THE BENEFITS OF BRAND LOYALTY TO BUSINESSES IN GHANA: A CASE STUDY OF FANMILK GHANA LIMITED.

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A Dissertation Submitted in Partial Fulfilment of the Requirement for the Award of Degree in Bachelor of Business Administration (Marketing)

CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI

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May, 2013.
DECLARATION

We hereby declare that this submission is our own work towards a Bachelor of Art Degree in Business Administration (Marketing) and that to the best of our knowledge contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

This research work is dedicated to Almighty God for his protection and guidance throughout our pursuit of this course.

To our beloved parents who in diverse ways have supported us financially and spiritually to this level.
ACKNOWLEDGEMENT

We wish to express our sincere gratitude to Almighty God for his protection; guidance, wisdom and knowledge granted us throughout our academic life especially during this research work.

Our second acknowledgement goes to Mr. Stephen Banahene our able Supervisor who guided us through the research work, and also to Dr. Kwaku Ahenkora, Head of Department of Business School of Christian Service University College.

We also deem it fit to mention staff and managers of Fan Milk Ghana limited who facilitated quick access to information and materials for the work.

Our last acknowledgement goes to Mr. Lawrence Hornuvo who also supported us in gathering information from other sources.
ABSTRACT

Customers are now faced with lots of brands in different product categories. Not only do they have options to choose from but also have access to lots of information thereby reducing the information asymmetry between the customers and organizations. This has led to a new marketing approach where companies are competing heavily to hold existing and to gain new market share. Not only do the companies want to gain customers but to make them loyal as well since it cost less to serve an existing customer than to acquire a new customer. In order to accomplish this, marketing communication is of high importance. The research sought to assess brand loyalty and its benefits to a company, to determine the level of loyalty among the customers of Fanmilk Ghana and to ascertain the benefits of brand loyalty to the company. The research was based on explanatory study. This was to enable the researchers redefine the problem. The sources of data included primary and secondary sources. The population for this study comprised customers and staff of Fanmilk Ghana. Purposive sampling was used for selecting 10 management and staff members. Stratified and convenient sampling was used for selecting 300 customers. The total sample size for the research work was therefore 310. At the end, the study found that the more loyal customers are to the Fanmilk brand, the more unlikely they are to switch purchases to competitors even when prices are higher than that of competitors. Some of the reasons given are that, it has a unique taste and of good quality. Customers, the researchers found were more interested in product quality than affordability. This affirmed that brand loyalty has an influence on pricing. Companies with loyal customers could increase prices of their products to a reasonable amount with a high quality product and would still have customers purchasing its product with all other things being equal.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In modern marketing, companies are competing heavily to hold existing and to gain new market share. In order to accomplish this, marketing communication is of high importance. In consumer marketing, brands often provide the primary points of differentiation between competitive offerings, and as such they can be critical to the success of companies (Wood, 2000). Consumers have now been exposed to a proliferation of brand choice alternatives, making the business environment very competitive. Just as Wood indicated, businesses are now battling to keep competitors from grabbing off customers, complaining that there just doesn’t seem to be as much brand loyalty around as there used to be. This complaint means that it is not easy to obtain and maintain consumers’ loyalty to a company’s product, since there are many forces driving consumers to be disloyal (e.g., competitions, consumers’ thirst for variety, etc).

Brand loyalty has become an important ingredient in modern business success. It plays a central role both in brand management and customer loyalty literature. In order for managers to cope with the forces of disloyalty among consumers, they need to have an accurate method to measure and predict brand loyalty. Firms with large groups of loyal customers have been shown to have large market shares, and market share, in turn, has been shown to be associated with higher rates of return on investment (Buzzell and Gale 1987; Raj, 1985; Reichheld and Sasser, 1990). In the work of Dick and Basu (1994) they opined that brand loyalty favours positive word of mouth and greater resistance among loyal customers to competitive strategies. Obviously such findings encourage marketers to build and maintain
brand loyalty among customers. When striving for such goals, information on factors determining the creation of brand loyalty among customers becomes an important matter.

Aaker (1991, p. 39) defines loyalty as “the attachment that a customer has to a brand”, and consider it to be a primary dimension of the brand equity. In contrast, Keller (1993) views loyalty as a consequence of brand equity, i.e. when favourable attitudes results in repeated purchase. Broadly, there are two schools of thought when it comes to defining and measuring brand loyalty: behavioural and attitudinal loyalty. Keller (1998) notes that the behavioural school dominated initial empirical research, where simplified measures of re-purchases often were used. However, the movement from purchase loyalty to a more holistic conceptualisation appears supported in the emerging literature. It is today widely assumed that loyalty is a multi-dimensional construct, which is better understood when adding an attitudinal dimension (Baldinger and Rubinson, 1996; Oliver, 1999). This multidimensionality is made explicit in Oliver’s (1999, p. 34) definition as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. In Ghana, Fanmilk Limited is currently a leading company in the ice cream market. The Company’s product portfolios are grouped in two viz. ice cream (Fanice, Fanyogo, Fangold and Fanchoco) and citrus drinks (Fandango and Iced Lollies). The researchers want to find out how the loyalty level of their consumers impacts their pricing policies.
1.2 Problem Statement

Customers are now faced with lots of brands in different product categories. Not only do they have options to choose from but also have access to lot of information thereby reducing the information asymmetry between the customers and organizations. This makes it easier for customers to switch between brands and it cost them very less to do so. This has lead to a new marketing approach where companies are competing heavily to hold existing and to gain new market share. Not only do the companies want to gain customers but to make them loyal as well since it cost less to serve an existing customer than new customers. Loyal customers are a key to the success of every business as have been identified by previous researches like Dick and Basu (1994). Some of the benefits as identified are creating entry barriers for competing brands, making it possible to charge higher prices, giving the company time to react on competitors’ innovations and also functioning as a buffer in times of intensive price competition. The researchers therefore seek to ascertain the loyalty level among customers and how this benefits companies in the ice cream industry.

1.3 Research Objectives

The general objective of this research is to determine brand loyalty and its benefits to a company. The specific objectives are;

1. To determine the level of loyalty among the customers of Fanmilk products.
2. To ascertain the benefits of brand loyalty to the company.
3. To assess the level of customer satisfaction with Fanmilk products.
4. To establish the relationship between brand loyalty and pricing.

1.4 Research Questions

The general research question is “How does brand loyalty benefits a company?” To answer this, the following specific questions need to be addressed;
1. What is the level of loyalty among the customers of Fanmilk Ghana?
2. What are some of the factors that influence customer loyalty?
3. How beneficial is brand loyalty to the company?
4. How satisfied are customers with Fanmilk products?
5. Is there a relationship between brand loyalty and pricing at Fanmilk Ghana?

1.5 Scope of the Study

This research explores the benefits of brand loyalty on businesses in Ghana. Due to inadequate resources of which time is part, the research was limited to Fanmilk Ghana in the Kumasi metropolis. The questionnaires were administered to customers at three locations viz. KNUST, Amakom and Adum. This locations, the researchers believe represent a fair representation of Kumasi. In all, three days each was used for the questionnaire administration giving a total of 9 days. The administration started on the 6th and ended 16th May 2013. The product categories used for the study comprised Fanmilk, Fanyogo, Fangold and Fanchoco.

1.6 Significance of the study

This research provides an overview of brand loyalty and its real impacts on businesses as well as the best approach to effective branding and positioning as a strategic tool in marketing. The information and issues raised in this research such as the problems associated with brand disloyalty and the benefits of brand loyalty would serve as a useful asset to the ice cream companies in strategy formulation and getting the results from marketing efforts to help them gain competitive advantage through the increase in sales or price premiums. It would also serve as a useful asset to other industries who would be enlightened on the importance of brand loyalty and how to effectively position their products as strategic tool in marketing. Furthermore, it would also add to literature to help other researchers who would like to research further into brand loyalty.
1.7 Limitations of the Research

The first limitation was the time scope for the study. The time limit for the research was not quite sufficient. The study was therefore confined to Fanmilk Ghana which may not be a good source of generalization since the study was limited to the Kumasi metropolis. The study was also based on current and prevailing customer attitude towards the brand and its successive impacts on pricing policies which may change due to the increasing sophistication of consumers and changes in time.

