 ISSN:2229-6247

Measurement of Consumer Satisfaction During Post Merger Period

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INTRODUCTION

Consumer satisfaction, as a construct, has been fundamental to marketing for over three decades. As early as 1960, Keith (1960) defined marketing as "*satisfying the needs and desires of the consumer".* Hunt (1982) Reported that by the 1970s, interest in consumer satisfaction had increase to such an extent that over 500 studies were published. This trend continued as Peterson and Wilson (1992) estimated the amount of academic and trade articles on consumer satisfaction to be over 15,000.

Several studies have shown that it costs about five times to gain a new consumer as it does to keep an existing consumer (Neumann, 1995) and these results into more interest in consumer relationships. Thus, several companies are adopting consumer satisfaction as their operational goal with a carefully designed framework. Hill and Alexander (2000) wrote in their book that "*companies now have big investment in database marketing, relationship management and consumer planning to move closer to their consumers".* Jones and Sasser (1995) wrote that "*achieving consumer satisfaction is the main goal for most service firms today*".

Increasing consumer satisfaction has been shown to directly affect companies' market share, which leads to improved profits, positive recommendation, lower marketing expenditures (Reichheld, 1996; Heskett et al., 1997) and greatly impact the corporate image and survival (Pizam and Ellis, 1999)

DEFINITIONS OF CONSUMER SATISFACTION

Parker and Mathew (2001) expressed that there are two basic definitional approaches of the concept of consumer satisfaction. The first approach defines satisfaction as a process and the second approach defines satisfaction as an outcome of a consumption experience. These two approaches are complementary, as often one depends on the other.

Consumer satisfaction as a process is defined as *an evaluation between what was received and what was expected* Oliver (1977) Olson and Dover (1979), *emphasizing the perceptual, evaluative and psychological processes that contribute to consumer satisfaction* Vavra, (1997).

Parker and Mathews (2001) however noted that the process of satisfaction definitions concentrates on the antecedents to satisfaction rather than satisfaction itself.

Satisfaction as a process is the most widely adopted description of consumer satisfaction and a lot of research efforts have been directed at understanding the process approach of satisfaction evaluations (Parker and Mathews, 2001). This approach has its origin in the discrepancy theory (Porter, 1961), which argued that satisfaction is determined by the perception of a difference between some standard and actual performance.

Cardozo (1965); and Howard and Sheth (1969) developed the contrast theory, which showed that consumers would exaggerate any contrasts between expectations and product evaluations.

Olshavsky and Miller (1972); and Olson and Dover (1979) developed the assimilation theory, which means that perceived quality is directly increasing with expectations. Assimilation effects occur when the difference between expectations and quality is too small to be perceived.

Anderson (1973) further developed this theory into assimilation-contrast theory, which means if the discrepancy is too large to be assimilated then the contrast effects occur. The assimilation-contrast effects occurs when the difference between expectations and quality is too large to be perceived and this difference is exaggerated by consumers.

According to Parker and Mathews (2001), the most popular descendant of the discrepancy theories is the expectation disconfirmation theory (Oliver, 1977, 1981), which stated that the result of consumers' perceptions of the difference between their perceptions of performance and their expectations of performance. Positive disconfirmation leads to increased satisfaction, with negative disconfirmation having the opposite effect. Yi (1990) expressed that consumers buy products or services with pre-purchase expectations about anticipated performance, once the bought product or service has been used, outcomes are compared against expectations. If the outcome matches expectations, the result is confirmation. When there are differences between expectations and outcomes, disconfirmation occurs. Positive disconfirmation occurs when product or service performance exceeds expectations. Therefore, satisfaction is caused by positive disconfirmation or confirmation of consumer expectations, and dissatisfaction is the negative disconfirmation of consumer expectations (Yi, 1990).

While several studies support the disconfirmation paradigm, others do not. For instance, Churchill and Surprenant (1982) found that neither disconfirmation nor expectations had any effect on consumer satisfaction with durable products.

Weiner (1980) and Folkes (1984) proposed the attribution theory, which stated that when a consumer purchases a product or service, if the consumption is below expectation, the consumer is convinced that the supplier causes the dissatisfaction. The complaining consumer is focused on restoring justice and the satisfaction outcome is driven by perceived fairness of the outcome of complaining.

Westbrook and Reilly (1983) proposed the value-percept theory, which defines satisfaction as an emotional response caused by a cognitive-evaluative process, which is the comparison of the product or service to one's values rather than an expectation. So, satisfaction is a discrepancy between the observed and the desired.

Fisk and Young (1985); Swan and Oliver (1985) proposed the equity theory, which stated that individuals compare their input and output ratios with those of others and feel equitable treated. Equity judgment is based on two steps; first, the consumer compares the outcome to the input and secondly, performs a relative comparison of the outcome to the other party.

Pizam and Ellis (1999) reported that there are two additional distinct theories of consumer satisfaction apart from the seven aforementioned ones and these include:

1. Comparison-level
2. Generalized negativity

The outcome approach of the consumer satisfaction is defined as the end-state satisfaction resulting from the experience of consumption. This post- consumption state can be an outcome that occurs without comparing expectations (Oliver, 1996); or may be a cognitive state of reward, an emotional response that may occur as the result of comparing expected and actual performance or a comparison of rewards and costs to the anticipated consequences (Vavra, 1997, 4).

