize Chinese products frequently. However, the most of the respondents are also in the middle range of satisfaction which indicates that they do not buy frequently because they are neither satisfied nor dissatisfied with Chinese products.

Again, this is not a very impressive result for the Chinese products as there is a high probability of dis-continuing the purchase of the products since the majority of the respondents are in the middle.

4.4.4 Stisfaction according to type of products

Bar chart figure 4.4 shows that customers who purchase durable and non durable Chinese products are the most satisfied. For the non-durable products, the number of people that were highly satisfied was less than those in the durable products.

Bar chart fig.4.4 satisfaction and product type

The above result was again subjected to further analysis by computing a Chi-square statistic which is shown in table 4.3 below. The table shows that 44.3% of the total respondents were highly satisfied with durable products while 16.4% were least satisfied with durable products. 17.0% were satisfied with non durable products while 32.1% of the total respondents were least satisfied with non durable products. Comparing the proportion of those highly satisfied with those that are least satisfied according to the durability of the products, it is obvious that those who are satisfied with durable products are more than those who are satisfied with non durable products and the difference is highly significant at 0.000 significance level.

Table4.3 satisfaction according to type of product

	Type of Product			Total
	Durable	Non durable	Both durable and non durable	
Level of High satisfaction	44.3%	17.0%	19.2%	21.8%
Moderately satisfied	39.3%	50.9%	66.4%	61.8%
Low satisfaction	16.4%	32.1%	14.4%	16.4%
Total	100.0%	100.0%	100.0%	100.0%

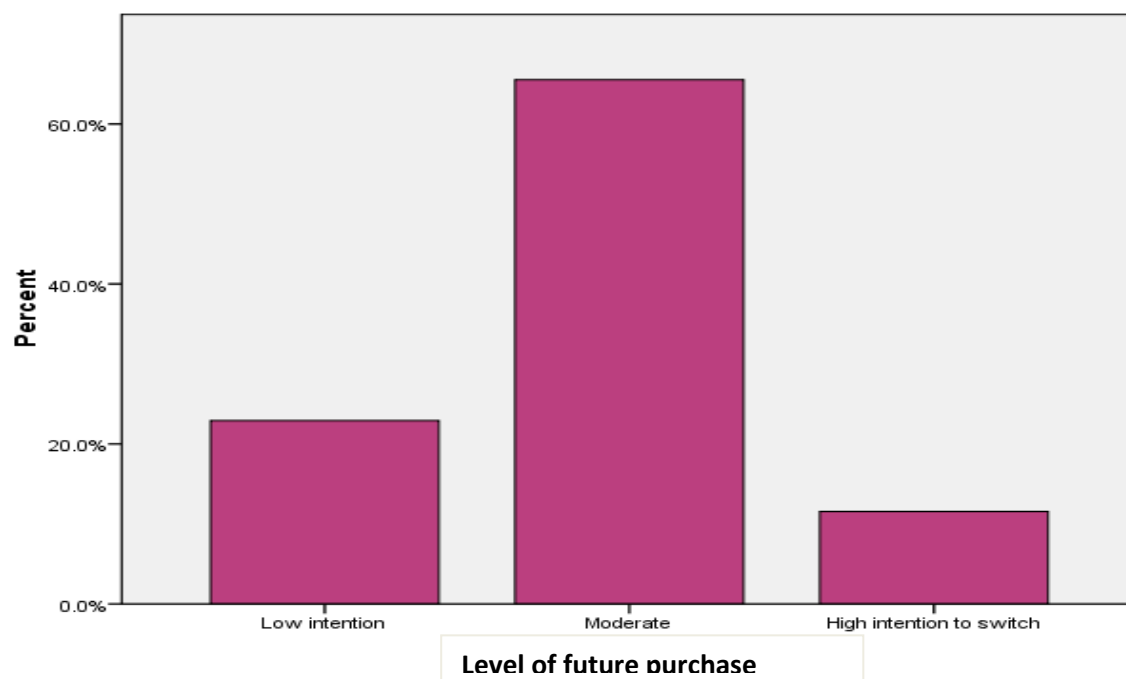
X^2 32.372 P, values= 0.000

Overall, the more durable Chinese products, the more the satisfaction customers derive from them and if the customers are continuously satisfied, then they will be able to create a lasting relationship with the customers.