Difficulty in obtaining relevant information from the case area and difficulty in getting respondents’ full attention due to their busy schedules also affect the study.

Financial constraints in printing questionnaires, searching for information on the internet as well as travelling and contacting other respondents several times to gather information was also a huge challenge to the researcher.

1.8 The Organization of the Study

The research work is organized into five chapters. Chapter one presents the general introduction, the problem statement, the objectives, the research questions, justification, the scope and limitations of the study.

The second chapter reviews existing literature that primarily deals with discussions and review of literature related to the concepts of the research. The conceptual and regulatory framework of brand loyalty is also made known in this chapter.

Chapter three presents the research procedure. It contains research method selection, case study design, discussion of validity and reliability issues and the method of data analyses. This chapter also presents the profile of the case study company.
The fourth chapter comprises compilation, analysis and presentation of data collected from the fieldwork.

Chapter five presents the summary and concise highlight of the various findings of the study and the conclusions of the researchers. Appropriate recommendations on brand loyalty are also made in this chapter based on the research findings. Finally, a conclusion to the entire project would be given.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

It takes a lot of effort to make consumers loyal to a brand just as building a successful brand is a difficult one. Well managed brands have the potential of becoming the world’s number one. In this chapter, we shall devote much time to reviewing literature on brand loyalty and its benefit to businesses in Ghana.

2.2 The Concept of Brand Loyalty

The concept of brand loyalty was developed empirically in the 1940s and 1950s as a one-dimensional construct and defined in attitudinal terms such as brand preference (Guest, 1944) or behavioural terms such as share of the market (Cunningham, 1956). However, Day (1969) disputed the singular nature of the construct and was the original proponent of the two-dimensional concept of brand loyalty to include attitude and behaviour. Jacoby (1971) built on this foundation and developed a definition of brand loyalty that appears to be the foundation of many of the researches conducted in the area of brand loyalty today.

Jacoby (1973) and Day (1969) made the assertion that both behaviour and attitudes need to be considered when looking at brand loyalty, however, this is not always undertaken. Possible reasons for this are the differing background of researchers in the area (Mellens, Dekimpe and Steenkamp 1996) or logistical problems with the data collection of both behavioural and attitudinal data including ease of collection and cost (Dekimpe, Steenkamp, Mellens and Abeele, 1997).

While Dick and Basu (1994) support Jacoby’s definition, particularly the involvement of a psychological process (cognition), they criticise the omission of factors impacting on repeat
purchase such as situational constraints, different usage situations, lack of brand preference or variety seeking behaviour. However, essentially there appears to be common support amongst researchers at a broad level for Jacoby’s definition.

According to Jacoby (1971), brand loyalty is the biased (non-random) behavioural response (purchase) expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of brands and is a function of psychological processes and emotional response. Mellens et al. (1996) also defined attitudinal brand loyalty as the consumer’s predisposition towards a brand as a function of psychological processes. This includes attitudinal preference, commitment towards the brand and intention to purchase the brand. Behavioural brand loyalty as also defined by Hammond et al. (1996) is the consumer’s tendency to repurchase a brand revealed through behaviour which can be measured and which impacts directly on brand sales.

2.3 Theoretical Approaches to Brand Loyalty

The review of previous research in the field commences with a discussion on brand loyalty research. Although brand loyalty appears to be commonly accepted as a two-dimensional construct (Baldinger and Rubinson, 1996; Day, 1969; Dick and Basu, 1994; Mellens et al., 1996), most researchers in the field have treated it as being one-dimensional. Many studies can be easily classified as attitudinal (Sheth 1968; Patterson et al., 1997; Ajzen, and Fishbein, 1980; Caldow and Patterson, 1999) or behavioural (Bass et al., 1972; Hammond et al., 1996; Sharp and Wright, 1999). While there are several studies that have combined the two dimensions (Donthu 1994; Ganesh et al., 2000; Pritchard et al., 1999) they either used Day’s (1969) measure of loyalty as a composite score (proportion of purchases/mean score of attitude) or placed attitude as an antecedent to brand loyalty rather than loyalty itself.
Baldinger and Rubinson (1996) developed the Brand-builder model which contains both attitudinal brand loyalty and behavioural brand loyalty. Their model is based on three premises. First, all brands can be described behaviourally (market share, penetration and repeat buying). Second, a series of survey questions can be used as probability of purchase. Third, once customers have been classified behaviourally it is possible to link attitudes towards those brands (Baldinger and Rubinson, 1996). The study demonstrated that the more attitudinal commitment to the brand the more likely customers were to remain loyal or become loyal. In order to address the issue of whether the linkage between attitude and behaviour could be used as a predictive model, the researchers developed two main groups: prospects and vulnerables. The prospects were the group whose attitudes towards the brand were stronger than their behaviour, while the vulnerables were those whose attitudes towards the brands were weaker than their behaviour. At the end Baldinger and Rubinson arrived at a conclusion which supported Dick and Basu (1994) who also classified loyalty on a sliding scale of attitudes rather than an absolute value. The research showed that high loyal buyers who have consistent attitudes towards the brand tend to behaviourally loyal compared to those with inconsistent attitudes (Baldinger and Rubinson, 1996). It therefore means that the level of attitudinal loyalty is a better indicator of retention, rather than the level of behavioural loyalty (Baldinger and Rubinson, 1996).

A study conducted by Farr and Hollis (1997) also supported the position of Baldinger and Rubinson which claimed that attitudes towards a brand play a part in the brand’s success. Farr and Hollis (1997) discuss the double jeopardy effect and propose that pull and push mechanisms cause double jeopardy within categories for attitudinal as well as behavioural data. According to the authors the Pull mechanisms are marketing activities that create predisposition (advertising) and push mechanisms are those activities present at point of sale.
(sales promotions). According Donthu (1994), the double jeopardy effect asserts that large brands attract more loyalty than smaller brands.

The attitudinal approach views brand loyalty as the result of psychological and emotional factors (Jacoby and Kyner, 1973; Sheth, 1974; Martin and Goodell, 1991; Mellens et al., 1996). By contrast the behavioural view defines brand loyalty as a behavioural phenomenon which is stated to be the result of prior behaviour and observed market share (Bass et al., 1972; Olshavsky and Granbois, 1979; Ehrenberg and Uncles, 1997). According to some researchers the attitudinal approach views purchasing as a reasoned action where attitudes are formed prior to behaviour occurring (Ajzen and Fishbein 1980; Baldinger and Rubinson 1996; Sheth 1974).

Conversely, the behavioural approach asserts that due to the stochastic nature of purchasing, little decision-making occurs prior to purchase, thus behaviour precedes the development of attitude (Bass et al., 1972; Olshavsky and Granbois, 1979; Ehrenberg and Uncles, 1997).

From the above discussions we can therefore agree that loyalty is a very complex construct and that many studies use the composite definition of brand loyalty that was originally proposed by Jacoby (1971). However, there is little consensus on the approach to be taken when measuring the construct as evident by the history of brand loyalty.

2.4 Attitudinal Approach to Brand Loyalty

The attitudinal approach takes a deterministic view of purchase behavior and seeks to explain it in terms of attitudes, values and beliefs. Essentially, it is concerned with the underlying attitudinal process and evaluation criteria of a given purchase (Mellens et al., 1996). Deterministic theory consists of logical relationships between variables (Hunt, 1991), thus attitudinal researchers posit an ordering relationship between attitude and behavior and these
researchers are concerned with identifying the variables that influence purchase behavior, including attitudes.