Furthermore, Parker and Mathews (2001) expressed that attention has been focused on the nature of satisfaction of the outcome approach which include:

1. Emotion - Satisfaction is viewed as the surprise element of product or service purchase and or consumption experiences (Oliver, 1981), or is an affective response to a specific consumption experience (Westbrook and Reilly, 1983). This acknowledges the input of comparative cognitive processes but goes further by stating that these may be just one of the determinants of the affective “state” satisfaction (Park and Mathews, 2001).
2. Fulfillment –The theories of motivation state that people are driven by the desire to satisfy their needs Maslow (1943 or by their behavior aimed at achieving the relevant goals (Vroom, 1964). However, satisfaction can be either way viewed as the end-point in the motivational process. Thus, “consumer satisfaction can be seen as the consumer's fulfillment response” (Rust and Oliver, 1994, p. 4).
3. State – Oliver (1989) expressed that there are four framework of satisfaction, which relates to reinforcement and arousal. “Satisfaction-as-pleasure” results from positive reinforcement, where the product or service is adding to an aroused resting state and “satisfaction-as-relief” results from negative reinforcement. In relation to arousal, low arousal fulfillment is defined as “satisfaction-as contentment”, a result of the product or service performing adequately in an ongoing passive sense. High arousal satisfaction is defined as “satisfaction as either positive (delight) or negative surprise” which could be a shock (Rust and Oliver, 1994).

The other consumer satisfaction definitions include: Satisfaction is *“the cognitive state of the buyer about* the appropriateness or inappropriateness of the reward received in exchange for the service experienced (Howard and Seth, 1969, pp. 145); the evaluation of emotions (Hunt, 1977, p. 460); the favorability of the individual's subjective evaluation (Westbrook, 1980, p. 49); a positive outcome from the outlay of scarce resources (Bearden and Teel, 1983a, p. 21); an overall consumer attitude towards a service provider (Levesque and McDougall, 1996, pp.14); is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, included levels of under- or over fulfillment (Oliver,1997, p. 13); is an experience-based assessment made by the consumer of how far his own expectations about the individual characteristics or the overall functionality of the services obtained from the provider have been fulfilled (Homburg and Bruhn, 1998); the fulfillment of some need, goal or desire (Oliver, 1999); an emotional reaction to the difference between what consumers anticipate and what they receive (Zineldin, 2000); is based on a consumer’s estimated experience of the extent to which a provider’s services fulfill his or her expectations (Gerpott et al. 2001)”.

For this study, consumer satisfaction definition used is that of Homburg and Bruhn (1998) which is “an experience-based assessment made by the consumer of how far his own expectations about the individual characteristics or the overall functionality of the services obtained from the provider have been fulfilled".

The relevance of the above definitions is to help us assess whether consumers are satisfied or dissatisfied with products and services provided by merging and acquiring firms in the post merger.

MARKET POWER GAINS OF FIRMS IN THE POST-PERIOD

The power of firms in an economy is measured by the control a firm has on the economic life of the country. This control could be examined purely in terms of economic indicators such as the proportion of all employment generated by a particular holding company. Other indicators could be the proportion of:

- Gross output generated by the holding company;
- Export revenue generated by the holding company; and
- Research and development contributed by the holding company.

These are traditional measures. One non-traditional measure is the control over strategic resources and strategic industries that a firm has. Such a resource may be petroleum/energy, minerals, and even land, while such industries include shipping/transportation, banking and finance, media, information technology, and defense and security industry. Control over these provides the firms an added leverage over policy making in the country. While this may not appear to be a very significant factor in large metropolitan countries, for developing countries, and especially for smaller developing countries, this factor is extremely crucial for the firm involved, other firms in the economy (including those in other industries), as well as for the economy as a whole.

The influence a firm or a holding company has over national economic policy making is rapidly becoming an important source of additional market power of firms. It is now quite well established that some of the positions taken by countries in trade negotiations, including negotiations at the WTO level, are determined by the influence of large corporations.

The impacts of the rising market and economic powers are significant for most stakeholders. Perspectives on the rising market and economic powers of firms through M&As, however, differ.

Perspective of Firms on Market Power Gains

The overriding view of businesses that successfully carry out an M&A activity is that the activity increases the market and financial power of the firm. This view, however, is not as certain in situations of hostile takeovers – where while the "winners" may hold the view that the activity leads to increased market power, the "losers" may have a totally different viewpoint.

It is argued that a major reason for any net benefit of an M&A is the benefit result from the *synergy effects* of an M&A. The idea behind the synergy effects is that (1 + 1 = n), where n >2; the synergistic effect is (n-2). Synergy arises due to numerous factors. Some of the major ones are economies of scale, economies of scope, accounting effects, and management effects (Davies and Lam, 2001).

a. Economies of scale:

M&As allow the combined firm to produce at a lower unit cost of production of a good/service. This occurs when the firm can spread its costs of management, distribution network, plant and equipment, input purchasing power, and advertising strength over an increased volume of output.

b. Economies of scope:

Economies of scope differ from economies of scale in that the former relates to the gains from producing more than one product while the latter deals with the costs of producing a single product. M&As enable firms to produce joint products. In many circumstances, given the market demand, producing joint products would turn out to be cheaper than producing two products separately. M&As can result in gains from production by-products. An increased capacity to produce sugar through an M&A, for example, may also increase the output of molasses, which can make production of alcohol more feasible. Another example of scope\ economies would be product delivery – where in a single run, two or more products could be delivered instead of making separate runs for each product. M&As make such product bundling easier.

