

**AN ASSESSMENT OF THE INFLUENCE OF PRICE ON CONSUMER DEMAND  
FOR SOAPS. THE CASE OF OLIVINE INDUSTRIES.**

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**DECLARATION**

I, .....do hereby declare that this dissertation is a result of my own investigation and research, except to the extent indicated in the acknowledgements, references and comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

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## **ABSTRACT**

Pricing is a key element for most organizations yet the influence it has on customers' preferences and how it relates to other factors in the marketing mix is never fully understood in different settings particularly in low cost purchase Fast Moving Consumer goods like bathing soaps. This results in organizations incorrectly pricing their products thereby facing consumer resistance and decreased demand. This dissertation focused on assessing the influence of price on consumer preferences for family bath soaps as well as the effect of other non-price factors in relation to price. This research met these twin research objectives through an extensive study of relevant literature and the implementation of practical research. The latter was carried out using a case study with Olivine Industries using semi structured interviews with key marketing personnel as well as customer representatives of the main retail supermarkets like OK, SPAR, and Pick n Pay. The research produced three findings; price does influence consumer preferences to a large extent when consumers have certain perceptions of the bath soap and secondly, the other factors like product attributes and quality will only be considered after the price but they are expected to meet the customers' expectations for the soap to be preferred and finally, it was also found that Olivine's management perception of quality and value is different to that of their customers. The main conclusions drawn from this research were that Olivine's products are not price competitive for the Zimbabwean consumers who are price sensitive. Organizations like Olivine that set their prices higher to competition will experience a decrease in demand and market share if the customers perceive the value of the product to be not worth the price. Another conclusion was that the other factors are secondary to price when customers choose soaps on the shelf but they still should be considered to customers specifications when manufacturing since they set the basis of the products perceived value. This research recommends that Olivine should price its products relative to competition, they should balance the influence of other factors and price's importance when manufacturing and finally information between consumers and Olivine should be in sync to avoid asymmetry of important on subjective issues like quality and perceived value of a bath soap.

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## **LIST OF ABBREVIATIONS**

**CPG** – Consumer Packaged Goods

**FMCG** – Fast Moving Consumer Goods

## **CHAPTER 1: INTRODUCTION AND BACKGROUND**

### **1.1 INTRODUCTION**

Companies today face a fierce and fast-changing pricing environment. Value-seeking customers have put increased pricing pressure on many companies. Thanks to recent economic woes, the pricing power of the Internet, and value-driven retailers, today's more frugal consumers are pursuing spend-less strategies. In response, it seems that almost every company is looking for ways to cut prices (Kotler & Armstrong, 2012). Appreciation of customers, their wants as well as their buying behaviour is fundamental to doing well in marketing for any organization. One element that has been of interest to most firms is pricing and its influence on consumer buying behaviour.

Consumer buying behaviour refers to the buying behaviour of final consumers - individuals and households that buy goods and services for personal consumption (Kotler, et al., 2005). The issue of "buying" means there is a price for the goods. Price is defined as the amount of money charged for a product or service, or the sum of all the values that customers give up in order to gain the benefits of having or using a product or service (Armstrong & Kotler, 2009). Kotler (2002) argues that price, apart from being the most flexible, is an element of the marketing mix that brings revenue while the other elements produce costs, and also that price can be adjusted quickly when compared to channel commitments and product features. There are a number of advantages in setting the correct price for a company's product and these include, maximising long-run profits, increased market share, enhanced image of firm and its offering, be regarded as "fair" by customers, communicate value (real and perceived) and quality of the product.

