CHRISTIAN SERVICE UNIVERSITY COLLEGE

DEPARTMENT OF BUSINESS STUDIES

PRICING AND ITS EFFECTS ON CONSUMER BUYER BEHAVIOUR

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JULY 2011
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SUPERVISOR’S DECLARATION

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines and supervision of dissertation laid down by Christian Service University.

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ABSTRACT

Price is not just a number on a tag. Price comes in many forms and performs many functions, rent, tuition, fares, fees, rates, tolls, retainers, wages and commissions all may in some way be the price for some goods or services. Throughout most of history prices were set by negotiation between buyers and sellers. Bargaining is still a spot in some areas. Pricing practices have changed significantly in recent years. Consumer behavior on the other hand is ‘the decision processes and acts of individuals involved in buying and using products or services’’. This relationship shows that for a given price as perceived benefit increase, value increases. The prices of product are always is a determinant factor in the behaviour of consumer purchase as well as the success or profitability of the firm. How much to charge for a product or service? This question is a typical starting point for discussions about pricing, however, a better question for a firm to ask is - How much do customers value the products, services, and other intangibles that the firm provides? The study sort to among others, To determine how prices affects profitability of the firm, and To study how important customer are sensitive to price. The research is an experimental research, which uses variables to identify cause and effects relationship between variables. This research sort to identify the cause and effect of price and consumer behaviour, in the fast moving consumer goods market. In conclusion, The quality of a product also serves an as important reason for consumers to purchase products. it is therefore among others recommended that, There must always be communication between , retailers and consumers to monitor, if there are changes in the product performance since it can affect consumer buying behaviour.
ACKNOWLEDGEMENT

We thank the Lord Almighty for the gift of life throughout the years of study in this University College.

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We finally thank all lecturers of the department of business studies for their support and guidance in diverse ways.
DEDICATION

We dedicate this work to the Glory of God.
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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Price is not just a number on a tag. Price comes in many forms and performs many functions, rent, tuition, fares, fees, rates, tolls, retainers, wages and commissions all may in some way be the price for some goods or services. Throughout most of history prices were set by negotiation between buyers and sellers. Bargaining is still a spot in some areas. Setting on price for all is a relatively modern idea that arose with the development of large scale retailing at the end of the nineteenth century. F.W Woolworth, Tiffany and CO., John Wanamaker and others advertised a ‘strictly one-price policy’ because they carried so many items and supervised so many employees. Traditionally price has operated as a major determinant of buyer choice, consumers purchasing price information and price discounters. Consumers put pressure on retailers to lower their prices. Retailers put pressure on manufacturers to lower their prices. The result is a marketplace characterized by heavy discounting and sales promotion.

Pricing practices have changed significantly in recent years. Consumer behavior on the other hand is ‘the decision processes and acts of individuals involved in buying and using products or services’ (Dibb et al, marketing: Concept and strategies, 1994). As Dibb et al say, the study of consumer buying behavior by an organization is important for a number of reasons; the buyer’s reaction to the organization’s marketing strategy has major impact on the success of the organization, If organizations are truly to implement the marketing concept, they must examine the main influences on what, where, when and how consumers buy. Only in this way will they be
able to advise a marketing mix that satisfies the needs of the consumer, by gaining a better understanding of the factors influencing their customers and how their customers will respond, organizations will be better able to predict the effectiveness of their marketing activities.

Basic to setting a product price is the extent of consumer demand for it. Marketing executives must also translate this estimate of consumer demand into estimates of revenue the firm expects to receive. From the consumer view point, price is often used to indicate value when it is paired with the perceived benefits of a product or service. Specifically, value can be defined as the ratio of perceived benefits to price. This relationship shows that for a given price as perceived benefit increase, value increases. Also for a given price, value decreases when perceived benefit decrease. Creative marketers engage in value pricing, the practice of simultaneously increasing products and service benefits and maintaining or decreasing price. For some products, price influences the perception of overall quality and ultimately value to consumers.

For example, in a survey of home furnishing buyers, 84 percent agreed with the following statement “the higher the price, the higher the quality”. For computer software it has been shown that consumers believe a low price implies poor quality. Consumer’s value assessment is often comparative. Here value involves the Judgment by a consumer of the worth and desirability of a product or service relative to substitutes that satisfy the same need. The art of pricing is to find the price to be an- equate to the value of the product to the customer-anything less than that represents a sacrifice in potential profits (E. Raymond Corey). The amount you can sell varies with the price you set. Moreover cost change with volume, so profits also depend on price. Some customers are value oriented and want to pay low prices for expectable quality. At
the other extreme are buyers who want high quality and are willing to pay more to get it. Thus your price must be congruent with the prospective buyers you choose to target.

1.1 STATEMENT OF THE PROBLEM

It is time that companies realize that we live in a marketplace and thus have to “price” our product and services to sell to our potential “buyers” – the consumer. In a market with a large number of competitors and high discounts to products and services, high advertisement spending, a brand must price such that consumers will be comfortable spending on such products. The prices of product are always a determinant factor in the behaviour of consumer purchase as well as the success or profitability of the firm. How much to charge for a product or service? This question is a typical starting point for discussions about pricing, however, a better question for a firm to ask is - How much do customers value the products, services, and other intangibles that the firm provides? Thus the question then is “should prices determine how consumer purchase? A phenomena which has largely placed firms in situation which are sometimes difficult to deal with based on the consumer behaviour towards the pricing strategy used in the market of competition. Consumers always have factors that affect their purchase of a particular product or service in the market. In a world of complex product lines and service offerings, value is lost because sellers cannot accurately determine what customers are willing to pay for product features and attributes.

1.2 PURPOSE OF THE STUDY

The consumer is a critical factor in the profit maximizing enterprise of every business entity. Studying how the consumer react to price changes in his purchase patterns are thus critical and worth investigating.
The purpose of this research work is to in more specific terms find out how price changes manipulate consumer behavior and in that highlight how price contributes to profitability.

1.3 OBJECTIVES OF THE STUDY

i. To find out whether price changes affect buying patterns of consumers.

ii. To identify the factors that distributor and retailers consider in their pricing decision.

iii. To examine the role pricing plays in profitability.

1.4 RESEARCH QUESTIONS

i. Do price changes affect the buying patterns of consumers?

ii. What factors do distributors and retailers consider in pricing?

iii. Do pricing affect profitability?

1.5 SIGNIFICANCE OF THE STUDY

Pricing is a very sensitive aspect of the marketing process which in so many ways can make or unmake a business. Pricing is the only part of the marketing mix element which brings in revenue. Pricing decisions are thus extremely important for the firm. Pricing again has important implications for the positioning of a product. Price is the marketing mix variable for which a competitive response can be most quickly implemented. The significance of this research work to serious minded business organizations thus cannot be underestimated as highlighted above. This study is purposely designed to look at how pricing affects consumer buyer behaviour and the firm as a whole.
1.6 LIMITATION OF STUDY

i. Difficulty in combining the research with other relevant activities such as lectures, and work would not allow for total focus on the study.

ii. Sample size may not be large enough to make generalization.