The attitudinal approach to brand loyalty stresses the importance of understanding the antecedents of the purchase and incorporates measures of attitude towards the brand such as brand preference or a liking for a brand (Pellemans, 1974; Ajzen and Fishbein, 1980; Mellens et al., 1996), commitment to the brand (Traylor, 1981; Foxall, 1987; Martin and Goodell, 1991; Mellens et al., 1996), and intention to purchase the brand (Ajzen and Fishbein, 1980; Oliver, 1980; Shimp and Dyer, 1981; Westbrook and Oliver, 1981; Patterson et al., 1997; Gremler and Brown, 1998). It appears to be commonly accepted amongst attitudinal researchers that attitude precedes behavior in the context of repurchasing a product and is important because brand attitudes determine brand choice (Day, 1969; Foxall, 1987; Gremler and Brown, 1998; Jacoby, 1971; Keller, 1993; Martin and Goodell, 1991; Traylor, 1981).

2.5 Behavioural Approach to Brand Loyalty

The behavioural approach, building on Cunningham’s (1956) work, does not deny the presence of internal processes; it merely states that because they cannot be directly measured they have no place in research (Bass, 1974). Additionally, while attitudinal researchers place great emphasis on the role of attitudes there are other possible antecedents of loyalty such as market share, promotional activity and distribution (East, 1997).

Behavioural loyalty has been defined by Ringham et al. (1994) as the tending of a customer to stick with a supplier (not switch) and can be thought of as the degree to which a customer prefers a supplier over the competition. There are two elements incorporated in behavioural brand loyalty; brand preference and brand allegiance (East, 1997). Brand preference is the brand on which the purchaser spends a high proportion of their category expenditure and brand allegiance is the propensity to purchase that same brand over time. Where the
Attitudinal approach defines purchasing as an outcome of internal processes (Jacoby, 1971), the behavioural approach focuses on external factors that influence behaviour (Cunningham, 1956).

2.5.1 Satisfaction

The disconfirmation-of-expectations model (Oliver, 1980) is one of the earliest and probably the most well-known marketing model of satisfaction. This model asserts that satisfaction occurs when the performance of a product or service meets the expectations of the purchaser. However, if performance is less than the expectations, negative disconfirmation occurs, resulting in dissatisfaction. Satisfaction then, results from a comparison between expectations and actual performance; positive disconfirmation occurs when actual performance exceeds expectations; negative disconfirmation occurs when actual performance does not meet expectations (Richins and Bloch, 1991). This theory has been widely used and has substantial empirical support (Oliver, 1980; Richins and Bloch, 1991; Spreng et al., 1996; Jones and Suh, 2000; Vanhamme, 2000).

An alternative conceptualisation of satisfaction is outcome-type definitions. The outcome focused view looks at satisfaction as an outcome (Spreng et al., 1996) and offers end-states such as satisfaction-as-contentment, satisfaction-as-pleasure, satisfaction-as-relief, satisfaction-as-novelty and satisfaction-as-surprise (Oliver, 1989; Oliver, 1996). This theory offers an explanation for inconsistencies that occur between poor performance and high satisfaction levels (Spreng et al., 1996).

2.6 Brand Loyalty and Pricing

Price can assume many meanings depending on the specific context. It can mean rent, tuition, fee, fare, rate, interest, toll, premium, honorarium, dues, assessment, retainer, salary, commission, wage, even bribe and income taxes (Schwartz, 1981). Merriam-Webster
Dictionary defines price as the amount of money given or set as consideration for the sale of 
a specified thing. It is also defined as the quantity of one thing that is exchanged or demanded 
in barter or sale for another or the cost at which something is obtained. More elaborate 
definitions have involved the concepts of value and worth. Price can mean a fair return or 
equivalent in goods, services, or money for something exchanged, or the monetary worth or 
value of something (Mish 1995). Simply, it is the amount of money the customers have to 
pay for a product or service (Grewal et al. 1998).

The marketing mix is defined as the set of controllable marketing variables that marketers 
employ to obtain the desired responses from their target markets (Kotler and Armstrong, 
1991). Price is one of the key components of the classic “four Ps: product, price, place, and 
promotion” grouping of the marketing mix (McCarthy, 1960). It has been cited as the most 
important component of the mix by marketing executives (1983). Price has special 
importance for the marketers due to its inherent flexibility and close association to 
profitability. General pricing approaches include cost-based pricing (costplus (mark-up), 
break-even, and target profit), buyer based pricing (perceived value), and competition based 
pricing (going rate, sealed bid, competitive response) (Allvine, 1999; Kotler and Armstrong, 

The pricing strategy is dependent on the nature of the product in question (e.g., innovative 
versus imitative), and the product mix of the firm. For example, market skimming and 
market-penetration are two strategies that can be employed for an innovative product or 
service. Products have to be positioned in the marketplace to be profitable and the following 
are some of the options that can be employed: product-line pricing, optional-product pricing, 
captive-product pricing, by-product pricing, and product-bundle pricing (Kotler and 
Prices can also be adjusted through the use of discount pricing (quantity, functional, seasonal discounts, payment terms) and allowances (trade-in, promotional); discriminatory pricing (customer-segment, product-form, location, time); psychological pricing; promotional pricing (loss leaders, special-event pricing, cash rebates, low-interest financing, longer warranties, free maintenance, discounts); and geographical pricing (FOB-Origin, uniform delivered, zone, basing point, freight absorption). However, both buyers’ (loyalty level) and competitors’ reactions need to be considered before changing prices (Allvine, 1999; Assael, 1990).

Price theory in economics defines how the firms should set prices under certain assumptions to maximize their profits (Pass and Lowes, 1994). However, the static nature of the price theory and its rigid assumptions for cost, price and quantity (product) make it inapplicable to marketing practitioners. When these assumptions are violated, it becomes hard to measure the nature of the demand (demand curve) and a profit-maximizing price cannot be determined. Assumptions that marketers cannot afford to have include, an unchanging environment, single product firms, and all customers paying the same price (Allvine, 1999).

Due to the absence of a single profit maximizing guideline in practice, the marketers determine their strategy for the product or service before they set the price for it. There are internal (e.g., marketing objectives, marketing mix strategy, costs, organization for pricing) and external factors (e.g., nature of the market and demand, loyalty level of buyers, competition, economy, resellers, government) that impact pricing decisions. Marketing objectives of the firm can include survival, current profit maximization, market-share leadership, product-quality leadership among others. The marketing mix for a particular product is closely tied to the marketing mix strategy of the related items that the firm offers. As most of the dot-com start-ups have painfully discovered, prices must start to exceed their costs (as effected by their economies of scale and learning curve) at some point if a company
is to survive in the long run. The procedures for pricing and the flexibility for changing the price also have impact on the pricing decision as an internal factor (Kotler and Armstrong, 1991). It should be noted that the nature of the market and demand characteristics can be industry specific (e.g., seasonal). Economists have identified four general types of markets (pure competition, monopolistic competition, oligopolistic competition, and pure monopoly). The price elasticity of demand is also of concern. The state of the economy impacts the purchasing power of consumers and has to be considered. The bargaining power of middlemen and retailers can become important in making pricing decisions. Laws regarding pricing are also important and marketers need to make sure that their pricing policies do not violate them. Finally, the level of loyalty of customers also affects price setting. The more loyal customers are, the more inelastic they behave towards price levels. These issues include price fixing, resale price maintenance, price discrimination, minimum (predatory) pricing, price increases (ceilings), and deceptive pricing (Kotler and Armstrong, 1991).

Price fixing refers to price collusion among competitors. It is considered illegal except when supervised by a government agency (e.g., local milk industry agreements, water producers, fruits and vegetable cooperatives). Resale Price Maintenance problem implies that manufacturers cannot require that their dealers sell at pre-specified prices. They can only propose suggested retail prices. They cannot refuse to sell to a dealer or punish the dealer otherwise because of pricing issues. Regulated price increases refer to certain industries (i.e., utilities) in a free market economy. Government may also use its influence to discourage major industry price spikes during shortages or in times of inflation. Deceptive pricing problem means that the price reduction should not be advertised unless it is a saving from the usual retail price, not advertise inaccurate factory or wholesale prices, and not advertise comparable prices for different goods. For effective discriminatory pricing, segments in the
market should indicate varying levels of demand. Discrimination does not work if the low price segment customers can resell the product to the higher price segments.