Kotler, et al. (2005) note that the fundamental aspect that has traditionally affected and influenced consumer choice is price. The writers say that in underdeveloped countries with poorer societies and commodity products, this is still the case. There has been a shift nonetheless in the past years with non-price aspects beginning to dominate the buyers choice (Kotler, et al., 2005). Lancaster and Reynolds (2005) note that the importance of price as a function of the marketing mix varies from market to market, but it is not always the most important factor in the buyer's decision-making process. Kotler (2002) observed

that many companies are faced with a problem of not handling price well. Further to this, Kotler notes that many companies make the mistakes of concentrating exclusively on costs, failure to review prices often enough, failure to change prices in relation to the changes in the market, setting the price independently of marketing mix rather than as an internal element of positioning strategy, unvaried prices for different products, market segments and occasions when customers purchase.

Lysonski and Durvasula (1995) note that despite the significant changes in the commercial environment, very little is known about the decision-making processes of consumers in various countries. Indeed, there is very little to no literature on Zimbabwe with regards to the influence of price on consumer demand in various markets like the Fast Moving Consumer Goods (FMCG) market. As a result, the literature is weak and does not address adequately the research objectives set out below. Therefore, this study aims at closing this gap in the research by looking at the influence of price on consumer preference for soaps in the FMCG market in Zimbabwe using Olivine Industries as a case study. FMCG goods are unique in that their prices are affected by a lot of factors.

This Chapter introduces the research topic by giving a background on the influence of price on consumer behaviour, including the role of price in the marketing mix and a general critique of literature on price and its influence on consumer behaviour. The background information on the overall FMCG industry and Olivine Industries is then given including industry analysis using Porters five forces model. The problem statement emanating from the background will then be highlighted followed by the identified research objectives and the justification for the research. The chapter concludes by giving the roadmap for the whole research.

## **1.2 BACKGROUND TO THE CASE STUDY**

### **1.2.1 Industry Analysis**

The fast-moving consumer goods (FMCG) sector represents one of the largest industries worldwide. Also labelled the consumer packaged goods (CPG) sector, it is mainly characterised by companies that supply low-cost products that are in constant high demand. Products that are classified under the FMCG banner include food, beverages,

personal hygiene and household cleaning utensils. The term “fast-moving” stems from the fact that FMCG products usually have a short shelf life and are non-durable(KPMG, 2015).

### **Industry Analysis Using Porters 5 Forces**

The following paragraphs analyse the FMCG industry in Zimbabwe using Porters 5 forces model.

#### ***Threat of new entrants***

Apart from traditional supplies, there are new players competing for the Zimbabwean market by using low price and at times low quality products. Among these companies are Willowton (South Africa), Elangeni Oils and Soaps (South Africa), Chinese companies and many other backyard companies and individuals manufacturing bath soaps, liquid detergents and other goods which are usually found in the informal markets. Well known FMCG multinationals include, Unilever, Procter & Gamble and Johnson & Johnson(KPMG, 2015). In Zimbabwe some FMCG companies include Olivine Industries, Unilever, Delta, United Refineries, and Surface Wilmar.

The Zimbabwean economy faces the burden of de-industrialization ultimately causing companies which produce secondary goods to close.Gadzikwa (2013) argues that the reason for this is the low priced goods from outside the country which are subsidized and shouldn't be considered under the certificates of origin. Gadzikwa goes on to single out the FMCG industry stating that they compete with imports from low cost bases some of which are now threatening to enter the Zimbabwean market.The issues in the local market are the high costs of funds, high costs of labour, high cost of power, high costs of urban council charges, poor infrastructure low demand and low capacity utilisation(Gadzikwa, 2013).

Bigger companies like Willowton pose the biggest threat because of the large volumes of FMCG products they are flooding into the Zimbabwean market resulting in falling prices and affecting profitability. Willowton actually intends to set up a manufacturing plant in Zimbabwe (The Herald, 2015).

### ***Bargaining power of customers***

Zimbabwe has a small population, population of 13 061 239 according to the latest census of 2012 (Zimbabwe National Statistics Agency, 2015). 65% of the total population live in rural areas, while 80% of the adult population earn less than USD 200 per month (including 17.3% who do not have an income at all) (FinMark Trust, 2011; Zimbabwe National Statistics Agency, 2015). As a result, many Zimbabwean consumers can only afford lower priced goods.

