

A study of the effect of the element of price on the absorption of customer in international contracts of drilling industry: A case study in North Drilling Company

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Abstract

The aim of this research is the investigation of the level of the effect of price element on the customer's absorption in international contracts in north drilling company. This research based on the practical aim and the point of view of data collection, is a description of survey type. Data analysis is considered as the kind of correlation and the constructive equations. For this purpose, based on the occasional sampling, a sample equals to 159 people were selected and by using of 17 questions in questionnaire, information was collected and the obtained results show the element of price has had the meaningful effect on the customer's absorption in international contracts in north drilling company.

Keywords: customer, customer's absorption, drilling company, international contracts, marketing, marketing mix, price

Introduction

Oil industry is the most effective and largest industry in the world, especially Iran. In addition, oil is a major resource of energy supply in today's world, which plays an important role in determination of the national strength and international validity of different countries too. Oil section in Iran's economics in many years supplies the majority of national income of country and indeed, this section plays a dominant role in the economics of country (seiied Mashhadi and *et al.*, 2011).

Marketing is a responsive process for identifying, predicting and profiting meeting of customers' needs that the organization will be able to fit its products or services with customers' needs, and not produces a

product to expect the customers come. Price is considered as one of the important components of marketing mix and it means that the customer should pay for getting product or services. The price is the only element that makes income and the other elements are indicative of expense (Kotler, 2012).

Absorption and satisfaction is the feeling of enjoyment or disappointment of the person that is achieved by comparison of the operation of a product (or the result of that action) by attention to his / her expectations (*ibid*). Therefore, we investigate the level of the effect of price element on the customers' absorption in international contracts of north drilling company by attention to the importance of price for companies, customer's absorption and income making in this research.

Research literature

Hang and Serilgo (2012) in a research with the topic (the relationship of understanding of brand with the result of market, the rights of share's owners by a commercial name and marketing mix)) stated as follows that there is not a relationship between understanding relative to the brand with the selling, market's share and especial value of brand. Also, the effect of propagation on the understanding relative to the brand has not been confirmed. The analysis in this research shows that there is a positive relationship between the distribution and understanding relative to the brand and between the price and propagation.

Bagli Brown and Flagnan (2011) in a research entitled "land drilling contract : Avoidance from the problems of the form of drilling contract" focused on some of available problems and matters in using the land drilling contracts and the quality of avoidance. Then, the most common and considerable of

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land contracts of the international society of drilling contractors were studied.

Nazari and Emami (2010) in a research entitled “An investigation of the effect of elements of marketing mix on the customers’ absorption (case study: Ansar financial and credit institutes of Kerman-shah” concluded that there is a meaningful relationship between “ customers’ income and depositing ”, “ delivering of rapid services and proper representation of services to customers ”, “ diversity of services and understanding of customers about them ” , “ using of the element of propagation”, “speeding in doing of facilities transferring to the customers ” in depositing , absorption of resources and customer in Ansar financial and credit institutes .

Mohammadnezhad, Kheyrikhah Gildeh (2008) in another research with this topic “investigation of management of international contracts in oil and gas industry from the point of view of the method of financial supply of project ” concluded that among the major pre – requests of investment in designs of international oil and gas section , there is the co-operation of international multi-functional and two functional institutes in mediating and dispersing country adventures and resolving the conflicts about the investments in the capital - accepting countries and stated that the clarity of the principles of country is the most major pre- requests of absorption of foreign investments in every industry , especially oil industry , and it is necessary that in the direction of achieving of these types of investments , the collecting of dominant principle in the oil industry of country as a main step should be paid attention .

Statement of the Problem

International large and valid companies active in the oil and gas field especially the drilling companies for promotion of the power and the superiority on their global compartments, follow their presence in new field as a long term and successful solution that the drilling also, as an important section of top field, plays a major role in this area (Sheikhbabaei, 2007).

The aim of all companies is the increase of profiting selling through satisfying of the market’s and consumers’ needs and demands in long term .As Theodore Loui stated , the product is only indeed a product that has selling , otherwise , it is a proper part for museum (Aghajani , 2009);

Marketing is a leading activity and a way concentrated on the result of the attempts related to the absorption of more consumers for buying of your product

in more times , so that your company achieves more money (Zimenn , 2008). All organizations are seeking for customer’s absorption and increase of his / her satisfaction and customer’s absorption is the main base of any activity in organization (Ali Mohammadi, 2002).