c. *Acc*ounting effect:

M&As lead to lower transaction costs in business. This is due to the volume effect. It is, for example, cheaper per dollar borrowed if a large sum were borrowed by a single entity, compared to smaller sums being borrowed by two entities. Similarly, the merged entity has a larger debt capacity. Yet another accounting effect arises when prior market transactions are replaced by internal transactions as an outcome of a vertical merger/acquisition. Transactions internal to a firm generate additional gains as costs of managing transactions fall significantly on account of faster decision making, reduced legal costs and delays, and more generally, lower accounting costs.

d. Management Effect*:*

M&As normally lead to relatively inefficient managers being replaced by those who are considered efficient managers. M&As can also produce gains from replacement of the entire management system by a more efficient management system. These raise firm growth potential, and thus strength. It is believed that these factors generate benefits for the shareholders. Empirical evidence, however, may not be so conclusive. In the U.S., for example, between 1976 and 1990,

> 35,000 corporate acquisitions were completed, but there was "no clear pattern of performance improvement emerging" (Davies and Lam, 2001: 67). The general pattern found in the U.S. is that acquisitions "have a neutral to negative effect on the shareholder value of acquirers" (Bradley, et al, 1988, and Berkovitch and Narayan, as in Davies and Lam, 2001: 67).

The question, then, is: who benefits from an M&A activity? This remains a major issue relating to M&As. What is known, for sure, is that the management of the acquiring firm is a net beneficiary in terms of the remuneration package.

Whether the benefits trickle down to the non-management employees is also an important consideration. Where the senior management cadre benefits from an M&A, the tendency for the management to agree to better working/remuneration conditions for employees at the headquarters would be strong. This need not be the case for cross-border M&As, but a strong tendency could be that the senior management would tend to seek greater employee allegiance throughout the conglomeration by improving working/remuneration conditions, albeit differentially, throughout the organization. Empirical evidence for the above, however, needs to be established to stamp this as a firm outcome of an M&A transaction.

If, however, shareholders and employees both gained from an M&A transaction, and if these gains were created as synergistic benefits, the economic as well as national welfare would also rise.

It is, however, important to keep in mind that the modern business firm's or conglomerate's allegiance is not to a territorial boundary; its allegiance is to the entire globe. Thus, it appeared not too painful for a company like Hong Kong's Jardine Group to change domicile from Hong Kong to Bermuda (Davies and Lam, 2001: 69-71). A modern firm does not, and in fact cannot, afford to see its "citizenship" as its business allegiance. Consider, for example, the U.S. defense industry producers. When the U.S. is at war with other countries, without strict laws, it would be the U.S. defense industry that would supply weapons to all the parties at war; this is prevented only by strict laws governing the conduct of the U.S. defense producers.

For the business, M&As provide a global competitive strategy. Whether these be within a territorial boundary or across territorial boundaries, maintaining a strong competitive edge is necessary for a business to survive. If it were not to do this, it would itself be either taken over or driven to bankruptcy. Internationally, over the past two decades there has been the emergence of very strong companies, especially in Asia, but also in South America. Asia has a huge advantage over other regions on account of its very large population base. Population is potential market. Capturing a portion of the markets in countries such as China, India, and Indonesia has become a major objective of western transnational enterprises. M&As and strategic alliances provide a useful strategy to do this.

Consumer Perspective

Household and business consumers are primarily interested in four outcomes from the commercial sector. These are:

- Lower price of a product
- Better quality of the product
- Ease of availability of the product (service)
- Hassle-free post-purchase service, including repair and maintenance

Consumer perspectives on M&As revolve around these four issues. The issue is whether M&As contribute positively to the above. If they do, then consumers would view M&As positively.

a. Price Effect

The relationship between market concentration and price levels is well known: the higher the control over the market, the greater the control over the price of the product. M&As therefore, result in a greater control over the price of the product by the acquiring firm. The issue then reduces to whether the acquiring firm utilizes its power of greater control over prices to actually raise product prices. For the firms, increasing prices is not the only decision that they could take. M&A increases the size of the organization, thereby enabling it to reduce unit cost of production. If so, the firm could actually maintain the pre merger price, or even reduce it.

The price decision is an intricate decision, involving consideration of various factors. What is clear is that the greater the control over the market, the greater is the possibility of price increases. It is the fear of price increases that pitch consumers against M&As. Consumers individually, and collectively (e.g., consumer bodies), tend to detest M&As. Whether the fears of consumers are well founded needs to be examined on the basis of the real-life conduct of acquiring firms.

In small economies, the problem acquires a greater significance. Given the small market size in small economies, M&As can increase concentration more significantly than what they would tend to do in larger economies. The possibility of the emergence of markets with two or three producers, or even single producers, is much greater in smaller economies than in larger economies. This produces both potentials and threats for consumers. The possible positive outcome of M&A activities in small economies is making it feasible for one or two firms to actually produce any output at all. In the absence of M&A, a few small enterprises may begin operations, but for certain products (especially those that fall in the category of natural monopolies), neither of them may be large enough to survive and grow on their own. M&A can solve the problem of a lack of economies of scale. On the other hand, if the M&A results in highly concentrated markets, then consumers will most likely pay inefficient prices. Such a scenario strengthens the call for state regulatory policy intervention.

b. Product Quality

A generally accepted view is that the quality of products tends to rise with time, as greater R&D, fostered by competition, begins chipping away poor product performance. The overriding factor in quality improvement remains competition. Firms with better product quality tend to have a competitive advantage over firms with lower product qualities. The degree of competition in an industry and incentives for improvement in product quality are, theoretically, directly related. Thus, if M&A reduces competition, the incentive to improve product quality also declines.