An important characteristic of the FMCG sector is that it generally does well in an economic downturn, with consumers rather cutting back on luxury products or opting to buy cheaper priced goods (KPMG, 2015). Buying soap is a relatively simple choice and depending on the consumer behaviour, some customers switch to other soaps. With a wide array of FMCG products from companies such as Willowton (South Africa), Elangeni Oils and Soaps (South Africa), Unilever, Procter & Gamble, Johnson & Johnson, United Refineries, and Surface Wilmar in the soaps industry, customers in Zimbabwe have more bargaining power which ultimately affects prices.

The manufacturing sector in Zimbabwe tussles for a market share in a country with a small population. This is particularly important as it has an impact on the overall consumer buyer behaviour and the ability of consumer to purchase goods.

### ***Bargaining power of suppliers***

The raw materials particularly for FMCG products like soap are imported from outside the Zimbabwe. These raw materials include palm stearine, colouring, and perfumes. This means that the suppliers have more bargaining power because of the specialised raw materials required to manufacture the soap. Ultimately this has a bearing on the ultimate price of the products.

### ***Rivalry among existing players***

From a retailing perspective, FMCG is often cited as a low margin – high volume game. Seeing as profit margins are usually rather slim, firms operating in the FMCG sector

mostly employ a strategy focused on driving top line sales. Within categories, FMCG products are often near-identical, and for this reason price competition between retailers is intense. To boost profitability, companies use marketing and other techniques to establish loyalty to the product, which enables them to charge higher prices. That said, managing input costs also remain vitally important, as small margin gains still have a significant impact on the bottom line due to the large volumes (KPMG, 2015). As noted in the earlier paragraphs, the rivals within the FMCG industry are Olivine Industries, Unilever, National foods, United Refineries, and Surface-Wilmar. There is indeed fierce competition for the market share.

The competition within the industry is intense as many companies compete for a share of the market. The prices of the Multinational Company (MNC) products like Unilever and Wilmar are generally the lowest in the industry as reflected by the prices of cooking oil and bath soap. The advertising of Unilever, National Foods and Surface-Wilmar is also very intense with the other companies following.

The production facilities of Surface and Unilever are of higher quality with the companies able to produce large volumes in a short space of time and thereby producing goods of better quality and lower prices.

### ***Threat from substitutes***

For the FMCG companies manufacturing bar soaps in Zimbabwe, the proliferation of liquid bath soaps and shampoos poses a threat to the traditional bath soap. Liquid soaps are gaining popularity as can be witnessed by the brands that are occupying the shelves. The liquid soaps are in larger pack sizes at prices that are competitive making them better alternatives to traditional bath soaps.

### **1.2.2 Olivine Industries**

Olivine Industries is one of the largest manufacturing companies of fast moving consumer goods in Zimbabwe. Having been formed in 1931, Olivine is a producer of margarines, candles, bakers' fats, soaps and cooking oils. Through Chegutu Cannery (a company it has 100% shareholding) it produces canned beans, tomatoes, fruits, jams and marmalades.

Olivine's major brands are Buttercup margarine, Jade bath soap, Olivine cooking oil, Paafex puff pastry, Dolphin soap, Perfection soap, Bigben soap and the Olivine brand on canned range of products.

Olivine is ISO 9001:2008 certified and its philosophy is quality and value – Our Guarantee, something that the company says resonates with a lot of Zimbabweans. Perfection laundry soap and Jade Bath soap were re-introduced after 10 years recently and were greeted with much enthusiasm in retail outlets and wholesalers alike. The organisation uses the same procedures and processes to consistently produce products with the same quality. The Jade brand and indeed other toilet soaps within Olivine like Romance and Daily Health have a number of customers who are loyal to the brand even though the market for these soaps has been decreasing.

The retail sector is key to Olivine's business as it enables Olivine to reach the greatest share of the market geographically. As such, the retail sector receives the bulk of trade support from Olivine. The retail business contributes on average 31-40% of Olivine's total sales (Olivine Holdings, 2013).