Similarly, competitors who sell to the higher price segments at lower prices can be very disturbing. This may lead some firms to illegally employ predatory pricing practices to drive the competition out of the market (Kotler and Armstrong, 1991). Thus, last but certainly not least, minimum (predatory) pricing is an important issue that marketers need to be aware of. Areeda and Turner (1975) argued that predatory pricing occurs when a firm lowers its prices in order to eliminate a current competitor in the relevant market or to prevent new firms from entering the market. Others such as Professor (then Judge) Posner simply defined predatory pricing as pricing at a level calculated to exclude from the market an equally or more efficient competitor (Posner, 1976).

2.7 Benefits of Brand Loyalty

The brand loyalty of the existing customers represents a strategic asset which if managed properly has the potential to provide immense value to the firm (Aaker, 1999; Dick and Basu (1994: Chaudhuri, 2001) opined that loyalty related marketing advantages include favourable word of mouth and greater resistance among loyal consumers to competitive strategies.

Aaker (1999) mentioned the following benefits derive from brand loyalty:

**Reduced Marketing Cost:** According to Aaker a set of customers with brand loyalty reduces the overall marketing cost of doing business; he stated that it cost less for retaining the old customers than going for new customers. Aaker stated that loyalty of existing customers is substantial barrier to competitors.
2.7.1 Trade Leverage: Brand loyalty provides trade leverage. Strong loyalty towards brands will ensure preferred shelf space because stores know customers will have such brands on their shopping list.

2.7.2 Attracting New Customers: A customer base with segment that are satisfied and other that like the brand can provide assurance to a prospective customer. A relatively large satisfied customer base provides an image of the brand as an accepted, Successful product which will be able to provide service backup and product improvements. Brand awareness can also be gained from the customer base. Existing customers and dealers will enhance recognition merely by being there. Friends and colleagues of the users will become aware of the product just by seeing it. This will also increase brand recall for products.

2.7.3 Time to Respond to Competitive Threats: Brand loyalty provides a firm with time to respond to competitive moves- some breathing room. If a competitor develops a superior product, a loyal following will allow the firm time needed for the product improvement to be matched or neutralised (Aaker, 1999).

2.8.1 Creating and Enhancing Brand Loyalty

There are several ways of increasing brand loyalty getting customer to articulate their problems provides an effective mechanism to increase satisfaction/brand loyalty. Companies can learn to recover from mistakes. A good recovery can turn angry, frustrated customer in to loyal ones, and its possible with CARE communicate, Acknowledge, Respect and regard, and Empathy.

Aaker (1999) suggested the following rules to companies in order to enhance brand loyalty.

2.8.2 Treat Customer Right: Customers basic expectations should be fulfilled by product/service.
2.8.3 Stay Close to Customer: Companies with strong customer cultures find ways to stay close to the customers.

2.8.4 Measure/manage Customer Satisfaction: Regular survey of customer satisfaction/dissatisfaction is particularly useful in understanding how customers feel and in adjusting products and services.

2.8.5 Create Switching Costs: One way to do so is to create a solution for a customer problem that may involve redefining the business. Another way is to reward loyalty points program.

2.8.6 Provide extras: It is often easy to change customer behaviour from tolerance to enthusiasm just by providing a few extra unexpected services.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology used for this study. The chapter is divided into various sections. The first section deals with introduction to the chapter. This is followed by the research paradigms. The subsequent stages of the methodology were outlined from purpose of the study to test for validity and reliability, with a brief profile of the selected cases.

3.2 Research Paradigms (Research Philosophies)

Research philosophy relates to the development of knowledge and the nature of that knowledge (Saunders et al., 2007). There are various research philosophies such as: Epistemology - which concerns with what constitutes an acceptable knowledge in a field of study; ontology – concerns with nature of reality; and axiology – a branch of philosophy that studies judgement about value (ibid). For the purpose of this research, two main types of epistemology were outlined. These were positivism (which deals with quantitative research), and phenomenology (which deals with qualitative research).

Positivism is epistemology position that advocates working with an observable social reality. The emphasis is on a highly structured methodology to facilitate replication, and the end product can be law-like generalizations similar to those produced by the physical and natural scientists. Phenomenology on the other hand is an epistemology research philosophy that sees social phenomena as socially constructed, and is particularly concerned with generating meanings and gaining insights into those phenomena (Saunders, et.al, 2007).
This study was both quantitative (positivism) and qualitative (phenomenology) study because, it adopt a scientific process as highlighted in the conceptual framework of the study. The researcher adopts questionnaire which is a quantitative research tool and interview which is also a qualitative research tool.

3.3 Research Design

This study combined the use of explanatory and descriptive designs. There, are three main research designs as identified by Saunders et al. (2007); these are exploratory, descriptive, and explanatory studies. An exploratory study is a valuable means of finding out ‘what is happening, to seek new insights; to ask questions and to assess phenomena in a new light’ (Robson, 2002: 59). It is particularly useful if you wish to clarify your understanding of a problem, such as if you are unsure of the precise nature of the problem (Saunders et al., 2007). There are three principal ways of conducting exploratory research: a search of the literature; interviewing ‘experts’ in the subject; and conducting focus group interviews (ibid). Its great advantage is that it is flexible and adaptable to change (Adams and Schvaneveldt, 1991). However, this does not mean absence of direction to the enquiry. What it does mean is that the focus is initially broad and progressively become narrower as the research progress. Descriptive research on the other hand portrays an accurate profile of persons, events or situations (Robson, 2002). This may be an extension of, or a forerunner to a piece of exploratory or explanatory research. Explanatory studies seek to establish causal relationships between variables.

This study was an explanatory and descriptive in nature as it sought to examine the effect of brand loyalty on the pricing policies in the ice cream industry of Ghana.
3.4 Population

Population is the full set of cases from which a sample is taken whereas sampling is the set of cases selected within the population (Freedman et al., 1998). For this survey, the population comprised staff and consumers of Fanmilk in the Kumasi metropolis. The customers were estimated to be 29,500 and 21 staff in the Sales and Marketing Department (Fanmilk Ghana, 2012).

3.5 Sampling Procedures

A sample is a sub-group or representative selection of a population that is examined or tested to obtain statistical data or information about the whole population (Encarta Dictionary). Sampling on the other hand is the process of selecting a group of people, items or cases to be used as a representative or random sample (Saunders et al., 2007). Sampling techniques provide a range of methods that enable researchers to reduce the amount of data collection by considering only data from a subgroup rather than all possible cases (Robson, 2002).

For this survey, the researcher adopted purposive, stratified and convenient sampling techniques. Purposive was used for the management and stratified and convenience sampling for the consumers. The convenient sampling method is a simple approach where a sample is selected according to the convenience of the researcher (Saunders et al., 2007). Similarly, the purposive sampling method was employed in the choice of top management within the company. This method of sampling enables one to use his judgment to select cases that will enable a researcher to answer research questions and to meet stated objectives (Neuman, 2000). This method was used to solicit views from this category of people because of easy accessibility and their knowledge about the study area, which is relevant in meeting stated objectives and considering the informative nature of the study. The purposive sampling was adopted because the intension was to gain an insight into brand loyalty and its effect on pricing policy, hence the need to choose personnel who was well vexed in that area.
3.6 Sample Size

The calculation of the sample is indicated on appendix III. A population of 29,500 (customers) with a 90% confidence level, 0.05 confidence produced a sample size of 268. However, the researchers used a sample of 300. An additional 10 management members in Kumasi were also selected giving a total sample 310.