1.7 ORGANIZATION OF STUDY

The research work shall constitute five chapters. The first chapter shall introduce the work. It generally will examine the setting of the research problem. It shall in specific terms consider the background, problem statement, objective, significance and limitation of the study.

Literature review is the caption for the second chapter. It will review all existing work on and related to the research problem this work seeks to unravel.

The third chapter captioned research methodology shall concern itself with the various methods that shall be employed to gather relevant data and how to present these data in ways that will aid easy interpretation and understanding.

Chapter four would seek to analyse and present findings based on the data collected in the preceding chapter in meaningful ways.

The last chapter will draw conclusions based on the findings in the preceding chapter and make recommendations.

1.8 SCOPE OF THE STUDY

The study explored how pricing of rice by distributors and retailers affects the consumer buyer behavior. The research was conducted virtually on the market (primary data). The researchers went onto the various markets dotted across the Kumasi Metropolis to sample well established distributors and retailers as well as individual consumers and conducted interviews as well as
issued out questionnaires to elicit information. The study was conducted within a one month period. This was as a result of most distributors and retailers being either so busy such that they couldn’t talk to us or were out of office.

The study focused on a selected number of brands of rice that are popular such as Sultana, Uncle Sam, Better and Texas star. The research findings are thus limited to the above mentioned brands. However one may easily extrapolate these findings unto other brands of rice not mentioned.
2.0 THE MEANING OF MARKETING

The concept of marketing has been defined narrowly by writers as ‘selling and advertising’. The starting point for the definition of marketing lies in human needs and wants. The fact that people have needs and wants and can place value on products is necessary, but not sufficient to define marketing. Marketing exist when people decide to satisfy needs and wants in a certain way that we shall call exchange. Marketing is based on the premises that the customer is the most important person to the organization. Sayings such as “the customer comes first” illustrate marketing’s commitment to strong customer focus. The knowledge is that if good care is taken of customers, market share and profit will follow. Marketing is part of our lives and touches us in some way every day. To be successful, each company that deals with customers on daily basis must not only be customer-driven, but customer obsessed. The best way to achieve this objective is to develop a sound marketing within the organization. Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. (Kotler)

The American marketing association defines marketing as “the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational objectives”. In addition the British chartered institute of marketing (CIM) defines the concept as “the management process responsible for identifying, anticipating and satisfying customer requirements profitably”.

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Further, Marketing is an activity. Marketing activities and strategies result in making products available that satisfy customers while making profits for the companies that offer those products. Marketing activities are numerous and varied because they basically include everything needed to get a product off the drawing board and into the hands of the customer.

Today, marketing must be understood not in the old sense of making a sale – ‘telling and selling’ – but in the new sense of satisfying customer needs. Selling occurs only after a product is produced. By contrast, marketing starts long before a company has a product. Marketing is the homework that managers undertake to assess needs, measures their extent and intensity and determine whether a profitable opportunity exists. Marketing continues throughout the product’s life, trying to find new customers and keep current customers by improving products appeal and performance.

Marketing function does not deal with only the production of goods and services; it is also concern with the ethical and social responsibility functions found in the domestic and global environment. Again, marketing critically analyzes the appropriate communication and its implementation for a product to be successful.

2.1 PRICING

Pricing is a very sensitive aspect of the marketing process which in so many ways can make or unmake a business. Pricing decisions are extremely important for the firm; Pricing is the only part of the marketing mix which brings in revenue. Once a price has been set, consumers will often show a great deal of resistance to any attempts to change it. Pricing frequently has important implications for the positioning of a product. Price is the marketing mix variable for which a competitive response can be most quickly implemented.
Pricing is a fundamental aspect of financial modeling, and is one of the four Ps of the marketing mix. The other three aspects are product, promotion, and place. It is also a key variable in microeconomic price allocation theory. Price is the only revenue generating element amongst the four Ps, the rest being cost centers. Pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors such as: a fixed amount, quantity break, promotion or sales campaign, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. The needs of the consumer can be converted into demand only if the consumer has the willingness and capacity to buy the product. Thus pricing is very important in marketing. It has been part and continues to be a very vital input when it comes to marketing and becoming successful in the market of competition.

2.2 DEFINITION AND WHAT PRICE SHOULD DO;

Pricing is the process of determining what a company will receive in exchange for its products. Pricing factors are manufacturing cost, market place, competition, market condition, Quality of product. Price is the amount for which products, services or ideas are exchanged or offered for sale, regardless of its worth or value to potential purchasers. Within the framework of classical economic theory, prices are arrived at in a relatively determined manner. (Tom Cannon, 1998).

Price is the one element on the mix that produces revenue, the other elements produce cost. Price is perhaps the easiest element of the marketing program to adjust, product features, channels, and even communications take more time. Price also communicates to the market the company’s intended value positioning of its product or brand. A well designed and marketed product can command a price and reap big profits. (Kevin Lane Keller 13th Ed.)

Price is not just a tag. Prices come in many forms and perform many functions. Rent, tuition, fares, fees, rates, tolls, retainers, wages, and commissions all in some way be the price you pay
for some good or service. Throughout the most of history, prices were set by negotiation between buyers and sellers. Bargaining is still a sport in some area. Traditionally, price has operated as a major determinant of buyer choice. Consumers and purchasing agents have more access to price information and price discounters. Consumers put pressure on retailers to lower their prices. Retailers put pressure on manufacturers to lower their prices. The result is a market place characterized by heavy discounting and sales promotion. (ibid)

The effective price is the price the company receives after accounting for discounts, promotions, and other incentives.

A well chosen price should do three things:

i. Achieve the financial goals of the company (e.g., profitability)

ii. Fit the realities of the marketplace (Will customers buy at that price?)

iii. Support a product's positioning and be consistent with the other variables in the marketing mix.

Price is influenced by the type of distribution channel used, the type of promotion used, and the quality of the product.

Price will usually need to be relatively high if manufacturing is expensive, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns.

A low price can be a viable substitute for product quality, effective promotions, or an energetic selling effort.

From the marketer's point of view, an efficient price is a price that is very close to the maximum that customers are prepared to pay. In economic terms, it is a price that shifts most of the
consumer surplus to the producer. A good pricing strategy would be the one which could balance between the price floor (the price below which the organization ends up in losses) and the price ceiling (the price beyond which the organization experiences a no demand situation).

2.3 THE PSYCHOLOGY OF PRICING PRACTICES

Do pricing practices affect consumer decisions and how? In order to answer these questions we first need to understand some fundamental human decision making processes. Classical economic theory suggests that people act rationally, using cost benefit analysis to make choices and come to conclusions. According to this theory people will always choose the option that is objectively best for them (optimal option). Yet, after decades of scientific research, conducted by behavioural psychologists, behavioural economists and marketers, it is now well established that this notion is incorrect.