Thus, another reason for the ire of consumers is the perception that M&A will lead to a less rapid improvement in product quality.

c. Distribution Effect

Competition often tends to create an efficient supply channel. One of the battle weapons for competitors in an industry becomes the continuous attempt to take the product as close to the consumer as possible. Developments like ATMs in the banking industry, online sales, tele ordering, rapid home delivery, and networks of distributors, are just some of the mechanisms through which businesses compete. This tends to reduce the transaction costs that consumers need to incur in making their choices and acquiring goods and services.

Concentration of industry and falling competition would create a tendency towards an erosion of the incentive for ever improving efficiency in supply channels. The growth rate of the number of ATM outlets in a country, for example, is expected to slow down with increasing concentration of the banking industry.

Consumers are aware of the possibility of a worsening efficiency in supply channels in industries that get increasingly concentrated and centralized. This creates a negative perception of M&A in the minds of consumers.

d. Post-Sale Service

Another key competitive strategy for businesses is to aim for continuously improving post-sale service for products. Consumers tend to prefer products with a better certainty over features like product warranty and guarantees, as well as a better after-purchase service (like repair and maintenance options and facilities, spare part availability, and product upgrade opportunities). These factors have become essential tools of the competitive struggle for capital.

Falling competition due to M&As can produce the opposite results. Businesses become less responsive to post-sale consumer needs as lower competition provides lower incentives for improving after-sale service. This strengthens the negative perception that consumers have of M&As.

RESEARCH OBJECTIVES

1. To evaluate societal benefits from mergers and acquisitions based on average outcome and consumer satisfaction.
2. To draw conclusion and offer recommendations

RESEARCH HYPOTHESIS

To test the objective mentioned above, the following hypothesis has been formulated:

H1: The study will assume that consumer satisfaction won’t be attained through M&A activities. It assumes that new management does not reduce the cost of production but it increases market power, which leads to higher prices to consumers.

UNIVERSE AND SAMPLE

The universe consists of merging and acquiring firms from India which merged during the period of 2006-2009. The Centre for Monitoring Indian Economy (CMIE) database was used to identify firms that had carried out merger and acquisition activity successfully in these three years. Validation of the sample was done by taking recourse to the MAPE advisory group report (2006) and Bloomberg database.

A total of 30 firms from six sectors of the economy were finally selected for the study through this process. The sample, when considered volume-wise, consisted of 17% firms from Fast Moving Consumer Goods (FMCG) sector, 23% firms from Pharmaceutical Sector, 17% firms from the Banking and Finance Sector, 7% firms from Cement Sector, 23% from Organic and Inorganic chemicals sector and 13% from Sugar and Agro products sector.

METHODLOGY FOLLOWED

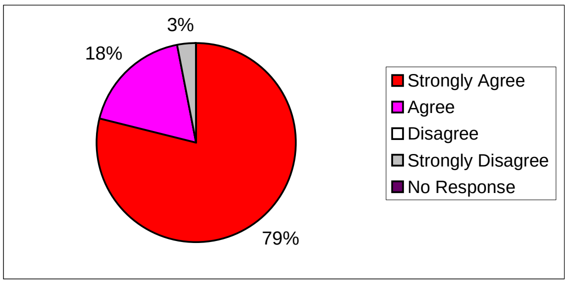
To answer research question on consumer satisfaction, quantitative approach was chosen and in this case a questionnaire was prepared to measure consumer satisfaction during post merger period. When mailing questionnaires, usually it can be calculated with a response rate of 30 per cent or below (Amsden, 1989). In order to increase the response rate in our survey we decided to deliver the questionnaire to the selected sample firms personally. As the firms were located within India, they were easy to reach. The questionnaire was handed to the directors and finance officers. This was considered to be important because the questions in our questionnaire include issues which are closely related to managerial.

THE RESULT OF THE EMPIRICAL RESEARCH

1) Acquiring firms overall goal

In order to satisfy consumers it has been argued that Merging and Acquiring firms need to spend strong efforts to determine consumer's needs and expectations. One prerequisite is seen in having the "right" attitude towards consumers. This implies that acquiring firms need to put their consumers in focus of their products and services, both with respect to service development by acquiring firms. It can be assumed that satisfied consumers can only be achieved when the management regards the process of achieving consumer satisfaction as their overall motive. It is believed that having short-termed financial objective as the overall motive does not contribute to the highest possible degree of consumer satisfaction. The results of our findings have been discussed below.

When asked whether their overall goal was to satisfy consumers



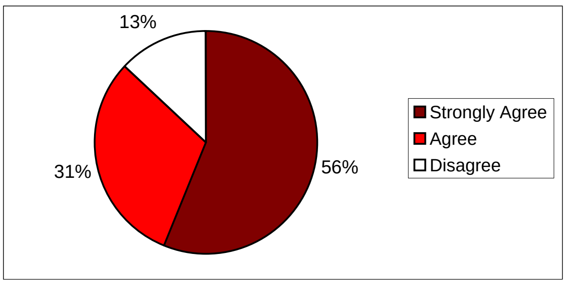
Graph 1.1 : Acquiring firms overall goal

The empirical research demonstrates that almost 100 percent of the responding managers regard their consumers as the most important asset. Moreover, all responding managers stress that their overall goal is to satisfy their consumers. The results indicate that there seems to be a tremendous awareness concerning the importance of consumers in the acquiring industries.