4.5 Future purchase intentions

4.5.1 General finding on future purchase intention

The general finding of the purchase intention indicates that more than half of the total number of respondents (65%) neither has a high intention to switch nor a low intention to switch. That is to say that they are undecided. About 25% of the total respondents has a low intention to switch to other products while 10% of the total respondents has a high intention to switch.

Bar chart fig. 4.5 Future purchase behaviour

The above result was also subjected to further test which is shown in table 4.5 below. The table shows a difference that is highly significant at a 0.000 significance level.

			Level of satisfaction	
			High satisfaction	Moderately satisfied
Purchase behavior	Low intention	Count	59	48
		% within level of satisfaction	51.8%	14.7%
	Moderate	Count	51	257
		% within level of satisfaction	44.7%	78.6%
	High intention to switch	Count	4	22
		% within level of satisfaction	3.5%	6.7%

Total	Count	114	327
	% within level of satisfaction	100.0%	100.0%

X² 150.100 p value 0.000

Overall, the result shows that the total number of people who are undecided about their future purchase intention is more than those who are sure of purchasing Chinese products in the future which is not good for the market because the reaction of this undecided proportion could either help or harm Chinese products.

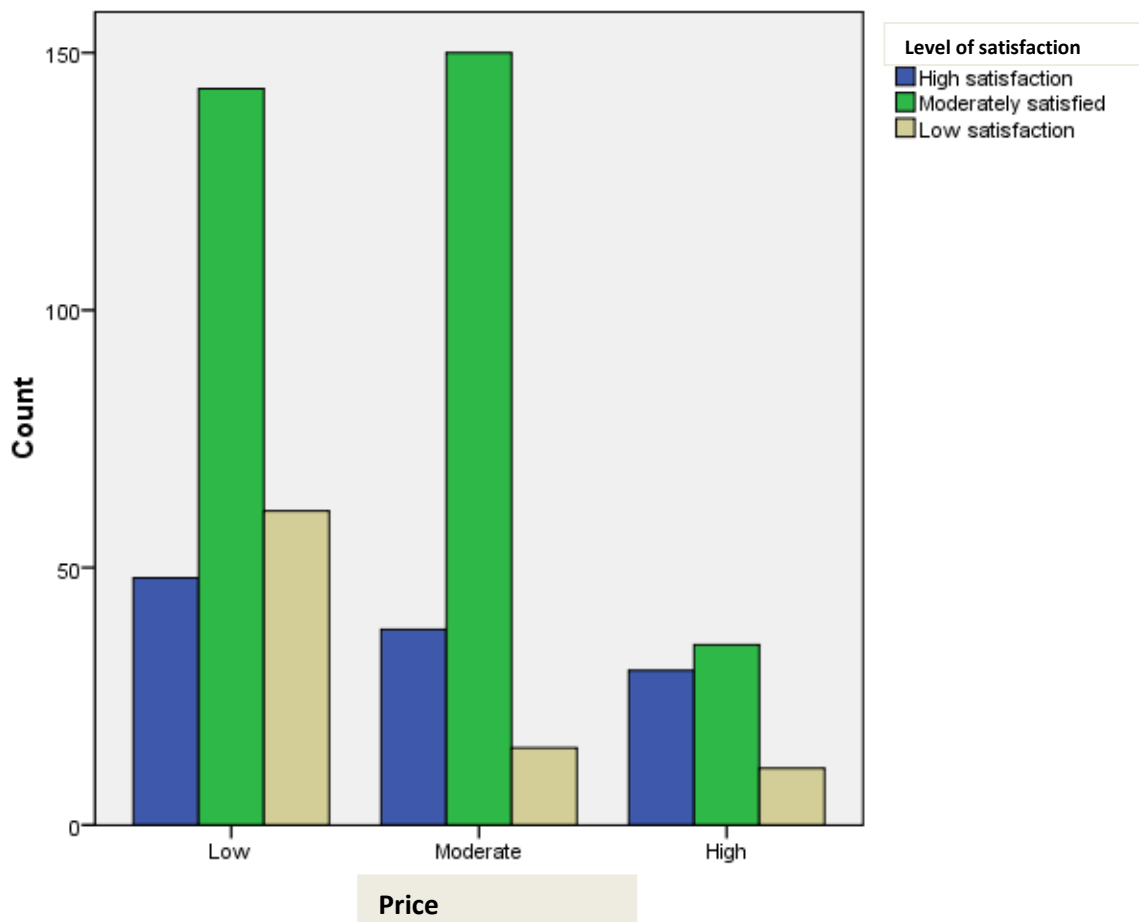
4.6 The relationship between price and customer satisfaction