3.7 Data collection method

The research instruments used were questionnaire (see appendix A) and interview (see appendix B). The same set of questions was administered to all the respondents in the Kumasi Metropolis. Likert scale was used for some of the items on the questionnaire. For some the respondents, the questionnaires were left for them to be collected on an agreed date. Some of the marketing terminologies needed to be explained to some the respondents. The interview was of a semi-structured nature, which allowed the respondents to speak freely about the subjects handled. During the interview, the responses were openly recorded and was played later to the respondents to authenticate all the answers given and to ensure that nothing was missed. The researcher prepared for the interview by developing an interview guide with questions based entirely on the theoretical frame of reference (literature review) presented in chapter two of this thesis.

3.8 Test of Validity and Reliability.

Quality data issues that can be identified in relation to the use of semi-structured interviews and questionnaire include; reliability and validity (Saunders et al., 2007). Reliability refers to whether alternative researchers would reveal similar information. Validity refers to the extent to which the researcher gains access to their participants’ knowledge and experience, and is able to infer a meaning that the participant intended from the language that was used by this person (ibid). In order to ensure reliability and validity of the questionnaire data, the
questionnaire was pilot tested on some consumers in Kumasi. This enables the researcher to correct any ambiguous terms. In terms of the interview, respondents were sent the empirical data that have been compiled based on their interview answers, in order to make sure that the analysis was not based on misrepresentations, and for them to supplement the data with any missing information. A sample of the interview guide and the questionnaire was also given to the supervisor of this research who went through to ensure its appropriateness. When needed during the interview, respondents were provided with examples, and theories behind the questions were explained. Notes were taken during the interviews making sure the researchers missed nothing nor misrepresented anything.

3.9 Ethical Considerations.

One very important consideration a researcher must not overlook is the issue of ethics in research (Saunders et al., 2007). The researcher in accordance with this took steps to make sure that no respondent or any participant in this research work was harmed in any way. First of all, the researcher avoided contacting respondents on the blind side of respondents. The researcher made sure that permission was sought and the aims and objectives of the study made known to the respondents. They were also assured of the fact that the study is for the purpose of academics and not for any dubious means. The researcher also made sure that personal information was kept confidential.

3.10 Data analysis techniques

Data was analysed using both quantitative and qualitative (for the interview) methods. In the quantitative methods, simple percentages and sometimes averages were used as well as a correlation. Results of the survey were presented using a mixture of tables, pie charts, and bar graphs. All figures were rounded to whole numbers. This implied that, where the total percentage exceeds 100% because of the round-off, an adjustment was made to one of the figures to make the total 100%. In the qualitative analysis content analysis was used. Here the
empirical data collected was compared with theoretical frame of reference to find out if the empirical data validated or invalidated the underlined theories. Responses from respondents were analysed as one unit (together). This is because, they all answered the same set of questions, and analyzing them together would not defeat the objectives of this research work.
CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

The chapter presents analysis and interprets the data gathered during the survey to determine brand loyalty and its benefit to the ice cream industry. The case study was Fanmilk Ghana. After collecting the data from the field, analysis and interpretation of the data were done to enable the researcher draw some meaningful conclusions. The just-mentioned processes were continuous and at each stage, the researcher paused and examined the whole exercise in relation to the objectives and the research questions to ensure that, the study was on track. The stages in question were quality control, tabulation, coding, and computer processing. As indicated earlier, the study made use of a computer software package called Statistical Package for Social Scientists (SPSS) version 17 to analyse the quantitative questionnaire.

Tables and graphs were utilised in the analysis of the questionnaire as presented in the ensuing pages. Three hundred customers (300) of Fanmilk were used for the analysis. Interviews were also conducted for 10 management and staff of the company.

4.1.1 Background Information

This section provides background information on the respondents. This includes their age, gender and period with which they have been customers of Fanmilk etc.
The graph above represents the distribution of the gender of respondents. The respondents were selected at random; the study revealed that 29.00% of the respondents were females and 71.00% were males. This shows that the males dominated the research contrary to the belief that women are known for ice cream products. It could be explain that majority of these men purchase the product as presents for their loved ones.

Source: Field Survey 2013.
The analysis shows that the youth formed majority of the respondents. Approximately 36.67% of the respondents were between ages 18-25 years and 17.67% were aged 26-30 years. The researchers believe the age distribution was good because the youth patronize ice cream products a lot and would be in the best position to give information relevant for the survey. The ages 31-40 years constituted 19.67% with ages 41-45 years also constituting 17.67%. Finally the age bracket of 45 and 50 years represented 8.33%. It is therefore fair to conclude that majority of respondents fall within the income earning bracket.

Source: Field Survey 2013.
The graph above shows that respondents with no formal education constituted just 9.33% of the entire respondents. In an ascending order, it was followed by JHS which represented 18.67% and SHS which also constituted 26.33%. The majority were tertiary students which represented 45.67%. This has a bearing or relationship with the age groups represented in Fig 4.2 above. The age distribution showed more youth who were either in the SHS or tertiary as represented Fig 4.3.

### 4.2 The Level of Loyalty among Customers of Fanmilk Ghana

The table 4.1 below provided information about the loyalty level of Fanmilk customers with its mean (M) and standard deviation (SD). The general standard deviation for a sample becomes

---

**Figure 4.3 Educational Level of Respondents**

Source: Field Survey 2013.
\[ \sigma = \sqrt{\frac{1}{N} \sum_{i=1}^{N} (x_i - \bar{x})^2}. \]

Where \( \sigma \) = Variance

\( N \) = Number of samples taken

\( X_i \) = Expected values

\( \bar{x} \) = Mean

\( \sum \) = Summation

That is, the standard deviation \( \sigma \) (sigma) is the square root of the variance of \( X \), i.e., it is the square root of the average value of \( (X - \mu)^2 \). The standard deviation of a (univariate) probability distribution is the same as that of a random variable having that distribution.

The mean here indicates the total sum of values divided by the number of values. The standard deviation is a measure of dispersion of scores about the mean. In a normal distribution, 68.26 percent of all scores will lie within one standard deviation of the mean; 95.34 percent of all scores will lie within two standard deviations of the mean; and 99.74 percent of all scores will lie within three standard deviations of the mean.

For purposes of this research, in analyzing data, any calculated standard deviations that are more than 2 standard deviations above or below the mean will be considered unreliable. They lie outside the 95% confidence limits for probability. This there means any deviations within the data did not occur from chance alone: other factors may have affected the normal distribution of the data.

The respondents were given a scale from which to choose from in responding to those items. The key is as follows;

1 = strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly agree
The research shows four main items which are likely to make customers loyal to Fanmilk products. They are;

- The product design; the design and packaging of Fanmilk products was a determinant of loyalty. It had a Mean (M) of 4.1931 and a Standard Deviation of (SD) 0.89440.
- Taste and quality; the customers confirmed Fanmilk products have a unique taste and of great quality. The M was 3.6976 with the SD being 1.30171.
- Value for money; customers keep purchasing Fanmilk products because they believe Fanmilk provides value for each cedi they spend in the purchasing their product. Customers have now become more sophisticated and would not buy a product just because of the price. They want value for money and would not mind if they are charged premium price. The M was 3.6424 with SD being 1.37443.
- Brand name; a brand is any symbol, name, sign or colour used to differentiate one product from the competition. Companies do all their best to make their brand stand out in their respective industries which helps in positioning. The brand name Familk

<table>
<thead>
<tr>
<th>Valid</th>
<th>290</th>
<th>290</th>
<th>291</th>
<th>290</th>
<th>288</th>
<th>287</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>10</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Mean</td>
<td>3.5483</td>
<td>2.7586</td>
<td>3.6976</td>
<td>4.1931</td>
<td>3.6424</td>
<td>2.4495</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.42375</td>
<td>1.71206</td>
<td>1.30171</td>
<td>.89440</td>
<td>1.37443</td>
<td>1.07583</td>
</tr>
</tbody>
</table>

according to the customers is outstanding as it connotes quality and value for money.