By attention to the aforementioned subjects , the main matter in this research is that how much the price element is affective on the customers’ absorption in international contracts in north drilling company .

Significance of the study

Because of the importance of oil that is a viable resource , the oil concluded contracts have an especial importance too; most oil contracts have the international aspect and especially by attention to the political and economic changes in the world, faced with the changes and deformations that each one from the especial aspects holds the importance of the study. Knowing the players and the effective elements on the different markets in oil industry and understanding the market changes and operating collected plans of marketing in oil , gas and petrochemical industries provides the unique opportunities in commercial fields for companies and the agents of the industry; in one hand, the investigation of the effective elements for customer’s absorption, for profit organizations – especially service ones like north drilling company that is deliverer of the drilling services in the national and international area – is very important and fundamental and is a viable matter and unavoidable necessity and on the other hand , we often neglected the attention and understanding of this viable and basic point that in principle delivering of all services , is for absorption and satisfaction of customers and each element that leads to its increase can leads to so much profiting of these organizations. So, paying to the topic of the contracts of oil and gas field – in this study, drilling industry – can be useful for the agents of this field especially the decision makers, managers, investors, marketers and the students of the courses related to the marketing, oil and gas fields – especially drilling industry .

Objective of the study

The main aim of this research is to see whether the price element has the meaningful effect on the customers’ absorption in drilling international contracts in north drilling company and it is divided into the secondary questions as follows:

1- Does the standard base and logical trend of pricing have a meaningful effect for customers’ ab-

sorption in drilling international contracts in north drilling company?

2- Does the proportion of the rates with the quality of services and the expectations of customers have a meaningful effect for customer's absorption in drilling international contracts in north drilling company?

3- Does flexibility and attractively of prices have a meaningful effect on the customers' absorption in the drilling international contracts in north drilling company?

Theoretical basis of research

Market

“ Market composed of all potential customers that have common needs and demands and tend to proceed the exchange for meeting of their needs and demands and also have the ability of doing of this action (kotler, 2012). The types of the marketing from the point of view of Philip Kotler's point of view are as follows:

“ Consuming markets, industrial markets, intermediate markets, governmental market and international market that involves the foreign buyers and consumers, providers, selling intermediates and governments” (Alvadari , 2005).

Customer

In market culture, a customer is a person who has the ability and talent of product buying and / or a service, that this ability and talent is presented in a mixing form in the person and the selection and action of buying is done. In this culture and view, a customer is an intelligent and knowledgeable person that well study and investigate about satisfying of his / her needs and by evaluating and considering of his / her facilities and talents, pays to the selection (Imani, 2007).

Customer's absorption

Customers are the supplier of the financial profits of organization. So knowing of the obvious needs and prediction , determination and directing of their hidden needs , designing and operating the plans of delivering of services for satisfying of these needs for customer's absorption are the main basis of every activity in the organization (Curasi & Kennedy , 2002) . So making a strategic view in the direction of absorption and keeping of customer is necessary. This aim only by careful knowing of effective elements on this absorption and keeping from the customer's view and their analysis and prioritizing will be practical and possible (Rostami, 2012).

Marketing

Marketing is “providing the products or services for satisfying of the needs of consumers”. In the other words, marketing consists of understanding of the needs of customer and fitting of company's products, for satisfying of those needs and involving the profit-process for company (Westwood, 2010).

Marketing mix

The marketing mix is composed of all things the company can use their effect on the demand for its products in the target market. The types of probable things can be classified in four groups that are called four bases: product, price, location and promotion (kotler, 2012)

Price

It is the amount of the money that the customers pay to achieve to the product. The elements forming of price are: list of selling price, discounts, losses, payment time, credit conditions and pricing methods. Prices in service activities have two major roles that are as follows: a) affecting on the understanding and decision making of consumers; b) affecting on the operation management. Some of the service organizations for their services, accordance to the conditions of demand during the week, month, season and year, deliver especial prices to be able to create a balance in the delivering and demanding of services.

Contract

“Contract” is a Farsi changing of (Aghd) in Arabic that in the word means (close). In the expression, (contract is that one or some people versus one or some other people undertake a matter and it is under their acceptance) (Iran civil principle, article 183).