We live in an extraordinarily complicated environment. It would be impossible to recognise and evaluate all the aspects of each person, event, situation and product we encounter in one day. We do not have the capacity for it, let alone the time and motivation. As a result, we have developed mechanisms to deal with this complexity. One way people deal with the immense amount of information around them is to use mental shortcuts, or heuristics. These are rules of thumb people use to make quick judgements and come to conclusions. For instance, we use an unlit shop as a sign that it is closed, we associate suits with professionalism, and we equate expensive products with higher quality. We classify things according to a few key features and then respond automatically and without thinking, when one or another of these features (or cues) is present.
Automatic and unconscious decision making is present in much human action. In most cases it is beneficial, and in some, it is necessary.

Whilst heuristics can usefully guide our behaviour and allow us to function in the world, they are not perfect calculations and are subject to occasional and sometimes costly errors in judgement (for example, expensive is not always better quality). Importantly, heuristics leave us open to external influences. For instance, studies have shown that restaurants are able to systematically influence customers’ choice of wine, simply by manipulating the background music; stores have been able to influence people to buy the more expensive of two microwaves by adding a third even more expensive option; and researchers have been able to influence whether people choose a Sprite or an Orangina simply by manipulating the colour of the pen people are writing with.

Ahmetoglu et al. There are several pricing practices that tend to influence consumer behavior. These are discussed briefly below:

2.3.1 Drip Pricing (Partitioned Pricing)

Drip pricing mainly refers to purchases where consumers only see an element of the price upfront, and where either optional or compulsory price increments are revealed as they ‘drip’ though the buying process (e.g. airline taxes or charges to pay using credit cards). That is, the total price is only revealed (or can only be calculated) later on in the purchasing process. When price is separated in this way, it is also called ‘partitioned pricing’.

2.3.2 Reference Pricing

A reference price, simply stated, is a price that is communicated to the consumer as being the ‘normal’, most commonly charged, or un-discounted price (e.g. was £199, now £169). There are
three basic types of retail reference pricing practices: (1) comparing an advertised price to a price
the retailer formerly charged for the product; (2) comparing an advertised price to a price
presumably charged by other retailers in the same trade area; and (3) comparing an advertised
price to a manufacturer's suggested retail price. Retailer-supplied comparative prices (2) are
often referred to as external reference prices (ERPs), or advertised reference prices (ARPs)
because they provide an external reference against which an offered price can be judged. Prices
recommended by a manufacturer (3) are typically called a Recommended Retail Price (RRP).

Fake reference prices include prices that are compared to either an ‘original’ or ‘recommended’
price, which may not be accurate or verifiable. As with drip pricing, the fundamental
psychological principle (heuristic) underlying reference pricing is anchoring. It is well-
documented that during normal decision making (including estimating value), an initial value (an
anchor) serves as a mental benchmark or starting point for estimating ‘real’ value. A reference
price may therefore serve as an anchor that consumers make adjustments to in order to reach
their final price estimate. Because anchoring effects occur unintentionally and unconsciously, it
is difficult for people to know the extent to which an anchor value influences their estimates.

There is an abundance of evidence to show that advertised reference prices (ARPs) influence a
range of consumer price- related responses, including increasing perceptions of the fair price, the
normal price, the lowest available price in the market, the potential savings, the purchase value,
and also that they decrease additional search effort (e.g., Ahmed & Gulas 1982; Bearden,
Lichtenstein, & Teel 1984; Berkowitz and Walton 1980; Biswas & Blair 1991; Blair & Landon
1981; Burton, Lichtenstein, & Herr 1993; Darke, Freedman, & Chaiken, 1995; Della
Ahmetoglu et al.
2.3.3. The use of the word ‘Free’

There are different ways in which the term ‘free’ is used in advertising, for example: ‘Buy one Get one Free’; ‘Free Laptop’ with a given broadband package; or ‘kids go free’. While there is little research that directly examines the effect of the word ‘free’ on behaviour and attitudes, several theories have been posited to explain why a product offered as ‘free’ should affect consumer behaviour. One theory suggests that this is due to the certainty effect. Any purchase carries a risk of buyer’s regret (e.g. ‘the chocolate did not taste as good as I’d thought’), whereas free things escape such regret as nothing was spent on it, causing people to overvalue anything that is free (Shampanier, Mazar, and Ariely, 2007). Another theory suggests that people choose the benefit which avoids trade-offs (including calculating discounts that require cognitive effort). Because free is an absolute price, we know exactly what it means. There is no relative thinking, and no calculation required, and most of all, no fear of loss.

2.3.4. Bait pricing

This covers a range of practices, but essentially involves consumers being enticed with a discount, but subsequently ending up purchasing a more expensive product because there are very few, or indeed no, items available at the discounted price. Psychologists have long recognised that once people have committed to an action, they are more likely to be consistent with that particular deed. This ‘commitment and consistency’ principle (Cialdini, 1999) stems from three sources: it generally simplifies daily life; it affords a valuable shortcut through the complexity of modern existence; and it is highly valued by society.

By being consistent with earlier decisions, one reduces the need to process all the relevant information in future similar situations (Cialdini, 2009). Thus, bait sales may result in consumer
detriment where consumers have been enticed with discounts and are then reluctant to continue searching elsewhere even where the offer is no longer available. It should also be noted that preference for consistency increases with age, with those beyond the age of 50 displaying the strongest inclination of all to remain consistent with their earlier commitments, arguably rendering them more vulnerable to the practice (Brown, Asher, & Cialdini, 2005).

2.3.5. Complex Pricing

Complex pricing covers a range of practices which may make it more difficult for the consumer to assess or compare prices (consciously or subconsciously). These include:

- **Volume Offers.** This covers practices such as ‘3 for 2’, ‘Buy one get one half price’ or 3 for £8 etc.

- **Multi-part pricing.** Where the product or service is comprised of two or more parts, each with a separate unit price, for example mobile phone packages which may include separate prices for the phone, calls, texts, internet access etc.

- **Comparative bundles.** Where comparisons are made across a bundle or ‘basket’ of goods, e.g. Pay-TV packages or supermarket baskets. Bundles can adopt two strategic forms: pure or mixed bundle. *Pure bundling* (sometimes called "tying") is a strategy in which a firm sells only the bundle and not (all) the products separately.

- **Adverts where pricing is dependent on several clauses and conditions such as thresholds, minima and maxima, and inter-temporal price differences, which do not relate to the underlying nature of the product.** This may include some mobile phone tariffs and financial products.
2.3.6. Time limited offers

Time limited offers generally refer to offers which only last for the immediate period of negotiation and the customer is advised that the price will not be available at a later date. Time limited offers are based on a psychological principle called scarcity (Cialdini, 2009). According to this principle, people assign more value to opportunities/items when they are (or are becoming) less available. 1981). Note that these principles underlie any pricing practice that indicates scarcity (including volume offers which are accompanied by a statement such as ‘hurry while stocks last’, or ‘maximum 12 per person’).