The M was 3.5483 and the SD was 1.42375.

**Figure 4.4 Willingness to Purchase New Products Introduced by Fanmilk Ghana**

Source: Field Survey 2013.

Loyal customers are likely to buy any product introduced by the company. This is because they feel part of the brand and also trust the brand. The survey conducted showed that the Fanmilk customers remain loyal as 89.30% of them were willing to purchase new products introduced by the company.
The loyalty level of Fanmilk is further supported by the fact that some customers are willing to go for other Fanmilk products if the exact product is out of stock. This shows how committed the customers are as some would even prefer to defer purchase of the product. There were 41.81% who would first go in for Fanmilk product but when out of stock would purchase from competitors.

Source: Field Survey 2013.
Customers were asked to indicate the frequency at which they purchase Fanmilk products. Out of this, 14.72% purchased quite infrequently with 31.10% being indifferent. About 33.44% however purchased quite frequently accompanied by 20.74% who also purchase very frequently. Although all the customers repurchased Fanmilk products, about 54% repurchase on a frequent basis.

Source: Field Survey 2013.
To further support the loyalty level, customers were asked to indicate their level of commitment to the Fanmilk brand of which 8.67% of the respondents confirmed they were not very committed and 3.33% also agreed they were not committed. Approximately 44.00% were however indifferent with 35.33% being committed to the company’s products whilst 8.67% was also very committed.

Source: Field Survey 2013.

Figure 4.7 Customers’ Commitment to Fanmilk Products
4.3 The Benefits of Brand Loyalty to the Company

Table 4.2: Benefits of Brand Loyalty to Fanmilk Ltd

<table>
<thead>
<tr>
<th></th>
<th>Fanmilk product is my preferred choice</th>
<th>I tell friends about Fanmilk products</th>
<th>I am passionate about Fanmilk products and recommend to others</th>
<th>I do avoid advertisement of competitive brands</th>
<th>I am prepared to try out other Fanmilk products</th>
<th>I have not reduced consumption even when the price increases</th>
<th>I am loyal to all brands of Fanmilk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>289</td>
<td>288</td>
<td>288</td>
<td>288</td>
<td>286</td>
<td>288</td>
<td>287</td>
</tr>
<tr>
<td>Missing</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>14</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Mean</td>
<td>4.3322</td>
<td>3.7535</td>
<td>3.9028</td>
<td>2.5799</td>
<td>3.7587</td>
<td>2.9757</td>
<td>3.6934</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.75487</td>
<td>1.26256</td>
<td>1.20000</td>
<td>1.68221</td>
<td>1.26540</td>
<td>1.71571</td>
<td>1.29417</td>
</tr>
</tbody>
</table>

Source: Field Survey 2013.

The table above provided information about the importance of brand loyalty to the Fanmilk together with its mean (M) and standard deviation (SD). The responses were given by the customers of Fanmilk.

For purposes of this research, in analyzing data, any calculated standard deviations that are more than 2 standard deviations above or below the mean will be considered unreliable. They lie outside the 95% confidence limits for probability. Any deviations within the data did not occur from chance alone: something was going on that affected the normal distribution of the data. All the standard deviations of the variables above were less than 2 and therefore, the researcher accepted all the results as they lied within the 95% confidence limits for probability.

The respondents were given a scale from which to choose from in responding to those items. The key is as follows;

1 = strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = strongly agree.

The survey shows five main benefits Fanmilk receives from brand loyalty. They are;
Preferred choice; as a result of customers being loyal to Fanmilk brand, they always consider its product as the number one product to purchase when it comes to ice cream products. This puts the brand ahead of competitors and enjoys some advantages through that. The M was 4.3322 and the SD was 0.75487.

Passionate about Fanmilk products; as a result of brand loyalty, customers have become so passionate about the brand hence would not opt for other competitive brands. The M was 3.9028 with SD being 1.20000.

Purchasing new Fanmilk products; the survey conducted showed that customers of Fanmilk were prepared to try out new products under the same brand name. This goes to affirm that customers are willing to purchase new products introduced by the company. The M was 3.7587 and SD was 1.26540.

Word-of-Mouth (WoM); positive WoM is a key to the success and survival of any business. It is a form of free advertisement and it carries weight even more than the traditional advertisement. This is because people feel comfortable purchasing products which have been tried by friends or people close, who would be more sincere to them on the performance of the product. When it is positive, they try to trust the brand because it was recommended by a reliable source. The M was 3.7535 and SD equal 1.26256.

Loyalty to all brands of Fanmilk; customers are not only loyal to just one brand of Fanmilk but to multiple product lines. Because of this even when a customer’s preferred choice runs out of stock, they turn to purchase other products of the same brand. The M was 3.6934 with SD being 1.29417.
Other advantages that organizations derive from brand loyalty are the fact that customers do not easily switch to competitors just because their products are cheaper. Most customers purchase value for their money and are willing to pay premium price for a quality product. The graph above shows that about 9.49% and 40.32% of the respondents were unlikely to switch to competitive products when prices are reasonably higher that competitors. This explains why even as Fanmilk increased the prices of their products this year people still patronised the brand. Fanice was increased from GHC0.50p to GHC0.7 and Fanyogo from GHC0.6p to GHC0.8p.
### 4.4 Relationship between Brand Loyalty and Pricing

<table>
<thead>
<tr>
<th>How will you rate your loyalty to Fanmilk products</th>
<th>Will you switch to other alternative products if they offer a similar but cheaper product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very disloyal</td>
<td>Very unlikely</td>
</tr>
<tr>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>Disloyal</td>
<td>0.0%</td>
</tr>
<tr>
<td>Fair</td>
<td>8.9%</td>
</tr>
<tr>
<td>Loyal</td>
<td>6.8%</td>
</tr>
<tr>
<td>Very loyal</td>
<td>36.4%</td>
</tr>
<tr>
<td>Total</td>
<td>24.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey 2013.

The table above represents the cross tabulation between brand loyalty and pricing. Although 300 customers were used for this survey, 252 were valid. This means they answered both questions used for the cross tabulation.

Out of the respondents who were not very loyal to Fanmilk brand, 36.4% of them said they were unlikely to switch brand if the prices increase reasonably. This shows that these customers although did not buy ice creams often, would first consider Fanmilk products anytime they have the means to purchase. 36.4% of those who were very disloyal were as well indifferent as to whether they would shift to competitors’ product when prices increase. About 27.3% were very likely to switch whenever prices increase.

Some respondents who were disloyal also said they were unlikely to switch when prices of Fanmilk goes above that of competitors by a reasonable margin. They represented 50.0%.
Some disloyal customers were also indifferent as to whether they would change to competitor offering lower price and they constitute 25.0%. The other 25% of the disloyal customers were however likely to switch brand for a cheaper product.

Out of the customers who were indifferent when it comes to Fanmilk brand, 8.9% were very unlikely to switch brand when prices increase whiles 32.1% were also just unlikely to switch brand. 26.8% were however indifferent with 12.5% unlikely to switch brand. 19.6% on the other hand are very unlikely to switch brand.

Among the customers who were loyal to the brand of Fanmilk, 6.8% were very unlikely to deflect purchases to competitors’ product when prices increase and 52.3% were also just unlikely to switch purchases. 15.9% were indifferent and 18.2% were also likely to change. Finally, 6.8% were very unlikely to change.

With customers who were very loyal to the brand of Fanmilk, 36.4% were very unlikely to change and 36.4% were also unlikely to switch purchases to competition. 9.1% of the very loyal customers were indifferent, likely to switch and very unlikely to change.