2) Consumer satisfaction measurement

Having analyzed the attitude of managers concerning their consumer, the next point of interest is to determine how managers assess the actual level of consumer satisfaction concerning their products and services. Moreover, it is essential to find out whether these assessments are based on objective measures or on the manager's own individual opinion.

When the executives were asked whether they measure consumer satisfaction:



Graph 2.2 : Consumer satisfaction measurement

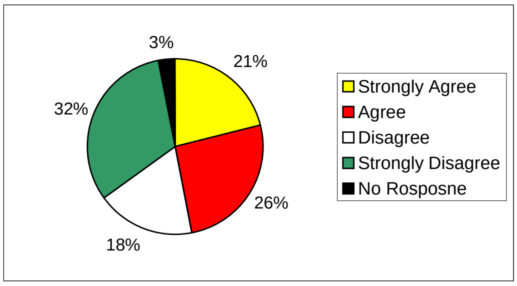
Almost all managers of our research sample (87 percent) measure whether their consumers are being satisfied with their products and service performance. This indicates that nearly all managers seem to succeed in determining their overall goal of satisfying their consumers. But as these answers reflect the manager's perception it is now necessary to find out whether objective measurements are behind their statements.

It turns out that 13 percent of all respondents do not measure consumer satisfaction. It is therefore necessary to read the above-mentioned number of 87 percent with caution.

3) Use of professional agencies

A distinction of whether the companies conduct satisfaction surveys themselves or make use of professional research institutes will provide further insights in the reliability of the assessed level of consumer satisfaction. It is assumed that professional research institutes have the ability to measure the level of consumer satisfaction more objectively than acquiring companies themselves because they possess the necessary know-how and independence. On the other hand it is assumed that companies in general do not posses the necessary resource to conduct consumer satisfaction surveys and lack objectivity.

When asked whether Professional agencies conduct their consumer satisfaction schemes.



Graph 1.3: Use of professional agencies

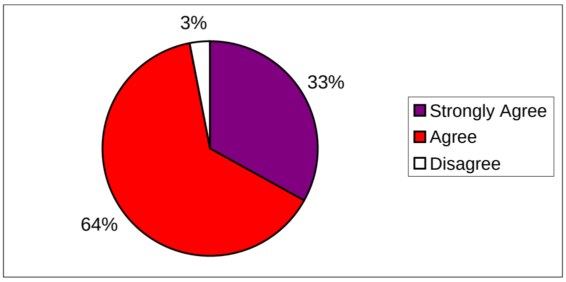
Only 47 percent of the responding acquiring companies use professional research institutions to conduct consumer satisfaction survey. All sample units that we distributed our questionnaires in Banking and financial sector and pharmaceutical sector stated that they make use of professional research institutions. It appears that the size of an organization and its financial strength have an impact on the use of external research companies. The banking and financial sector and pharmaceutical sector in our sample are of relative large size with a profound financial background which enables them to spend large amount of money on expensive consumer research survey. Those Fast Moving Consumer goods (FMCG) firms which can afford to spend those amounts of money are not many. It is stressed by a corresponding manager of a large fast-food enterprise that they would prefer to get objective and reliable consumers satisfaction surveys by professional external research institutions but the costs are too high.

All in all it can be said that only a limited number of acquiring firms can base their perception of consumer satisfaction level on objective figures. However, the actual level of consumer satisfaction is very difficult to estimate. These difficulties are reinforced both by the various dimensions of product and service quality and by the fact that service characteristics are difficult to evaluate from a consumer perspective. Determining the actual level of consumer satisfaction depends heavily on the applied methodology and therefore an overall assessment seems to be out of scope.

4) Consumer expectations awareness

It has been outlined that determining the overall level of consumer satisfaction is a difficult discipline. The objective of this section is therefore to analyze the consumers' expectations from acquiring firms in a more detailed manner.

When the acquiring executives were asked whether they are aware of their strengths and weaknesses in relation to consumer expectations.



Graph 1.4: Consumer expectations awareness

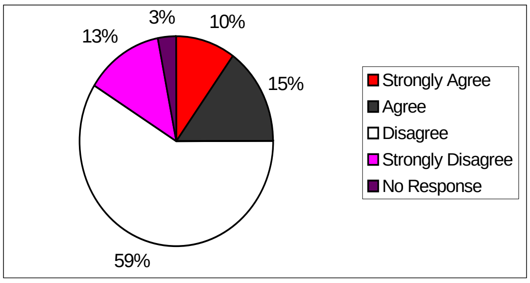
All in all 97 per cent of the responding acquiring managers claim to be aware of their strengths and weaknesses with respect to price, the quality of products and services and products and service deliveries, it is appropriate to approach the manager's perceived level of consumer expectations. It has been pointed out in the theoretical foundation on the market power gains framework, that consumers expectations encompasses four distinctive dimensions: Lower price of a product, Better quality of the product, Ease of availability of the product (service) and Hassle-free post-purchase service, including repair and maintenance

Asking the acquiring managers to evaluate each of the four dimensions will provide valuable insights concerning the strengths and weaknesses when satisfying their consumers. Again, it is worth mentioning that only the management's perception has been encompassed, but in the final end it is only the consumer who is able to determine the "real" satisfaction from products or services.