International contract

International contract is said about an agreement that is concluded among the followers of international law in the especial topic or topics for satisfying of the specified legal effects. The similar definition has come in Javaher Alkalam: (it is a statement from two sides of contract or a statement from the other side that the legislator has resulted from it).

Methodology

The type of research in this survey, is a descriptive research from the measuring type ; and based on the purpose , and it can be put in the practical group ; because its aim is determination of the level of affecting of price on the customer 's absorption

in the drilling international contracts and is used by this company and similar companies .

By attention to the lack of the possibility of access to the customers of company that their majority are the employers of international area, it is referred to the experts of this course inside of company. The volume of statistical population in this research is limited and composed of 260 people of top managers, chiefs and marketing experts, public relationships, top managers of projects and the staffs of service production units in north drilling company. In this research, for sample selection, the simple random sampling has been used in a systematic method. The required volume of sample by using of Cochran formula for research is composed of 155 people.

A number of 200 questionnaires were distributed among the members of the statistical population and finally 158 participants completed and usable questionnaires were extracted that the analysis on the information of these questionnaires was done.

Instruments

In this research, for designing of the questionnaire, the scientific resources and associated research articles in the research literature also, some of them have been implied - like

“ investigation of the effect of the elements of marketing mix in customer’s absorption (case study: Ansar financial and credit institutes of Kermanshah) “ , “ the effect of marketing mix on the preference of customer in selection of an insurance company “ , “ a view for the

changes of drilling contracts “ , “ investigation of management of international contracts in oil and gas industry from the point of view of financial supply of project “ , “ study of the system of management of industrial marketing and its effect on the export of the petrochemical products “ and “ contracts of oil services : new designs for promotion of the drilling yield “ have been used , the questions of marketing mix were extracted and then for doing of this research have been corrected and proposed ; and have been used for investigating of the validity of model and the fields of research .

The questions of the questionnaire

A) General questions: general information and population knowing about the respondents including of 5 questions (sex, marital status, education degree and work antecedent)

B) professional questionnaires: the first section is the questions related to the price of service delivering (12 questions) and the second part is the questions associated to the investigation of the condition of customers absorption of company (5 questions) that totally involve of 17 questions .

Reliability of questionnaire

For determination of reliability of questionnaire by using of the software of SPSS 21, Cronbach’s Alpha was used; its value for total value is .927 and for each one of the elements is also more than 0.7, so it can be claimed that the used questionnaire has the acceptable reliability.

Table 1. Result of Cronbach Alpha test

927/0	All questions	854/0	Customer Absorption	907/0	Price element
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Method of data analysis

In this research, for analysis of data obtained from samples, the methods of inferential statistics have been used; that after data collection and investigation of the variables by using of analytical statistics a structural equations and by using of the software’s of SPSS version 21 and LISERL version 88, data analysis and associated testing have been preceded.

Results

1 – Cronbach Alpha test for determination of reliability of research questionnaire

As it was implied in the table number 1 , by attention to the number achieved from this test that for all independent and dependent variables is higher than the meaningfulness value – equals to 0.7 - , the choices of questionnaire have the proper reliability .

2- Kolmogorov-Smirnov test for determination of being normal or abnormal of data

In data analysis, by using of this test, it is specified that sig achieved of the test of data has been more than the meaningfulness – equals to 0.5 – and in the statistical population has the normal distribution.