The above analysis shows that, the more loyal customers are to the Fanmilk brand, the more unlikely they are to switch purchases to competitors even when prices are higher than that of competitors. Some of the reasons given are that, it has a unique taste and of good quality. This shows that brand loyalty has an influence on price. Companies with loyal customers could increase prices of their products to a reasonable amount with a high quality product and would still have people purchasing its product.
Customers were asked whether they could and do rely on the Fanmilk brand. 54.33% of them said yes, they relied on the brand. This was actually supported by Fig 4.10 which indicates that majority of the respondents trusted the brand. This according to them is why they normally purchase the products because it actually delivers what it promises.
The figure above showed that the brand name Fanmilk is actually a determinant in the purchase decision. This is because the company has really positioned the brand when it comes to ice-cream products; the first name to recall is Fanmilk. 74.41% of the respondents
agreed that the brand name influences their purchase decision. According to the customers, the company has a good brand image.

**Figure 4.12** Fanmilk Products Meeting Expectation of Customers

Source: Field Survey 2013.

Not just are the customers loyal to the brand but this actually stems from the fact that the product when consumed meets expectation. 76.59% of the respondents said they actually get value for the money they spend in purchasing the product. These are all added competitive advantages which the company should capitalise on.

**Figure 4.13** Customers’ most Important Point when Purchasing a Fanmilk Product
According to the customers, the most important consideration for purchasing an ice cream product is quality. This goes to confirm why majority of the customers interviewed said they would not switch brand even if the prices of Fanmilk are quite higher than the competition. 82.09% of the respondents said they prefer quality products with just 17.91% saying they would go for affordability.

The survey revealed that on the whole, customers were satisfied with the products of Fanmilk. This was confirmed by 43.77% saying they were satisfied with the product of Fanmilk with 10.44% being very satisfied. However, 3.70% were very dissatisfied with 10.77% being dissatisfied. 31.31% were however indifferent.
4.6 Interview Report

As part of the research objectives, interviews were conducted for selected management and staff members of Fanmilk Ghana Ltd within Kumasi. A structured interview was used to give respondents equal opportunity of answering same questions. The background of these respondents comprised sales officers, Coordinators and Assistant coordinators.

The intent of the interview was to identify factors often considered by the company in pricing products and the benefits of consumer loyalty to the company. The concluding part of the report sought the views of the interviewees on the possible correlation between brand loyalty and pricing of products. The interview revealed that Exchange rates, cost of production and brand loyalty were some factors influencing pricing of fanmilk products. An exchange rate between two currencies is the rate at which one currency will be exchanged for another. It is also regarded as the value of one country’s currency in terms of another currency.

Management explained that since most raw materials are imported, they often require huge commitments in terms of foreign currencies for its transactions. In economics, the cost-of-production theory of value is the theory that the price of an object or condition is determined by the sum of the cost of the resources that went into making it. Management intimated this cost to include factors of production (including labour, capital, or land) and taxation.

Management also disclosed that brand loyalty play a vital role in its pricing policies. This explains why Fanmilk continues to be the market leader in the ice cream industry. The interview also established a firm relationship between brand loyalty and pricing. Where consumers remain very loyal, it gives the company an opportunity to charge premium prices for its products.
4.7 Profile of Fanmilk Limited

The company was incorporated in 1960 as Ghana Milk Company by a group of Scandinavian investors basically to produce milk to complement the protein requirements of the Ghanaian. The main product of the Company at incorporation was pasteurized milk. In 1962 the Company underwent two significant changes. Firstly its name was changed to Fanmilk Limited, and secondly the product portfolio was widened with the change of name to include ice cream, yoghurt and ice lollies.

Fanmilk Limited became the first Foreign Company to become Public Limited Liability in 1967 and again among the first Companies to be listed on the Ghana Stock Exchange in 1990. The company had over 3,250 shareholders as at the end of the year 2003, and the number is still growing.

Currently the company provides direct employment to over 350 individuals and indirect employment to another 8,000 or more people. The corporate head office is at No. 1 Dadeban Road, North Industrial Area in Accra, but have created a nationwide presence through intricate network of strategically located distribution outlets to make our products accessible to all Ghanaians.

4.7.1 Vision

Fanmilk aims to be a progressive, responsible and innovative world class Food Company attractively rewarding all stakeholders.

4.7.2 Mission Statement

Fanmilk is committed to be a progressively responsible and innovative world-class food company engaged in the production and marketing of nutritious and refreshing products of the highest international quality a highest quality standard.
The company continuously develops a high calibre of motivational staff with an orientation towards the achievement of excellence in all areas of our corporate endeavours to ensure the ultimate satisfaction of our consumers, customers and other stakeholders and thereby add to shareholder value.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the entire study and focuses on the findings, conclusion drawn from the findings and recommendation made to that effect.

5.2 Summary of the Findings

This section provides an abridged account of the findings made in the previous chapter.

5.2.1 The level of loyalty among the customers of Fanmilk Ghana

From the survey, 89.30% of the customers of Fanmilk were willing to purchase any new product brought to the market by the company. Customers who are loyal to a company would buy any product introduced by the company. This is because they feel part of the brand and they also trust the brand. The loyalty level of Fanmilk is further supported by the fact some customers are willing to go for other Fanmilk products even if the exact product is out of stock. This shows how committed the customers are as some would even prefer deferring their purchase to some other time.

The researchers also identified four main items which made customers loyal to Fanmilk products. They are;

- The product design; the design and packaging of Fanmilk products were the determinant of loyalty.
- Taste and quality; the customers confirmed Fanmilk products have a unique taste and of high quality.
➢ Value for money; customers keep purchasing Fanmilk products because they believe Fanmilk provides value for each cedi they spend in the purchasing the product.

5.2.2 The benefits of brand loyalty to the company

The following are some of the benefits that Fanmilk enjoys through loyal customers;

➢ Preferred choice; as a result of customers being loyal to Fanmilk brand, they always consider its product as the number one product to purchase when it comes to ice cream products.

➢ Purchasing new Fanmilk products; the survey conducted showed that customers of Fanmilk were prepared to try out new products under the same brand.

Other advantages that organizations derive from brand loyalty are the fact that customers do not easily switch to competitors just because their products are cheaper. Most customers purchase value for their money and are willing to pay premium price for a quality product. This explains why even as Fanmilk increased the prices of their products this year (2013) people still patronised the product. Fanice was increased from GHC0.50p to GHC0.7 and Fanyogo from GHC0.6p to GHC0.8p.

5.2.3 Relationship between brand loyalty and pricing

The cross tabulation in the previous chapter established a relationship between the loyalty level of the Fanmilk customers and their sensitivity to price. Out of the respondents who were very disloyal with Fanmilk brand, 36.4% of them said they were unlikely to switch brand if the prices increases reasonably. This shows that these customers although did not buy ice creams often, they would first consider Fanmilk product anytime they have the means to purchase. Approximately 36.4% of those who were very disloyal were as well indifferent as to whether they would shift to competitors’ product when prices increase. Also, 27.3% were very likely to switch whenever prices increase.
Some respondents who were disloyal also said they were unlikely to switch when prices of Fanmilk goes above the competitors’ price by a reasonable margin. They represented 50.0%. Some disloyal customers were also indifferent as to whether they would change to competitors offering lower prices, this constituted 25.0%. The other 25% of the disloyal customers were however likely to switch brand for a cheaper product.

Out of the customers who were indifferent when it comes to Fanmilk brand, 8.9% were very unlikely to switch brand when prices increase whiles 32.1% were also just unlikely to switch brand. 26.8% were however indifferent with 12.5% unlikely to switch brand. 19.6% on the other hand are very unlikely to switch brand.

Among the customers who were loyal to the brand of Fanmilk, 6.8% were very unlikely to deflect purchases to competitors’ product when price increases and 52.3% were also just unlikely to switch purchases. 15.9% were indifferent and 18.2% were also likely to change. Finally, 6.8% were very unlikely to change.

**5.2.4 Satisfaction level and factors affecting purchase**

The survey pointed out that 54.33% of customers do rely on the brand. They actually trust the brand and this according to them is why they normally purchase the products because it actually delivers what it promises. The brand name Fanmilk was also a determinant in the purchase decision. This is because the company has really positioned the brand when it comes to ice cream products; the first name to recall is Fanmilk. According to the customers, the company has a good brand image.