According to the findings of the study, the hypothesis relating price with customer satisfaction is supported. From the table below, the Spearman correlation coefficient for the relationship between price and satisfaction is -0.151 and is significant at 0.05 level of significance. This finding implies that price is 15 percent associated with satisfaction. This finding was also found to hold in (Lien-Ti Bei, National Chengchi university, Yu Ching Chiao, National Chengchi University: An intergrated model for the effects of perceived product, perceived service quality and perceived price fairness on consumer satisfaction and loyalty). “ From a customer perspective, price is what is given up or sacrificed to obtain a product. When consumers perceive that the price of a service or product is reasonable, it is possible for them to display the intention of repeat purchase behaviour. On the other hand, if consumers do not feel that their sacrifices are worthwhile, they may not make the purchase again even when they are satisfied with the quality of the product or service”

			Satisfaction	Price
Spearman's rho	Satisfaction	Correlation Coefficient	1.000	-.151**
		Sig. (2-tailed)	.	.000
		N	531	531
	Price	Correlation Coefficient	-.151**	1.000
		Sig. (2-tailed)	.000	.
		N	531	531

**Correlation is significant at the 0.01 level (2-tailed).

A pictorial presentation for this result is also presented in the graph below. The bar chart figure 4.6 below indicates that moderate prices will lead to moderate satisfaction. Almost the whole sample agrees that the more moderate the prices are, the more moderate the satisfaction they derive while only one quarter of the total sample thinks that low prices will yield a higher satisfaction. Hence, providing further support for the research hypothesis that price is negatively related to the level of satisfaction with the Chinese products.