2.4 OVERVIEW OF CONSUMER BEHAVIOUR

Consumer behaviour is the study of when, why, how, and where people do or do not buy a product. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies the characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people’s wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups and society in general.

Consumer behaviour is based on the consumer buying behaviour, with the customers playing the three distinct roles of user, payer and buyer. [Kioumarsi et al., (2009)] Arnould et al (2002), defined consumer behaviour as individuals or groups acquiring, using and disposing off product, services, ideas, or experiences. Consumer behaviour thus stretches beyond acquisition. As suggested above, consumer behaviour is reflected under three domains: acquisition, consumption and disposition.
We shall examine the consumer behaviour under the above domains devoting much of our attention to the acquiring function of the domain as require by the research topic. The individual as a consumption unit exhibits various behaviours in the course of acquiring, consuming, and disposing. He receives, produces, purchases, inherits etc. (i.e. acquiring); collects, stores, display, etc (i.e. consuming); and gives, throw away, recycle etc (i.e. disposing). These actions cannot however be looked at in a vacuum. Various factors including peer and reference group influence, price and attitudes of sellers do in a way determine the pattern these active follow.

2.4.1 Reference and Peer Group

There are some people that an individual keeps in mind when making a purchase. Usually, such people disseminate opinions and other individuals are pressured into following their trend, becoming associated with them and using them as a standard of their purchase decisions. Such
people are known as reference groups. Thus, a reference group can be said to be a group whose values and attitudes are used by an individual as a basis for his or her current behaviour (Schiffman and Kanuk, 2007; Hawkins et al., 2006).

From a consumer behaviour perspective, reference groups are important because they inform and make individuals aware of specific products and brands; provide individuals with opportunities to compare their own thinking with the attitudes and behaviour of the group; and influence individuals to adopt attitudes and behaviour that are consistent with the norms of the group (Lessig and Park, 1978; Schiffman and Kanuk, 2007). Specifically, reference group specify what are desirable and undesirable products (Bristol and Mangleburg, 2005; Shim, 1996). They also tend to influence product selection, information processing, attitude formation and shopping behaviour (Bearden et al., 1989; Childers and Rao, 1992; Lachance et al., 2003).

Determining how various types of reference groups affect the behaviour of individuals has attracted the focus of consumer researchers for some time (Childers and Rao, 1992; Bristol and Mangleburg, 2005).

2.4.2 Attitudes

Attitudes can be described as a person’s relatively consistent evaluation, feelings, and tendencies towards an object or idea. It thus puts a person in a frame of mind of liking or disliking things, of moving towards or away from them. [Philip Kotler and Armstrong (2001)]. Attitudes have three components. The cognitive component consists of the individual’s beliefs and knowledge. The second component, affective, consist of the individual’s feeling or emotional reaction. The last
component is the behavioural. It reflects overt actions and statements of the individual’s behavioural intentions.

2.4.3 Consumer Culture

One cannot study consumer behaviour without a look at culture. Culture can simply be defined as a way of life of a group of people. The study of consumer culture will therefore provide a deep insight into consumer behaviour since consumers are people and for that matter live lives that follow defined sets of patterns.

Social sciences such as sociology, anthropology, and psychology offer varying definition of culture. However the marketer views culture as a relatively unchanging background of behaviour, consisting primarily of values and norms. [Arnould et al (2002)]. Values are enduring believes about desirable outcomes that transcend specific situations and shapes behaviour. Norms on the other hand are informal usually unspoken rules that govern behaviour.

Culture can be thought of as a set of dynamic models from which members perceive, relate, and interpret their world. Thus culture consists of shared frameworks or blueprints both for action and for understanding. These blueprints for action and interpretation are constructed by culture from two basic elements. These are cultural category and cultural principles. Whilst cultural category organizes time, space nature, and human community, cultural principles are concerned with the values, norms, and beliefs that allow things to be group into cultural categories, ranked and interrelated.
In the end, members of a community or market segment in acting and conforming to cultural blueprints constantly reinforce the distinction between cultural category through their purchase choice and consumption decisions.

2.4.4 Self and Selves

Understanding perception of the self, the social world and relationships between the self and others are among the most central concerns of consumer behaviour. The concept of self according to William James (credited with laying the foundation for self concept theory in 1890) is the sum total of what a man can call his: “...not only is body and psychic powers but his clothes and his house, his wife and his children, his land and horses, and his yatch and bank account”.

Newcombe recently defined self concept as “the individual as perceived by the individual in a socially determined frame of reference”. Therefore we can view the self concept as a person’s perception of himself that includes his physical being, other characteristics as strength, honesty, and good humour in relations to others, and even extending to include certain possessions and his creations.

Many behaviourists have formed various theories of how people develop their self concept. Social interaction provides the basis for most of these theories. One of such theory is the self-appraisal theory. It suggests that a person fashions out a self concept by labelling his dominant behaviour patterns according to what is socially acceptable and unacceptable behaviour. Self concept has become a popular approach in recent times to investigating possible relationships between how individuals perceive themselves and what behaviour they exhibit as consumers. An
advantage of studying consumer behaviour using self concept is that consumers provide
description of themselves as opposed to having description made by outside observers. That is,
each consumer describes his or her view of him or herself.

2.4.5 Economic and Social Structure.

Economic and social structure may be said to be the grouping across, broadly recognized by
members of that society, involving inequalities or certain differences in such areas as power,
wealth, income, prestige, working condition, lifestyle and culture. People in one class tend to
associate much more with one another than they do with members of other class.

Economic and social structures such as social class, ethnicity, and tribe anchor and mould
consumer preferences and consumption patterns and lifestyle. Not only do they predict the
resources controlled by consumers but also the skills and values are learned by individuals as
members of these groups. Moreover, members of social and economic groups turn to create and
defend certain consumption niches. So that basic consumption taste and preference such as
sweetness and saltiness in food are moulded not just by culture but also by social groupings.

Economic and social structures are dynamic. Group and individuals may thus experience social
mobility that may change consumer behaviour. For instance, the preference and consumption
behaviour of members of age-based group may be relatively consistent overtime, changing as
one undergoes life transitions from youth through to old age. As a matter of fact firms and
organizations focus their effort on fine-tuned marketing strategies targeted to different segments
of consumers. Some of these consumer segments are based on social class differences.
2.4.6 Perception

According to Philip Kotler (1998), all of us learn by the flow of information through our five senses: sight, hearing, smell, taste and touch. However each of us receives organizes and interprets this sensory information in an individual way. Thus perception is a process by which people select, organize and interpret information to form a meaningful picture of the world. People can form different perception of the same stimulus because of three perceptual processes: selective attention, selective distortion, and selective retention.

- **Selective attention**: people are exposed to great deal of stimuli every day. It is impossible however to pay attention to all these stimuli. Selective attention is the tendency for people to screen out most of the information to which they are exposed.