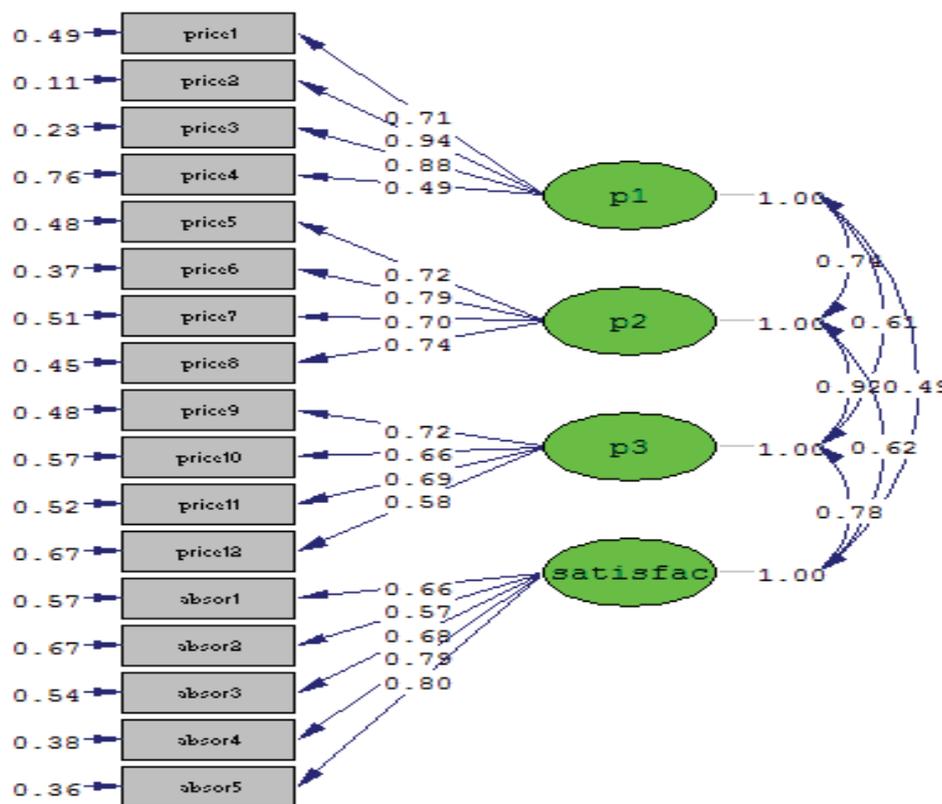
Table 2. Result of Kolmogorov – Simonov test One-Sample Kolmogorov-Smirnov Test

Kolmogorov-Smirnov Z	.815	.915
Asymp. Sig. (2-tailed)	.519	.372

- a. Test distribution is normal
- b. Calculated from data

3 – *Technique of admitting factorial analysis for measuring of the degree of validity of the choices of variables*

After doing of this test and the outputs achieved by software LISREL in two states of standard estimation and meaningfulness coefficient of T – Value, because in the first state, the factorial load of the choices of all variables has been more than 0.3 and in the state of the meaningfulness the factorial load of choices has been out of the limit of 1.96 – 1.96: it was concluded that the validity of the choices of questionnaire is in a desirable range.



Chi-Square=253.59, df=113, P-value=0.00000, RMSEA=0.066

Figure 1. Correlation of questions with variables in Standard mode

As it is seen $\chi^2 / df = 2.24$ and $RMSEA = 0.066$ that both are in a desirable level; in one hand, in the standard estimation state (figure1) the factorial loads of all choices related to the factors larger than .3 and in the state of meaningfulness coefficients of T – Values (figure 2), the factorial loads of the choices related to the variables are out of the limit of 1.96 – 1.96 that it is indicative of the proper correlation of the choices with the variables.