4.7 The relationship between quality and customer satisfaction

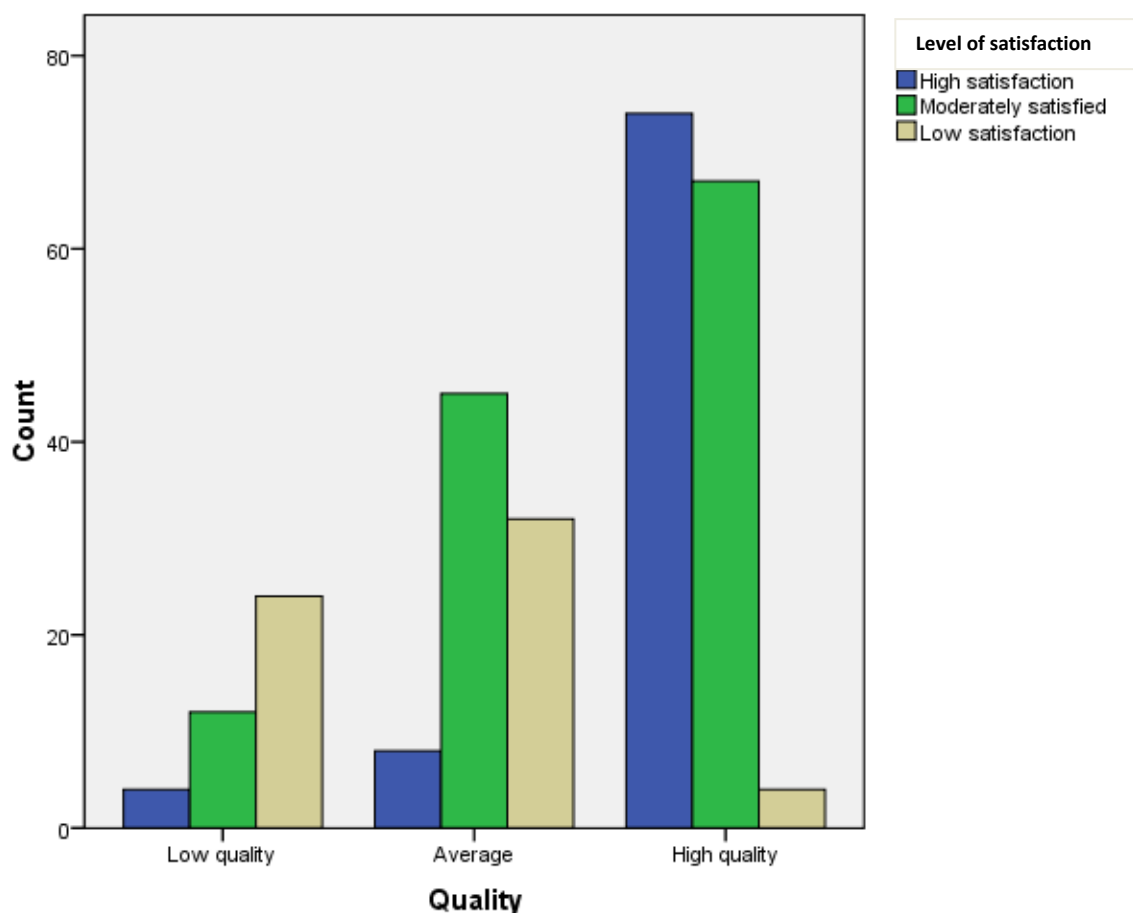
From the findings of the relationship between quality and satisfaction, the hypothesis relating to these two variables is supported. The table 4.6 below indicates that those who were satisfied based on a higher quality is 51.0% of the respondent and those satisfied with a low quality is just 2.8% of the total respondents. The table below shows that quality is highly significant in determining customer's satisfaction at 0.000 significance level. This finding is consistent with those of Rayner & Porter (1991), Voss & Blackmon (1994) and Larson & Sinha (1995), which provides evidence for a positive correlation between quality and customer satisfaction.

Table 4.6 level of satisfaction

			Quality			Total
			Low quality	Average	High quality	
Level of satisfaction	High satisfaction	Count	4	8	74	86
		% within Quality	10.0%	9.4%	51.0%	31.9%
	Moderately satisfied	Count	12	45	67	124
		% within Quality	30.0%	52.9%	46.2%	45.9%
	Low satisfaction	Count	24	32	4	60
		% within Quality	60.0%	37.6%	2.8%	22.2%
Total	Count	40	85	145	170	
	% within Quality	100.0%	100.0%	100.0%	100.0%	

X^2 98.817, P value =0.000

A further representation of the findings is given in the figure below. The Bar chart figure 4.7 shows that about 78% of the total sample agrees that a higher quality of Chinese product will give them a higher satisfaction; about 50% thinks that an average quality will give them moderate satisfaction while about 22% of the total sample is of the view that low quality will yield low satisfaction which is consistent with the table above.

Fig 4.7: Customer satisfaction by quality

Overall, the higher the quality of Chinese products, the higher the satisfaction a customer derives from that product. This finding validates the initial support offered in the contingency table above, which suggests that the higher the quality of the Chinese product the higher the level of satisfaction

4.8 The relationship between purchase intentions and customer satisfaction

The result from the findings of the relationship between purchase intentions and customer satisfaction is consistent with the hypothesis made earlier between the two variables. From the Table 4.7 below, the Spearman's correlation coefficient for the relationship between satisfaction and the wish to switch which could also be used in this case to mean future purchase intention is -0.375 which is significant at 0.05 significance level. The above finding also agrees with those of (Cronin, Brady and Hult 2000; Cronin and Taylor 1992; Lee 1998; McDougall and Levesque 2000). "The more a customer is satisfied with the product, the more

they become loyal by repeating purchases and buying often. Consumer satisfaction leads to brand loyalty”.