- **Selective distortion**: each individual fits incoming information into an existing mindset. It describes the tendency of people to adopt information to personal meanings. People tend to interpret information in a way that will support what they already believe.

- **Selective retention**: people will also forget much of the things they learn. They tend to retain information that supports their attitude and beliefs.

It is abundantly clear as noted by the various writers mentioned, that economic and social structure, peer group, reference group, attitudes, culture, self and selves are critical elements that influence the buying behaviour patterns of the consumer. However true these are in relations to the Ghanaian tertiary student consumer, we are yet to find out with the cold facts on the ground as we collects and analyse various data.
2.5 ACQUISITION

2.5.1 Why do consumers buy?

This is at the heart of consumer behaviour. What motivates consumers to buy and consume the product, service, experience and brand they do is the critical question. Motivation is defined as an inner drive that reflects goal-directed arousal. In a consumer behaviour context, the results for this internal drive is the desire for a product, service, or experience. The following element may help in making more meaning into motivation of consumers.

- Drive – they are internal stimuli. Example includes hunger, thirst, pain, and other physically experienced states. Other emotionally experienced states such as the desire for self esteem or affiliation can be described as drives.
- Goal – the ends or aspirations that direct action. To be considered a motive, the motive must have independent power to bring about action.
- Need – a broad fundamental biological and psychological requirement that propel behaviour, including the need for food, water, and shelter.
- Wants – the particular form of consumption that is capable of satisfying an underlining need.
- Effort – the time and energy consumers are willing to commit to a goal.

Over the years various motivation theories have been propounded. This includes;

- Sigmund Freud’s concept of drive
- Carl Jung’s concept of archetype
- Abraham Maslow’s concept of need hierarchy
- Henry Murray’s list of human needs
We shall discuss Sigmund Freud’s concept of drive and Abraham Maslow’s concept of need hierarchy theories and how they impact on consumer behaviour.

2.5.2 Freud’s Theory

Sigmund Freud, an Australian physician and pioneer psychoanalyst, provided insight about the existence of the unconscious mind which profoundly changed people notion about human motivation and needs and are now part of everyday thinking. Some argue that, Freud’s method and conclusions were in error. Nonetheless, his work continues to exert a strong influence on many current beliefs about motivation.

In contemplating human motivation, Freud believed that the human psyche is broadly divided into the conscious and the unconscious. The ego represents the conscious mind. It is composed of perception, thought, memories and feelings. The ego gives the personality a sense of identity and continuity. In many respects, Freud’s notion of ego is the precursor to modern theories about self concept. The unconscious mind is the id. It includes all the instincts and psychic energies that exist at birth. In this sense the id to a large extent is biologically determined. The motivations that are derived from the unconscious mind are both innate and unique to the individuals. These strong motivations must be satisfied. From this perspective human life can be understood as a constant struggle to find a way to control the surrounding so as to achieve goals and drives that emanates from the id.

The superego is the third structure hypothesized by Freud. It represents the traditional ideas and values of society. These values are learned at childhood and transmitted largely through identification with parents. The superego serves as a conscience and attempts to curb the passion
that emanate from the id. That is why people do not turn every thought into action. Some thoughts are suppressed.

2.5.3 Maslow’s hierarchy of needs
Propounded by the psychologist Abraham Maslow, it’s by far the most popular and well known system of classifying human needs. Abraham Maslow suggested that there are five levels of needs moving from the most basic level i.e physiological through to the highest level i.e self actualization. According to Maslow the lower levels of needs dominate the higher levels of needs. In fact the individual must satisfy the lower level need before beginning to pursue the higher level of needs.

2.6 TYPES OF CONSUMER DECISION
There are a myriad of decision options possible for the consumer in today’s market economy. These options may however be distilled into five main types of decisions; what to buy? How much to buy? Where to buy? When to buy? And How to buy?

Deciding what to buy is the consumer’s most basic task. In fact no buying activity will take place if this fundamental decision is not made.

The second decision relates to how much of the item will be bought.

Another determination to be reached involves where the selected product or service would be purchased. This is a very important decision that interacts with the previous decision on what to buy. Two products although physically the same are likely to be perceived differently because of other facets associated with the product including where it is sold.

The consumer also must determine when to buy. This decision is influenced by such factors as the need and the availability of the chosen item. Other factors such as store opening time, period
of sales and clearance, availability of transportation etc have a bearing on when to purchase. Finally, the decision of how to buy which is a complex one is made. Some strategies consumers use include: shopping extensively or buying from the first outlet, paying cash or charging it, having it delivered or taking it home etc.

2.6.1 Decision Process Model

Consumer decision process varies considerably in their complexities. Most of the decisions consumers are required to make are probably rather simple ones, such as the purchase of consumables. However, consumers also must make decisions that are comparatively complicated, such as when buying durable goods. The range of consumer problem solving approaches can be placed in a spectrum from routine problem solving through limited problem solving, to extensive problem solving.

i. Routine Problem Solving

Consumer engage in routine problem solving when buying frequently purchased, low cost items that require very little search and decision effort. These items are sometimes called low involvement products. When buying them, a consumer may prefer a particular brand, but may be familiar with several brands in the product class and view more than one as being acceptable. There is thus low involvement in the decision, purchase and post-purchase decision.

ii. Limited Problem Solving

This results when a consumer buys a new brand in a familiar product category. It requires a moderate amount of time for information gathering and deliberations. In this case
involvement, problem recognition, information search and evaluation, and post-purchase processes are on the moderate side.

iii. **Extensive Problem Solving**

When consumers buy in an unfamiliar product category, it usually involves the need to obtain substantial information and a longer time to choose. They must form a concept of the product category and determine the criteria to be used in choosing a brand. The implication here is that, purchase involvement will be high, problem recognition will be complex, information search and evaluation will be extensive, post-purchase processes will be complex, loyal if satisfied and complaints if dissatisfied.

The above model may be generalized towards a typical consumer problem solving model consisting of various activities. According to Kotler (1998), there are five activities as represented in the diagram below.

*Figure 2.2 Decision process model*

![Decision process model diagram]


i. **Problem Recognition**

Problem recognition results when a consumer recognises a difference of sufficient magnitude between what is perceived as the desired state of affairs and what is the actual state of affairs, enough to arouse and activate the decision process. This means that
consumers information processing and the motivation process are highly relevant here. Consumers must become aware of the problem or need through the processing of information arising internally or externally. They are then motivated to engage in some purposeful purchase decision activity.