5) Price

In the review of literature on market power gains part of this thesis, it has been outlined that changes in the market do not change the manner in which prices are determined Gowrisankaram (1995).

When asked whether Market power gains have led to increased prices to consumers.

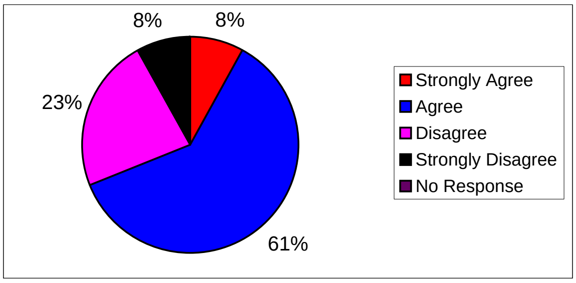


Graph 1.5 : Market Power Effect on Price

The survey reveals that 72 per cent of all acquiring managers in our sample disagree in price increment as compared to 25 per cent who agree on increased prices due to market power gains. This indicates that most firms either maintain the existing prices or slightly reduce the existing prices. It appears of interest whether the managers are able to live-up to their strongly expressed motive of profit maximization, refer (chapter 2) with reduced prices in present economic situation.

6) Product and service quality

In today's increasingly competitive environment, product and service quality is critical to corporate success. In the past the focus was mainly on meeting internal quality or technical standards. The focus today has shifted to qualifying consumer assessments of products and services, and translating these measures into specific internal standards (Brown, Hitchcock and Willard, 1994). Delivering high quality product/ service is closely linked to profits, cost saving and market share. Improved product/service quality cuts cost because companies have fewer consumers to replace, less corrective work to do, fewer inquiries and complaints to handle and less employee turnover and dissatisfaction with which to deal.
Product and service quality is the level of product/service that is delivered by the acquiring firms (Sasser *et al.,* 1978) quality is concerned with the ability of a company to meet or exceed consumer expectations. The measure of performance is performance is perceived product/service quality. It has been argued previously that the quality of a product/service has two important components: "Technical Quality" and Functional Quality “Gronroos, (1990a).”The technical quality refers to the outcome dimension of the product/service operation process whereas functional quality refers to the process dimension in terms of the interactions between the consumer and the product/service provider" (Payne, 1993 p. 220).
When asked whether the product and service quality they offer is much better than our competitors

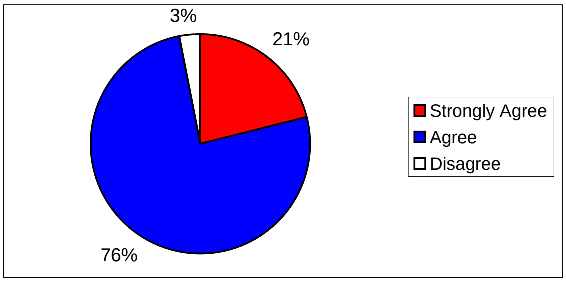


Graph 1.6 : Product and service quality

Most of acquiring managers for sample units agree that their products/services were superior compared with those of their competitors. 8 per cent strongly agree and 61 per cent simply agrees with our research question. All in all 69 per cent of responding managers stressed that product and service quality was their main objective and they were fully satisfied with the quality/service delivered to consumers as compared to 31 per cent respondents who disagreed on superior quality.

7) Reliability

Reliability refers to the ability of a acquiring company to performance the desired product/service dependably, accurately, and consistently. This is in accordance with the call for “Doing things right the first time.” In the evaluation of their reliability only a few acquiring managers see weaknesses. The main weakness is rooted in a relatively high employee turnover, which might have a negative impact on the organizational learning process. This might lead to potential problems in serving consumers optimally and consistently.
In order to stay competitive and not to get a bad reputation it is stated that trustworthiness is a prerequisite to survive in this business. One manager explicitly states” “Can we survive without credibility?” Therefore almost all acquiring managers emphasize their reliability as strength. It is believed that the “intimate” contact between acquiring firms and their consumers requires a high degree of reliability and trust which is set into focus by the vast majority of the respondents.
When asked whether they believe that their consumers are satisfied with their reliability.



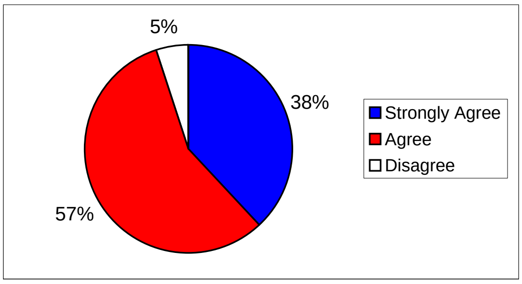
Graph 1.7: Reliability

Almost all responding managers 97 per cent agreed that their consumers are satisfied with their creditability and trustworthiness; hence the managers do not regard any problems in keeping their promises. Only 3 per cent of the responding managers disagree on their reliability, this can be attributed to lack of infrastructure such as good roads which hinder acquiring firms from directly contacting their consumers.

8) Responsiveness

Responsiveness is defined as the willingness of the acquiring companies to provide prompt service, helping consumers, and ensuring accessibility; in the pharmaceutical sector most of the managers do not perceive any weaknesses with respect to their responsiveness.