Table 4.7 Satisfaction and wish to switch

			satisfactio n	switching
Spearman's rho	satisfa ction	Correlation Coefficient	1.000	-.375**
		Sig. (2-tailed)	.	.000
		N	531	531
	switchi ng	Correlation Coefficient	-.375**	1.000
		Sig. (2-tailed)	.000	.
		N	531	531

Overall, the satisfaction derived from a product will go a long way in determining the purchase intentions of the customer. This purchase intention could be negative and may affect the Chinese products or positive which may make the customers remain loyal to the products. It is important to emphasize here that the loyalty of a customer in turn can also bring more customers to a company and in this case Chinese products because when they are satisfied and are loyal, they are more likely to tell others about the products in form of recommendation. If the expectation of the customer is met, then the customer becomes satisfied and satisfied, they become evangelists to other customers thereby helping to promote the good of Chinese products.

CHAPTER FIVE: CONCLUSION

5.1 Introduction

Conclusion is the last chapter in this Master Project report. Literature review, research methodology, data collection and data analysis have been presented in the previous chapters. The main focus of this project is to determine the fit of Chinese firm's customer satisfaction strategy in a developed market: an empirical study of Norway. The achievements, problem and constraint that were faced during the progress of the project will also be discussed and concluded in this chapter

5.2 Achievement

This study ranked the four variables of customer satisfaction on Chinese products from customers' perspective such as quality, Price, satisfaction and purchase intentions. Customers' perceptions are very important especially in the product sector.

Theoretically this study extends the knowledge body of quality of products and customer satisfaction by investigating how the products from the developing world are likely to performance in a developed market. This study is timely as products coming from the developing world are making real presence in these markets. A good example is products from China, which the study addresses.

Obviously, in order to maintain a high level of customer satisfaction, quality of products, Chinese firms' should pay attention to all these dimensions brought in this study. A proof for this claim is the importance scores of percentages and their Chi-square estimates, given by respondents which indicate a high level of correlation between the variables and customer satisfaction. However, to strengthen competitiveness in the extremely competitive market, given limited organizational resources, it is recommended that Chinese firm's should focus on the main four key dimensions, quality, price, purchase intentions and customer satisfaction in order to achieve high level of product quality and customer satisfaction simultaneously.

The result of the findings all agrees with the hypotheses that were previously given in this project and it has been established that there is a positive relationship between quality of product and price, a positive relationship between quality of Chinese products and customer satisfaction with these products, a negative relationship between the price of Chinese products

and customer satisfaction with these products and a positive relationship between customer satisfaction with Chinese products and future purchase intentions for these products

5.3 Constraints and Challenges

There were some constraints and challenges that had been faced during the early phase of this research project especially when conducting the research process and literature review. Product quality and customer satisfaction are concepts that has aroused considerable interest and debate in the research literature because of the difficulties in both defining them and measuring them with no overall consensus emerging on either. In this research study the limited time to do more in depth research and study is another challenge to gather the complete information and understanding for this study area. Better result will be achieved if the project period is lengthened.

With the development of new production technology, some areas which are not covered in this study are interesting and need to be explored. In addition, the limitation and shortcoming of this study also provide implications for future research. Future research could provide an extension to this study.

This research needs further analysis. While this research yields a number of very interesting results, we believe that there are a number of things that should be done to confirm our results as well as to expand our hypotheses. These include;

Firstly, with the number of users of Chinese products all over the world, a small group of students at Uia (university of Agder) is not enough. Hence, research with larger samples that pose the same or similar questions would be appropriate.

Secondly, in this competitive market, product quality and customer satisfaction is one of the key elements which bring value added for companies.

Practitioners need to understand the factors that make people to patronize their products; spend some time and make them purchase their products.

Researchers all around the world are talking about "loyal customers": they spread the good word-of-mouth, not to shift to competitor easily, spend more money and are cheaper to attract.

Practitioners should be aware of all factors which are affecting the behavior of their customers.

Respecting this critical issue for Chinese products, we believe more studies are needed to fulfill our evidences with superior facilities and make life easier and better.