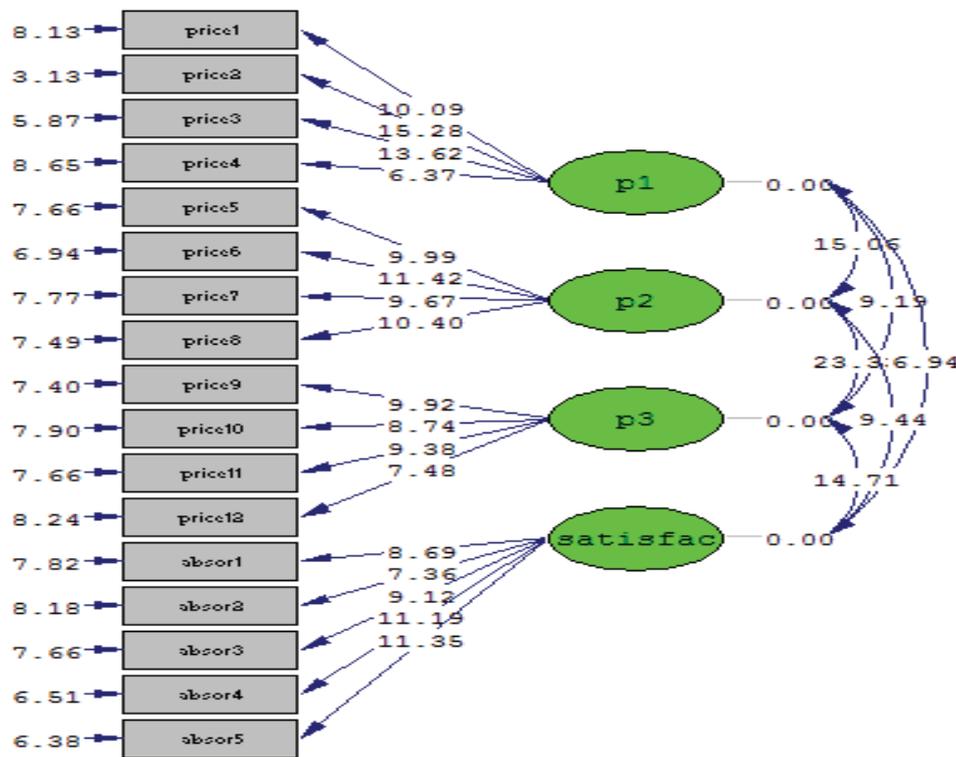
Path analysis test

Here, by using Lisrel software, for achieving of the level of the effect of independent variable in the

dependent variable, this test was used, and finally, it was specified that the variable of price has the direct and meaningful effect for customer’s absorption in drilling industrial contract in north drilling company.

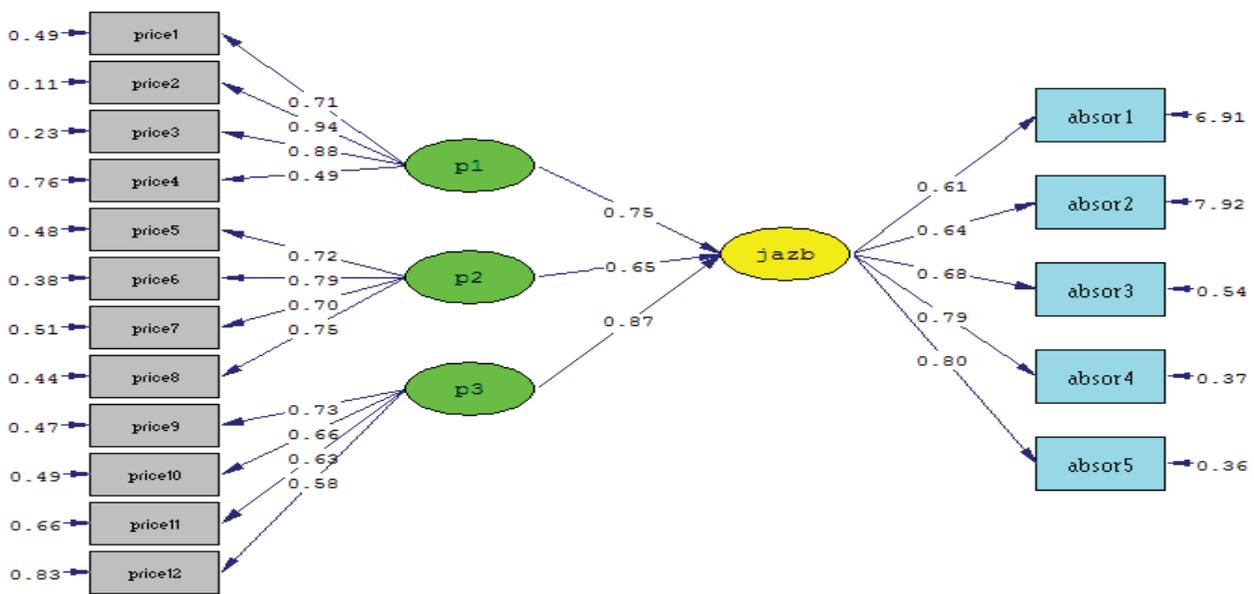
Goodness of fit test for determination of goodness of fit of the extracted model in data analysis

At the end, for determination of goodness in the value of the extracted model in data analysis, the goodness of fit was used that the obtained results show that all indexes have the acceptable amount and are in proper state.



Chi-Square=253.59, df=113, P-value=0.00000, RMSEA=0.066

Figure 2. Correlation of questions with variables in T-Values mode



Chi-Square=24.27, df=9, P-value=0.00389, RMSEA=0.074

Figure 3. Model of the structural equations of the effect of independent variable on dependent in Standard mode

Conclusion

In today’s comparative environment, the organizations need the identification of the effective elements for customer’s absorption and improving of its indexes for being able to keep their growth and

survival. Among the most necessary factors, i “ price “ and satisfaction of customer from the proposed prices for selling of products or delivering of services that in the case of having the necessary features, will be accepted by customer makes it as a consumer of the product or services.