Not just are the customers loyal to the brand but this actually stems from the fact that product when consumed meets expectation. Approximately 76.59% of the respondents said they actually get value for the money they spend in purchasing the product. The researchers also found that the most important consideration for purchasing an ice cream is the taste and
quality. This goes to confirm why majority of the customers interviewed said they would not switch brand even if the prices of Fanmilk are quite higher than the competition.

The survey revealed that, customers were satisfied with the products of Fanmilk. This was confirmed by 43.77% saying they were satisfied with the product of Fanmilk with 10.44% being very satisfied. However, 3.70% were very dissatisfied with 10.77% being dissatisfied. 31.31% were however indifferent.

5.3 Conclusion

The purpose of the research was to assess the effect of brand loyalty on pricing in the ice cream industry. A thorough review of literature was made to better understand the concept and practice of brand loyalty and this formed the basis for the entire research work.

After the research, it was realized that the more loyal customers are to the Fanmilk brand, the more unlikely they are to switch purchases to competitors even when prices are higher than that of competitors. Some of the reasons given are that, it has a unique taste and of good quality. Customers, the researchers found were more interested in product quality than affordability. This shows that brand loyalty has an influence on price. Companies with loyal customers could increase prices of their products by a reasonable margin and still have customers purchasing its products.

5.4 Recommendations

The study has produced some attractive results and also an avenue for future use in the area of brand management. Therefore after undertaking the research to assess the benefits and effect of brand loyalty in the ice cream industry, the researchers recommend the following;

- Although it was realized from the research that the majority of the customers were not so much price sensitive, there were a number of them who would easily switch to competitors who provide cheaper products. Fanmilk Ghana should therefore be
strategic and tactical in the pricing of their product so as not to lose customers to their competitors. Aside the local ice cream, there are other foreign ice creams on the market and therefore Fanmilk Ghana should not take customers for granted.

- Brand image, as the researchers identified was a key consideration in the purchase decision of many customers. The company should therefore do more to enhance the image of the company through promotions, sponsorships, advertisements, CSR etc. this would make the company’s products more acceptable.

- It was also realized that more of the active customers of the company are the youth. The company should therefore tailor its promotional activities to suit the youth market and make them feel part of the Fanmilk family.
REFERENCES


APPENDIX I

QUESTIONNAIRE (CUSTOMERS)

This research aims at investigating the effect of brand loyalty on pricing in the Ice Cream Industry. Your responses are important in helping the researchers to fully understand issues relating to how brand loyalty can affect pricing strategies of Fanmilk Ghana Limited. All information you provide will be treated in the strictest confidence.

Instruction: Please select the appropriate answer by ticking where applicable. You may also be required to complete open ended questions in the spaces provided. Thank you.

SECTION A: BACKGROUND INFORMATION

Q1. Please indicate your gender.  a. Male [ ]  b. Female [ ]
Q2. Please indicate your age group.  a. 18-25yrs [ ]  b. 26-30 yrs [ ]
   c. 31-40yrs [ ]  d. 41-45 yrs [ ]  e. 46-50 yrs [ ]  f. Above50 yrs [ ]
Q3. What is your educational level?  a. No formal education [ ]  b. JHS [ ]
   c. SHS [ ]  d. Tertiary [ ]
Q4. Do you patronize FanMilk products?  a. Yes [ ]  b. No [ ]
Q5. If yes please rank in the order as you often consume the following product?
   1 = Highest  4 = Low
   a. Fanchoco [ ]
   b. Fandango [ ]
   c. Fan Yoghurt [ ]
   d. FanMilk [ ]

SECTION B: LEVEL OF LOYALTY AMONG THE CUSTOMERS OF FAN MILK GHANA

Q6. Kindly indicate by 1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly agree the reason for buying FanMilk products.

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>I buy Fanmilk products due to the brand name</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I buy Fanmilk products because they’re affordable</td>
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</tr>
<tr>
<td>Fanmilk products have unique taste/ Quality</td>
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<td></td>
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</tbody>
</table>
Q7. How satisfied are you with FanMilk products?
   a. Very dissatisfied [ ]   b. Dissatisfied [ ]   c. Fair [ ]   d. Satisfied [ ]
   e. Very satisfied [ ]

Q8. How often have you bought FanMilk products in the past?
   a. Not at all [ ]   b. Quite infrequently [ ]   c. Fair [ ]
   d. Quite frequently [ ]   e. Very frequently [ ]

Q9. Based on your own experience, how would you rate your satisfaction with the brand of ice cream?
   a. Very dissatisfied [ ]   b. Dissatisfied [ ]   c. Fair [ ]
   d. Satisfied [ ]   e. Very satisfied [ ]

Q10. Do you agree “I rely on the brand”?   a. Yes [ ]   b. No [ ]

Q11. Do you agree with “I trust the brand”?
   a. Strongly disagree [ ]   b. Disagree [ ]   c. Fair [ ]   d. Agree [ ]
   e. strongly agree [ ]

Q12. What is the importance of fanmilk products as a source of refreshment?
   a. Very unimportant [ ]   b. Unimportant [ ]   c. Fair [ ]   d. Important [ ]
   e. Very important [ ]

Q13. Does brand name matter to you in deciding which ice cream to buy?
   a. Yes [ ]   b. No [ ]

Q14. Will you buy a new product introduced by FanMilk?
   a. Yes [ ]   b. No [ ]

Q15. What will you do if the brand of FanMilk product you wish to purchase is out of stock?
   a. Purchase a different product [ ]   b. Purchase other FanMilk products [ ]

I like the design and packaging of fanmilk products
Patronising fanmilk products gives value for money
Purchasing fanmilk products has become a habit
c. Delay purchase till next time [ ]

Q16. Will you switch to other alternative products if they offer a similar but cheaper product?
   a. Very unlikely [ ]  b. Unlikely [ ]  c. Fair [ ]  d. Likely [ ]  e. Very likely [ ]

Q17. Do the FanMilk products you purchase meet your expectation?
   a. Yes [ ]  b. No [ ]

Q18. How would you rate your commitment with your FanMilk products?
   a. Very uncommitted [ ]  b. Uncommitted [ ]  c. Fair [ ]  d. Committed [ ]  e. Very committed [ ]

Q19. Do you think the image of a brand can influence the buying behaviour?
   a. Yes [ ]  b. No [ ]

Q20. Which one do you consider as the most important point when purchase a FanMilk product?
   a. High-quality [ ]  b. Lower price [ ]

Q21. How loyal are you to the Fanmilk brand?
   a. Not at all loyal [ ]  b. Somehow loyal [ ]  c. Undecided [ ]  d. Loyal [ ]  e. Very loyal [ ]

SECTION B: BENEFITS OF BRAND LOYALTY

Q22. Please indicate 1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly agree, the extent to which you agree with the following statements.

<table>
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<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
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<tbody>
<tr>
<td>I have a relationship with the FanMilk products</td>
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<td>I tell friends about FanMilk products (positive word of mouth)</td>
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<td>I am passionate about FanMilk products and wish to form others which results in further strengthening the brand</td>
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<td>I do avoid advertisements of competitive brands</td>
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<tr>
<td>I am prepared to try out the variants of FanMilk products</td>
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<td>I have not reduced consumption even when the price was increased recently</td>
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<tr>
<td>I am loyal to all brands of FanMilk.</td>
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APPENDIX II

INTERVIEW GUIDE (MANAGEMENT)

1. What is the level of loyalty among the customers of FanMilk Ghana?
2. How beneficial is brand loyalty to the company?
3. What are the factors you consider in the pricing of your product?
4. How relevant is the loyalty of customers to your pricing policy?
5. Is there a relationship between brand loyalty and pricing at FanMilk Ghana?
APPENDIX IV

Sample of Fanmilk Products