5.4 Recommendations

Although there were challenges and constraints being faced during early phase of this research project, the literature review about the project and initial finding to develop the project has been done successfully.

More specifically, the following implications are recommended to Chinese firms. First and foremost, the quality of the products produced by Chinese firms is highly critical to its users (customers). Since the patronizers of Chinese products worldwide are increasingly countless, it is important that all Chinese firms producing goods ranging from durable to non durable should take into account the quality of the products they sell as end products. This will not only strengthen their position over their competitors, it will also yield customer satisfaction.

Secondly, since price is not a great determinant of customer satisfaction and purchase intention, it is obvious and important that what they need to concentrate on is the quality of the products they produce. If the customers are satisfied, they will become loyal to their products and this loyalty means that the probability of switching to other type of products or to competitors is very very low.

In conclusion, all intended tasks in this Project has been completed successfully. The purpose of the research is to determine the fit of Chinese firm's customer satisfaction strategy in a developed market using Norway as a case study. The findings of this research are mostly useful to customers who intend to patronize or are already patronizing Chinese roducts, the middlemen who help to sell these products to the end users and the producers themselves (Chinese firms). The results indicate the most important product quality and customer satisfaction factors from the customer's perspective.

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APENDIX

CUSTOMER SATISFACTION SURVEY QUESTIONS

Dear respondent,

This is a survey instrument for a master thesis at UiA. The issue under investigation is the customer satisfaction strategy of Chinese firms in a developed country like Norway. However, the focus is on the perceptions of the customers. The information solicited is strictly for academic purposes, and the information provided will be treated with strict confidentiality. Your response will be highly appreciated.

	<input type="radio"/> Male
Are you male or female?	<input checked="" type="radio"/> Female
<hr/>	
	<input type="radio"/> 1 A great deal
	<input type="radio"/> 2 Much
	<input type="radio"/> 3 Somewhat
To what extent are the products made in China appealing to you?	<input type="radio"/> 4 Little
	<input type="radio"/> 5 Never
	<input checked="" type="radio"/>
<hr/>	
	<input type="radio"/> 1 Very frequently
How frequently do you usually buy or use Chinese products?	<input type="radio"/> 2 Frequently
	<input type="radio"/> 3 Rarely
<hr/>	

4 Very Rarely

5 Never

Which of these types of products of Chinese origin have you bought or used recently?

1 Durable

2 Non-durable

3 Both

Please indicate your degree of agreement or disagreement with the following statement by selecting the appropriate response:

The products I have bought or used made in China have met my expectation.

1 Strongly agree

2 Agree

3 Neither agree nor disagree

4 Disagree

5 Strongly disagree

Please indicate your degree of agreement or disagreement with the following statement by selecting the appropriate response:

I am extremely satisfied with the products I have bought or used made in

1 Strongly agree

2 Agree

3 Neither agree nor disagree

China.

4 Disagree

5 Strongly disagree

1 Price

Of the two, price and quality, which one plays a major role in your purchase or use of the products made in China?

2 Quality

1 Extremely low

2

3

On a scale of 1 to 7 where 1 represents “Extremely low” and 7 represents “Extremely high”, how would you rate the quality of the product made in China that you have bought or used?

4

5

6

7 Extremely high

1 Extremely low

On a scale of 1 to 7 where 1 represents “Extremely low” and 7 represents “Extremely high”, how would you rate the

2

price of the product made in China that you have bought or recently used?

- 3
 - 4
 - 5
 - 6
 - 7 Extremely high
 -
-

To what extent would you agree or disagree with the following statement:

Given the level of satisfaction I derived from the Chinese products I bought or used, I would like to switch to other products.

- 1 Strongly agree
 - 2 Agree
 - 3 Neither agree or disagree
 - 4 Disagree
 - 5 Strongly disagree
 -
-

To what extent would you agree or disagree with the following statement:

Given the level of satisfaction I derived from the Chinese products I bought or used, I would highly recommend these products to a friend or relative.

- 1 Strongly agree
 - 2 Agree
 - 3 Neither agree or disagree
 - 4 Disagree
-

5 Strongly disagree

THANK YOU FOR YOUR TIME