When asked whether they believe that their consumers are satisfied with their employees.



Graph 1.8: Responsiveness

Only a few managers make statements concerning weakness. Some view the lack of communication, which is an element of responsiveness as a problem. Their critical position refers to language problem, when transacting with foreign consumers, i.e. Japanese and Chinese. Another respondent refers to problems in the responsiveness to consumers because increased demand for medicines is also responsible for delays in delivery which can lead to dissatisfaction to consumers. Moreover, one other FMCG manager reports that the lack of parking space and road/subway connections limits the accessibility to the outlets which is perceived as a weakness.

On the other hand almost every acquiring manager evaluates their ability to react quickly to consumer request as an extraordinary strength. This position indicates that the acquiring firms besides an extreme consumer orientation see itself as discrete product/service providers who demonstrate the readiness to fulfill consumer’s needs when requested. In addition one common strength is seen concerning the acquiring firms location. As all firms of our sample are located in India, the location is perceived as favorable and therewith as strength.

However, in the FMCG sector none of the managers evaluated their responsiveness as a real weakness. Only manager of Saptarishi Agro Industries Limited claims that the limited opening hours of the outlets restricts the accessibility. All believe that firms give prompt service to consumers and they are never too busy to respond to consumer’s request. Most of them even regard their responsiveness as their strength. For example one finance manager stresses the convenient opening hours as their particular strength. It can be added that most of the FMCG managers evaluate their central location as their strength when serving and satisfying consumers.

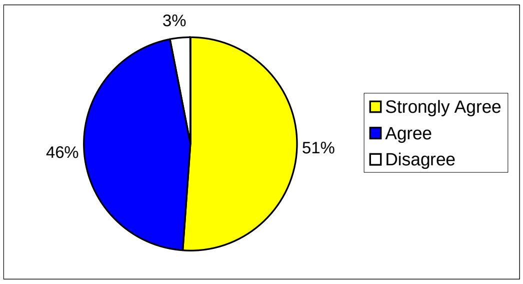
None of the responding bank managers evaluates responsiveness as a weakness. This indicates that bank managers regard their ability to communicate with consumers and to provide them with prompt service as being adequate. Concerning accessibility some of the bank managers expressed the restricted opening hours to have a negative impact on their overall service quality. As all banks are affected by these legal restrictions, no competitive disadvantage arises, hence, the opening hours are perceived as a weakness.

Total of 95 per cent of acquiring managers agree that consumers are satisfied with their employees as compared to 5 per cent who disagree with our research question.

9) Complaint Management

In theory it has been argued that effective product/service recovery procedures can turn a dissatisfied consumer into a satisfied one. Hereby the importance of complain management was emphasized. Asking the acquiring managers about their proceedings in handling complaints will provide valuable insight in the effectiveness of product/service recovery among those companies of our research sample.

When asked whether they take the received complaints into account, and use them as a source of inspiration.



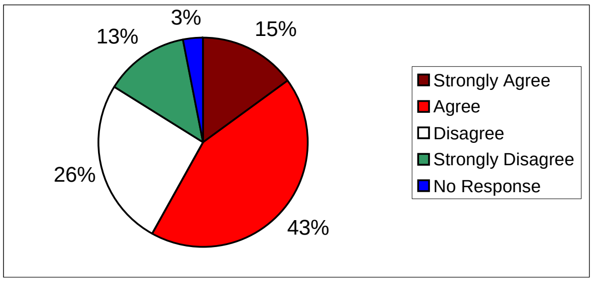
Graph 1.9: Complaint Management

The vast majority of the service managers (97 per cent) points out that they take consumer complaints seriously. They stress that they use complaints in two different ways. First of all a direct reaction to product/service failure takes place, and hereby turning one specific dissatisfied consumer into a satisfied one. Secondly, manages state that the complaints are seen as sources of inspiration and are used to constantly enhance future service deliveries.

10) Consumer Defection Registration

It has been shown in the theoretical part that not every dissatisfied consumer chooses to complain. It is therefore of interest to analyze whether acquiring companies have procedures for registering consumers defections. Having effective procedures enable the acquiring companies to identity potential consumer dissatisfaction, and thereby possibilities for enhancing the quality of their products and services.

When asked whether they have procedures to register the consumer defection.



Graph 1.10: Consumer Defection Registration

The empirical indicates that 58 per cent of all acquiring managers claim to have procedures to register consumer defection. This implies that 42 per cent of the acquiring companies do not posses the opportunity to conduct product/service recovery, in cases where the consumer does complain. It has been argued that a dissatisfied consumer informs other people about his bad product/service experience, which can have a negative effect on the reputation of the acquiring companies, and thus on potential consumers.

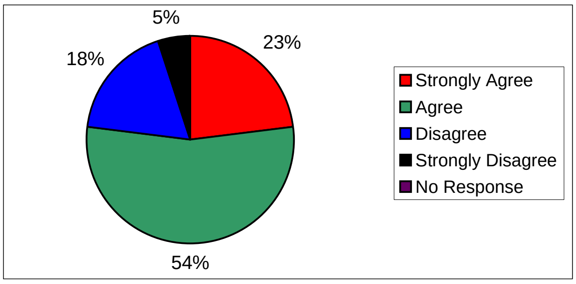
In the Banking and Finance companies; approximately 60 per cent of the managers claim to have procedures to register consumer defection. In the pharmaceuticals sector, Organic and In-organic sector and Sugar and Agro-products sector companies, approximately 40 per cent of the managers claim to have procedures to identify dissatisfied consumers.