Among the numerous situations that may cause consumer problem recognition include: depleted or inadequate stock of goods, discontentment with the stock, changing environmental circumstances and marketing activities.

ii. Information Search

Information may be said to be knowledge obtain about some facts or circumstance. The term search refers to mental as well as physical information seeking and processing activities that one engages in to facilitate decision making regarding some goal object in the market place. Consequently, search mat be undertaken to find out about products, prices and so on from various sources.

iii. Evaluation of Alternative

As the consumer is engaged in search activity, he or she is actively engaged in information evaluation. Evaluation involves those activities undertaken by consumers to appraise carefully, on the basis of certain criteria, alternative solution to market related problems. The search process determines what the alternatives are, and in the evaluation process they are compared to that which the consumer is ready to make a decision. Information evaluation process differs under the low involvement condition because it mainly occur after purchase.

iv. Purchase Decision and Purchase

When attributes of alternatives have been weighed and the most appealing which points to the utility being sought is found, a decision is made towards processing and using the
product. Thus the consumer stops searching for and evaluating information and chooses a buying alternative.

A buying alternative for a consumer product includes the product itself, the package, the store, and the method of purchase. The consumer makes a “satisfying compromise” regarding product features and other factors. The choice of the seller may also influence the final product selection. The term of sales, if negotiable, are determined during the purchase decision stage. Issues such as price, delivery, warranties, credit arrangement, installation and maintenance agreements are important for discussion and settlement. After these discussions and settlements comes the actual act of purchase.

v. Post-purchase Evaluation

This last stage of the buying process is mostly associated with high involvement products. The decision making process thus do not end when the purchase is made; the consumer evaluates the decision and uses this evaluation for future decision-making. In evaluating a decision the consumer often experiences post purchase doubt. This uncomfortable state of psychological tension is called cognitive dissonance.

Cognitive dissonance is minimal in relations to low-involvement products. The consumer has some expectations though but not so strong about the products anticipated performance. Purchase may occur base on name recognition of the brand in the store. Although the consumer perhaps has been exposed to the brand name and attributes, no strong believe about the brand has been formed at this stage. Thus the consumer makes a purchase anticipating that the brand will confirm certain expectations. As usage occurs the consumer evaluates the brand and develops attitudes towards it that may lead to repurchase, if favourable, or to brand switching if unfavourable.
As regards the research topic, consumables fall under low-involvement purchase and for that matter purchase is programmed. There is no need for the consumer to go through all the tedious processes enumerated above. The consumer’s behaviour in this case is quite different. A consumer making a programmed decision tends to exhibit three characteristics:

- Their behaviour is under external stimulus control
- They are not receptive to new information
- Their behaviour is relatively consistent in making these decisions.

2.7 OTHER FACTORS AFFECTING ACQUISITION

2.7.1 Micro and macro economic factors

Every business operates within an economy with a set of economic variables. These variables (being it micro or macro) determine how business is performed. Whilst micro economic factors have a bird’s eye view of the economy and studies decisions making of firms and individuals in a market setting, macro has a broader view and considers the aggregate of the economy. Micro and macro economic factors such as demand and and supply, buying power, willingness to buy, consumer expenditure, employment levels, interest rate, inflation, government spending and tax policies among others affect the individual’s buying behaviour.

2.7.2 Marketing Stimuli

i. Product

A product is anything offered to the market for attention, acquisition, use or consumption that might satisfy a want or need. A product consists of three aspects. The most basic component is
the core product which addresses the question what are you really buying. It is indeed the solution aspect of the product which solves your problem. The next component is the actual product. It is built around the core product and includes the quality level, features, design, branding, and packaging. The final component, which is the augmented product, is built around the core and actual products by offering additional consumer services and benefits. A product is thus more than a simple set of tangible features. Consumers tend to see product as a complex bundles of benefit that satisfy their needs. Though he has a fundamental need to which he seeks solution found in the core product, the two other aspects also affect his decision of what to acquire and consume. This, marketers must be conscious of.

ii. Place
The place element basically has to do with how goods are made available to the consumer. In doing this the organization may chose to sell directly to the consumers(i.e. direct marketing channel) or may engage intermediaries to break the bulk into bits and pieces as desired by the consumer(i.e. indirect marketing channel).

Today’s consumer is interested in possessing a given companies at the least effort. The consumer’s attitudes therefore towards substitutes of two firms may be favourable towards the firm that makes the product more available to him or her.

iii. Promotion
A company’s total communication mix also known as promotion mix consists of the specific blend of advertising, personal selling, sales promotion and public relation tools that the company uses to pursue its advertising and marketing objectives.
Advertising is ant paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Personal selling has to do with the personal presentation by a firm’s sales force for the purpose of making sales and building customer relationships.

Sales promotion may be said to be short term incentives to encourage the purchase or sale of a product or service.

Public relations has to do with building good relations with the company’s various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumours, stories and events.

The consumer has a problem to which he seeks solution and therefore must be made aware of the range of solutions available to him. In fact he can only act when he has information. So that per the range and intensity of information he makes the decision towards patronizing a product that presents information that most reinforces his desire to solve his problem.
CHAPTER THREE
METHODOLOGY

3.0 INTRODUCTION
This chapter explains the techniques, procedures and processes used in collecting and analyzing data.

This research is a combination of qualitative and quantitative research. What this research sought to do was to establish patterns of behaviour (buying behaviour) and make generalization at the end of the day. In doing this, the various qualitative responses gathered from our questionnaire as well as interviews and observation were quantified as regards the numbers that responded in one particular way or the other.

3.1 RESEARCH DESIGN
The research sought to establish patterns as regards the relationship between buying behaviour on one hand and price on the other side in the fast moving consumer goods market (specifically rice).

Indeed much theories and works have been done in this area forming a foundation upon which this research was conducted. The research aimed to review these theories and find out how they apply in this given situation as it does exist on the ground. Hence a descriptive research design employed.

3.2 DATA COLLECTION METHOD
The main method for collecting data will be observation which will be supported by interview and secondary data on the subject. The research will use qualitative approach in the collection of
data to aid to know what motivates people to behave in a certain way with respect to prices of goods and to discover patterns of purchase by consumers. It is a cross sectional research.

3.3 SOURCES OF DATA

The research will collect data from the following sources:

a. Primary data will be collected

b. Secondary data will analyzed

3.3.1 Sources of primary data

a. Observation

Data was gathered by watching the relevant actors (customers) and settings; this took place in various points or supermarkets where consumers make their purchases, interaction between employees and the consumers at the pay point. Observation provided accurate data because the researchers recorded what actually happens at the point of purchase.

b. Interview

Personal interview mean obtaining data directly from the respondent. The researchers conducted a one on one interview with consumers about how they feel about the prices of the products they are purchasing and also what motivates them to by the products they buy. Additionally, employees were interviewed to know how consumers feel about prices of products in their various shops.
3.3.2 Secondary data

A secondary source is a report on the findings of the primary source. While not as authoritative as the primary source, the secondary source often provides a broad background and readily improves one's learning curve.

Secondary data was first collected in order to serve as a backdrop to primary data. This will give guidance.

3.3.3 Sources of secondary data

Various secondary data sources exist. The researchers gathered secondary data by reviewing various works from the various textbooks in the library, browsed the internet and read various articles for relevant information as regard the research topic.