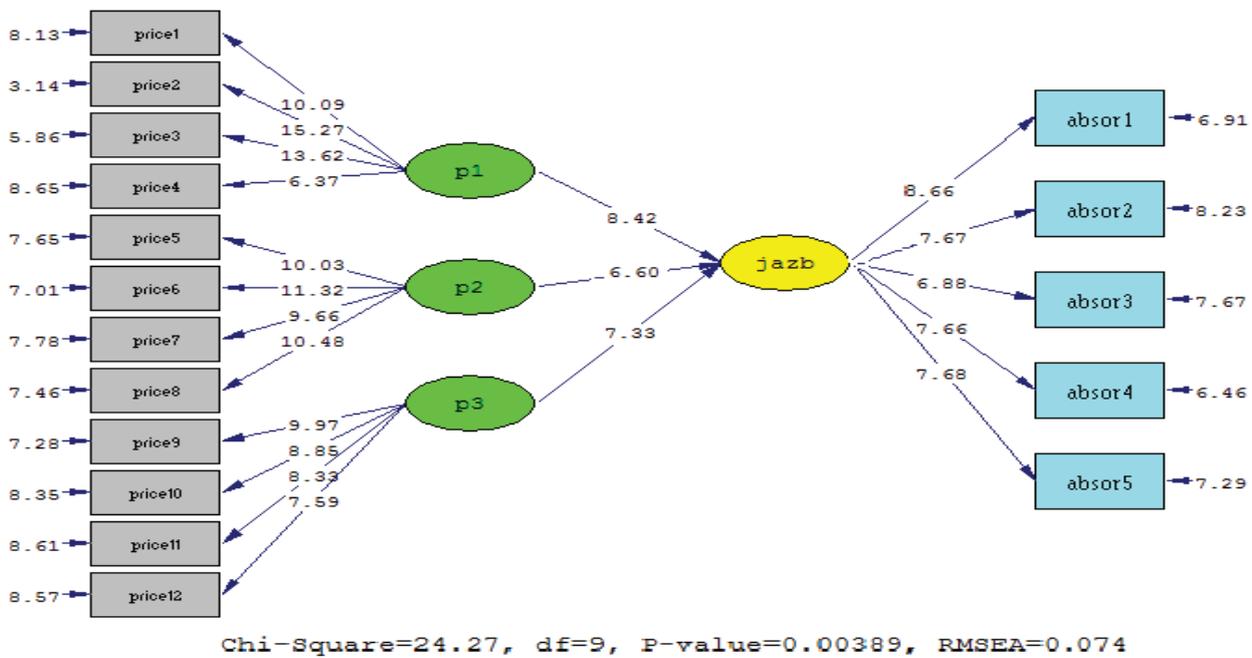


Figure 4. Model of the structural equations of the effect of independent variable on dependent in T-Values mode

Table 3. Result of goodness of fit test

Index	Acceptable amount	Amount	Result
χ^2 / df Chi Square divided to degree of freedom	$\chi^2 / df < 3$	$\chi^2 / df = 2.69$	Accept
P-value (Significance Level)	$P < 0.05$	$P = 0.00389$	Accept
RMSEA (Root Mean Square Error of Approximation)	$RMSEA < 0.09$	$RMSEA = 0.074$	Accept
RMR (Root Mean Square Residual)	$RMR < 0.09$	$RMR = 0.076$	Accept
CFI (Comparative Fit Index)	$CFI > 0.9$	$CFI = 0.95$	Accept
IFI (Incremental Fit Index)	$IFI > 0.9$	$IFI = 0.95$	Accept
NFI (Normed Fit Index)	$NFI > 0.9$	$NFI = 0.93$	Accept

By paying attention to the opinions of the experts of drilling industry in north drilling company, and by attention to the proceeded analysis in this research, the presented factors i.e. “standard basis and logical trend of pricing”, “the proportion of the rate with the quality of services and the expectations of customers” and “flexibility and attractiveness of prices” have had the direct and meaningful effect on the customers’ absorption in the drilling international contracts in north drilling company and based on the strength of effect and their importance are respectively as follows: “flexibility and attractiveness of prices”, “standard basis and logical trend of pricing” and “proportion of rates with the quality of services and the expectations of customers”.

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