The main reason behind this difference can be explained as follows. The interaction between employees and consumer in banking and Finance sector companies can be characterized as being rather personal. This implies that these companies make use of databases of their consumers, including names, addresses, personal registration numbers and other personal information. These consumer databases provide the service companies with the opportunity to monitor the transaction frequency of specific consumers. Thus, the defecting consumers can easily be detected. Moreover, it enables the service companies to contact the consumers, and to find out the reason behind the potential dissatisfaction

In contrast like FMCG companies, pharmaceutical companies, and organic and in-organic chemical companies chains are characterized by having low contact to the consumers. This characteristic is mainly due to the low involvement in the buying behavior of their consumers. This prevents them from gathering personal information about their consumer base. The lack of consumer information makes it difficult for these companies to register the defection of a single consumer. These service companies are unable to identify specific defecting consumers. The only indication for consumers being dissatisfied is a decrease in the sales volume.

11) Long Term Investment

When asked whether development of customized product/service offers are regarded as a long-term investment, hence we accept eventual short term losses.

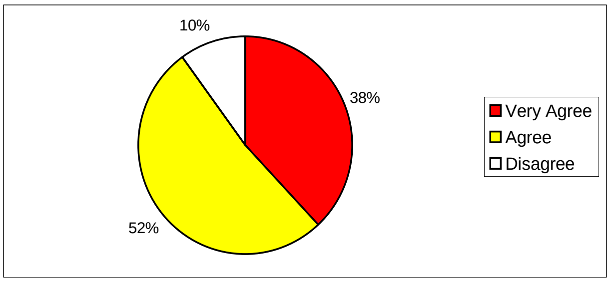


Graph 1.11: Long Term Investment

The research displays that 77 percent of all acquiring managers are willing to accept eventual short-term losses when serving their consumers. These numbers indicates that these managers view serving consumers as a long-term investment, and are less focused on making short-term profits which corresponds to a more transaction based marketing orientation.

12) Post Sales Services

When responding executives were asked whether they provide Post sale services such as warranty, guarantees and other services to their consumers.



Graph 1.12 : Post Sales Services

By comparing this percentage with the 90 percent of companies which were estimated to pursue post sale services reveals the commitment of acquiring firms in maintaining consumers.

All the managers in pharmaceutical sector and organic and in-organic chemical sector companies offer special treatment to their loyal consumers and express a readiness to accept short-term losses when serving the consumers. We therefore believe that within these sectors a tendency of focusing on long term relationships to their consumers can be recognized. Thus, the impression arises that the corresponding managers seems to prefer a relationship marketing approach.

Concerning the organic and in-organic sector, approximately 55 percent of the responding managers do not provide a better service to their loyal consumers. The same share of managers in this sector claims that they do not believe in long term profitability when serving consumers. Thus, it can be argued that their strategy of serving consumers is more in line with the transaction marketing approach. This tendency can be explained by the low consumer involvement and low consumer contact.

The remaining sectors, Banking and Finance and Sugar and Agro-products, need to be distinguished. All banking and finance sector managers claim to offer special treatment to their loyal consumers, but only 75 percent are ready to accept short-term losses, when investing in service improvements. On the other hand, almost 90 percent of the sugar and agro-products do not see it as important to treat regular consumers with special care; approximately 10 percent of the sugar and agro-products managers do not regard investments in the service delivery as a long-term investment.

CONCLUSION

The difference between management's perception of consumer needs and consumers expectations represents a gap. The empirical research reveals that the acquiring managers in general are convinced about their ability to meet consumer's needs and expectations and thereby satisfying the consumers. From the management's point of view it is estimated that the gap is of limited size. This reinforces the overall impression that managers in all acquiring sectors are sure about having the appropriate sources to develop high quality product/service.

It has been argued that consumer expectations can be made more operational by introducing six product/service dimensions: Price, Product/Service quality, Reliability, responsiveness, Complaint management and Consumer defection registration. Based on these dimensions the consumers are able to evaluate the product/service encounter.

Regarding the price effect consumers perceive that the higher the control over the market, the greater the control over the price of the product. The issue then reduces to whether the acquiring firm utilizes its power of greater control over prices to actually raise product prices, the results from our sample survey reveals that only 25 per cent agreed on higher prices to consumers influenced by market power gains as compared to 72 per cent responding managers.

The empirical research also reveals that managers have different opinions about their strengths and weaknesses concerning each product/service quality dimension. All acquiring respondents stress to have their strengths in their product/service quality, reliability, and responsiveness which refer to the appropriate physical surrounding and inventory, the extraordinary competence and the courtesy of the acquiring employees. In contrast some acquiring managers see their weaknesses concerning responsiveness which refers to the problems founded in the cultural differences of consumers.

The research displays that consistent marketing approach seems to be preferred. The managers indicate contradicting responses concerning their readiness to accept short-term losses when satisfying the consumers and their provision of special care and attention to loyal consumers.

Hence from the above results our Null hypothesis H3: The study will assume that consumer satisfaction won't be attained through M&A activities. It assumes that new management does not reduce the cost of production but it increases market power, which leads to higher prices to consumers, is rejected.

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