3.4 SAMPLING UNIT

This answers the question ‘’who is to be surveyed’’, in this research the target population which was surveyed included:

a. Distributors of rice
b. Retailers of rice
c. Customers of rice

3.5 SAMPLE SIZE

This answers the question of ‘’how many people/objects are to be surveyed?’’ large sample gives reliable results normally than small samples, but it is not necessary to sample the entire population or even a substantial portion of the population. The sample size used in this research was as follows:
a. Five (5) distributors  
b. Ten (10) retailers  
c. One hundred (100) individual consumers

3.6 SAMPLING PROCEDURE

The researchers adopted a combination of purposive, convenience and simple random sampling techniques to come out with their sample. Purposive sampling technique is a non probability sampling technique that enables the researcher to use his own judgment to choose elements that best meet his objective. Convenience sampling technique which also happens to be a non probability sampling technique is a simple approach where a sample is selected according to the convenience of the researcher. Simple random is a selection at random by the researcher from a choice of subjects. In a simple random sample each element is given an equal chance of being selected. To ensure equal chances for each element, the researcher must number each element in the sample frame in sequence, decide on the sample size and use a number table or use lot method to select respondents.

There are indeed many distribution and retailer outlets dotted across Kumasi Metropolis. The researchers through their own assessment and judgment of the situation outlined a number of well known (major) distributor and retailers. The researchers then selected the respondents by employing simple random sampling. As infinite as the population of rice consumers is, there is no better way to take a sample than to adopt a convenience sampling technique. The researchers went onto the market to gather data from the consumers by following a standard set of questions with possible response alternative given.
Purposive and convenience sampling have their own difficulties and as it’s familiar with all non-probability sampling method, purposive and convenience sampling are bias. But the question is, how relevant will the information gathered be, using a probability sampling technique be to such a research topic? Indeed the researchers have to be bias in this regard in order to elicit relevant information.
CHAPTER FOUR
DATA ANALYSIS

4.0 INTRODUCTION
At the end of the observation conducted, the findings revealed that there are so many brands of rice on the market. The origin of these brands can be traced from U.S.A., THAILAND, PAKISTAN AND VIETNAM. Under rice imported from U.S.A, we have long grain rice such as TEXAS, OBAMA, AMERCANA, and EAGLE.

Also under rice imported from Vietnam, we have both long grain and perfume rice. Long grain rice such as AAA, LABABA, MAMA, NOVEL, DELTA AND AFRICAN QUEEN all these brand can be found under Vietnam long grain rice, brands under Vietnam perfumed rice are Royal aroma, special vet, and Mama.

Rice imported from Thailand included Big Joe, Royal Aroma under Thailand broken rice and Royal Feast, Sultana, Uncle Sam, Olam, Better under Thailand perfumed rice. These rice and the various brands are all imported into the local market and push these products into the market through wholesalers, retailers and petty traders.
The responses of Five (5) distributor and Ten (10) retailers have been analyzed as follows:

**Figure 4.1 Factors to Consider When Pricing**

![Figure 4.1](image)

*Source: field survey (June, 2011)*

Of the five (5) distributors who answered our questions, three (3) indicated that market price plays a major role when pricing product/goods in the market as consumers are very much aware of these change and are willing to buy the products of their choice based on their own factors they consider before buying. Two (2) said quality of the various brands leads consumers to patronize rice since they sometimes associate price with quality.

On the hand, ten (10) retailers answered the question and quite similarly four (4) retailers stated that market price always dictates the prices that they sell or price product, five (5) of the retailers stated that quality is a major factor which consumers consider when buying products (rice), one (1) retailer said some consumers also consider brands, i.e. the various brands in the market they have specific ones they always wants to buy and as such if you don’t have that particular brand no matter how low your prices may be they will not buy.
Out of the five (5) distributors who answered our questions, three (3) sold sultana and two (2) sold Uncle Sam. Out of the five (5) distributors none sold better rice. They indicated that Uncle Sam and sultana are brands with high purchasing rate.

On the hand, ten (10) retailers answered the question and quite similarly six (6) retailers stated that sultana has a high purchasing rate whiles three (3) stated Uncle Sam has a high purchasing rate and a retailer also said Texas rice has a high purchasing rate. This brings home that consumers will buy the brand they are interested in no matter the price tag on that specific brand.
Two (2) distributors stated that retailers buy a particular brand based on the taste and preference of their consumers. Two (2) also said retailers are more concerned about the quality of a particular brand and would consider it when purchasing. Only one (1) distributer talked about affordability. The price of the brand is also a factor. As the saying goes, the higher the price the lower the quantity demanded. Consumers would therefore buy brands that are of lower price or affordable.
Figure 4.4: How Much They Buy Considering the Price

![Bar Chart]

Source: field survey (June, 2011)

The chart above indicates that five (5) distributors said that purchases are made in bulks, from the retailer point eight (8) buy in bulk whiles two (2) said purchases are made in units. This clearly indicates the level at which purchase are made on different basis of the market.

Figure 4.5: Consumer Behaviour When There Is an Increase In Price

![Bar Chart]

Source: field survey (June, 2011)
The chart above indicates that three (3) distributors said that purchases are indifferently made since retailers are always in need of the various brands they need to stock in other to satisfy their consumers.

Two (2) indicated that purchases decreases when there is increase in prices and as it takes some time before purchase begins to shoot up again. Six (6) out of the ten retailers also sided with three (3) distributors buy seconding that purchase remains the same when there are price increases and again three (3) also said that purchases decrease and only one (1) said purchases increase when there is a price increase.

**Figure 4.6: How Long Does It Take Consumers To Make A Purchase Decision When There Are Price Increases?**

![Bar chart showing length of time to make purchase decision when prices increase](chart.png)

*Source: field survey (June, 2011)*

The chart above indicates that four (4) distributors and seven (7) retailers said that purchases are delay because of prices, one (1) distributor and three (3) retailers indicated that consumers buy immediately because they believe that prices will always move up wards .consumers will buy regardless of the price increase.
Table 4.1: How Does Price Improves Profitability

<table>
<thead>
<tr>
<th>How it improves profitability</th>
<th>Distributors</th>
<th>Retailers</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>5 indicated that their profit increase when they sell more goods to their various client/customers.</td>
<td>5 said that when purchase is made from the various distributors, a margin is added to the price of the product and in the end profit is made thereby increasing profitability of the retailers.</td>
</tr>
<tr>
<td></td>
<td>2 also stated that when more of a particular brand is bought daily, weekly or monthly, it enables them to stock more in their shop.</td>
<td>The remaining three indicated that during the peak season which is December up to January i.e. the festive seasons, more of their products are bought and as a result their profits are increased.</td>
</tr>
</tbody>
</table>

Source: field survey (June, 2011)
The retail prices have a constant market price, therefore customers compare prices when making a purchase; if a distributor or retailer sells above the normal market price that is the equilibrium price, can cause customers switch to buy from other shop which sells at the normal price. Consumers are also not much concern with the prices of these brands and do not care even if there is an increase in the price of a preferred brand but what influence consumer buying behavior is the quality which constitute the TASTE, and the smell that is the PERFUME. Also when there is an increase in a preferred brand, this will not lead to brand switching since consumers are very loyal to a brand but rather leads to decrease in the quantity that will be bought at a particular point time.

The responses of the one hundred (100) consumers have been presented and analyzed as follows:

**Figure 4.7: Which Factor That Influence Consumers’ Buying Behavior.**

![Bar Chart](chart.png)

*Source: field survey (June, 2011)*

The above indicate that, out of the one hundred (100) consumers who responded, eighteen (18) have their buying behavior affected by price considerations, twenty-six (26) consider quality
before making a purchase and an overwhelming fifty-six (56) consumers choose a particular brand of rice based on tastes and preferences.

Clearly price does not have any significant effect on the buyer behavior of the consumer. Factors such as taste and preference and quality rather came to the fore.

**Figure 4.8: Effect Of Price Increase On Buyer Behaviour**

![Bar chart showing buyer behaviour](chart)

*Source: field survey (June, 2011)*

The above indicates a high of eighty-two (82) consumers who would not change their purchase patterns if prices are increased. Zero (0) and eighteen (18) consumers would respectively increase and decrease purchase as prices are increased.
The above indicates that no consumer would decrease purchase when prices are reduced, twenty-five (25) consumers would increase their purchase just because prices are reduced and an overwhelming seventy-five (75) would not be moved by price reduction. Indeed for rice being more of necessities, one does not expect changes in purchase behaviour as price changes. It is thus fair to say as clearly demonstrated by figure 4.9 and 4.10 that price changes do not have any real influence on the buying behavior of consumers towards the purchase of rice.

Figure 4.9: Effect Of Price Decreases On Buyer Behaviour

*Source: field survey (June, 2011)*
CHAPTER FIVE
SUMMARY/FINDINGS, RECOMMENDATION AND CONCLUSIONS

5.0 SUMMARY

The research was conducted to achieve the following:

i. To find out whether price changes affect buying patterns of consumers.

ii. To identify the factors that distributors and retailers consider in their pricing decision.

iii. To examine the role pricing plays in profitability.

5.1 FINDINGS

From the observations, and the responses generated from interview and questionnaires the following results/findings were deduced.

i. The buying behavior of consumers are not affected by price changes. Indeed most consumers would buy rice because of their taste and preference rather than price. They thus continue to buy even if the price increases, decreases or remains the same.

ii. Most consumers were loyal to their retailers and as such price increase does not deter them from buying from them.

iii. There were different brands from different countries (United States, Vietnam, Thailand and Pakistan). These countries produce different level of quality rice, some perfumed and some un-perfumed, which tends to indicate the level of quality. Again another factor (quality) influenced the buying behavior of the consumer.

iv. Consumers turn to purchase more during the festive seasons (December to January) with regards to the product under study (Rice). Behaviour of consumers change on
the positive side, due to the season and this in turn increases the profitability of the firm. Price therefore is not the main determinant of profit maximization.

v. Pricing decisions of both distributors and retailers are done taking into consideration the prevailing market price. Indeed rice being a commonly distributed product with usually standard price across board does not create the room for extreme differences in pricing across outlets. One can compete only when he price in accordance with the prevailing market price.

vi. Distributors and Retailers increase their profit during the peak periods since purchases increase during these times. (i.e. December and January). Pricing therefore does not have any significant influence on profitability and this is as a result of the fact that price changes do not necessarily result in change in buyer behavior. With the price remaining constant, it is only movements in quantity sold that impact profitability than anything else.
5.2 CONCLUSION

In Conclusion, price changes do not have any significant impact on the buying behavior of consumers as regards the purchase of rice. Customer loyalty, quality, festive occasions and the tastes and preferences push consumers to buy the product no matter the price. Consumers are thus insensitive to price changes.

5.3 RECOMMENDATION

i. Retailers are to ensure that their customers always have access to the kind of brand they look for since price may not influence their purchasing decision.

ii. Both wholesalers and Retailers should not sell above the equilibrium price

iii. There must always be communication between, retailers and consumers to monitor, if there are changes in the product performance since it can affect consumer buying behaviour.

iv. Distributors and retailers must be interested in identifying ways to attract a larger share of the overflow if purchase in the festive occasions since this is the only sure way of improving profitability.
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Tom, Duncan, introduction to marketing, Prentice Hall
APPENDIX I

CHRISTIAN SERVICE UNIVERSITY COLLEGE

MARKETING RESEARCH

QUESTIONNAIRE FOR DISTRIBUTORS AND RETAILERS

“PRICING AND ITS EFFECTS ON CONSUMER BEHAVIOUR”

1. What factors are considered when pricing?
   a. Market price
   b. Brands
   c. Quality

2. What brand has the high purchasing rate?
   Sultana [ ] Uncle Sam [ ] Olam [ ] better [ ]

3. Why do consumers buy more of that brand?
   a. Affordable price
   b. Taste and preference
   c. Quality

4. How often does consumers purchase?
   a. More Frequently
   b. Frequently
   c. Normal

5. How much do consumers buy considering the price?
   a. In bulk b. In units

6. How do consumers behave when there is an increase in price
   a. Decrease buying b. Increase buying c. Indifferent
7. How long does it take consumers to buy when there are new prices?
   a. Immediately   b. Delays

8. How does price improve your profitability?
APPENDIX II

CHRISTIAN SERVICE UNIVERSITY COLLEGE

MARKETING RESEARCH

INTERVIEW QUESTIONS FOR DISTRIBUTORS AND RETAILERS

“PRICING AND ITS EFFECTS ON CONSUMER BEHAVIOUR”

1. Which brands do you normally sell?

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2. Which brands have the high purchasing rate?

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3. Why do you think consumers buy that brand?

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4. When is the peak season for the brands?

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5. How do you price the various brands?

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6. Which brand is more profitable to sell?

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APPENDIX III

CHRISTIAN SERVICE UNIVERSITY COLLEGE

MARKETING RESEARCH

INTERVIEW QUESTION FOR CONSUMERS

“PRICING AND ITS EFFECTS ON CONSUMER BEHAVIOUR”

1. How often do you buy rice?
   a. More Frequently
   b. Frequently
   c. Normal

2. Do the quantity of rice you buy dependent on festive seasons?
   a. Yes
   b. No

4. Do the quantity you buy increase in those festive seasons?
   a. Yes
   b. No

5. Which of the following would influence your buying behavior for rice?
   a. Price
   b. Taste and preference
   c. Quality

5. How would your buying behavior be affected if prices of rice are reduced?
   a. Increase purchase
   b. Decrease purchase
   c. Indifferent
6. How would your buying behavior be affected if prices of rice are increased?

   a. Increase purchase
   b. Decrease purchase
   c. Indifferent