Zimbabwe has a large and growing retail sector and the 3 main retail chains are OK Zimbabwe, TM Supermarkets and Spar. Zimbabwe's wholesale business is dominated by a few large wholesalers such as MahomedMussa in Harare, Bhadella in Harare and Mutare, N Richards & Company in Harare and Masvingo Province, Tynserve in Harare and Mutare. These wholesalers mainly service independent shops and tuck shops and their wide reach enables Olivine Industries to reach very remote areas.

Olivine Industries faces stiff competition, mainly from foreign firms due to trade liberalization and lack of capacity to supply market demand for most of its product categories. Main competitors are Willowton Oil, Unilever, National Foods and Cairns Foods. An important strategic asset given that since the liberalization of the economy, there has been a massive improvement in the supply of both basic and luxury products and local brands have been under siege over the last couple of years when they were unable to supply the market due to economic and political problems.

The company is faced with a myriad of challenges which include antiquated equipment, shortage of raw materials, high costs of and unavailability of utilities such as power and water. All these factors have resulted in the production costs rising resulting in high costs of the company's products in the market. The equipment is relatively expensive to replace and the issues of power and water are beyond the organisation's control. Therefore, the company's is operating in a highly challenging business environment in a difficult economy.

Olivine just like many other Zimbabwean manufacturers faces stiff competition from the influx of cheap imports into the country. This has resulted in price competition particularly for bath soap, where there are numerous imported brands which are competing for the market share, and resultantly Olivine's bath soap prices, particularly the Jade brand, have been on average the highest in terms of pricing. This has seen inconsistent and generally reduced demand of the soap. So, could price be the only factor that consumers are concerned about or there are other factors that are at play? As noted in the last paragraph of the 1.1, can price be high and yet maintain high sales considering that the challenges faced by the company will remain for some time to come? What other factors are affecting prices of bath soaps?

### **1.3 PROBLEM STATEMENT**

The literature cited in paragraph 1.1, notes that for bath soaps, the issue of price does not influence much the brand loyalty of customers. Wilkinson (2005) goes further to state that managers can consider the possibility that the price can be raised and yet still maintain high sales if factors such as quality are addressed and consumer behaviour attitudes reinforced through promotion and packaging. As stated in the introduction, consumer behaviour is not just influenced by price but by other factors such as brand loyalty, quality, packaging, and intrinsic human behaviour which is influenced by cultural, psychological and social influences.

Olivine industries has been blighted by a number of challenges as noted in the background paragraph 1.2.1. The Industry in which Olivine business is operating is highly competitive resulting in the company's price of bath soaps being higher than that

of competitors. Most of Olivine's revenue as noted earlier comes from retail sector with 40% of the total sales.

What is happening at Olivine though does not seem to be in line with literature as the prices seem to be affecting the sale of the bath soaps. The sales of the bath soaps are reducing with each coming order and the general perception of management is that the quality and value of the product in the market is still highly regarded despite the high price therefore the customers should be buying the soap on that premise. The customers' preferences are apparently not clear for the bath soaps since there are customers who are loyal to the brand and the issue of price should not be the main factor causing inconsistent sales. While it is true that Zimbabwe is a poor economy, the issue of price in relation to other factors is still important and worth researching into.

Olivine Industries management therefore need to map out a plan and investigate the real causes of the consumers' behaviour when they are buying the toilet soaps. If nothing is done to research this on problem, then sales of the soaps will continue to dip and eventually be pushed off the shelf by the imports. The research problem therefore stems from the influence that price has on consumer demand for soaps, setting a correct price that is perceived as fair by consumers, in order to increase market share and profitability in line with literature.

#### **1.4 RESEARCH OBJECTIVES**

The aim of this research is to critically make an assessment of the influence of price on consumer preference of bath soaps for Olivine Industries.

The objectives of this research are;

- To determine effect of bath soap prices on consumer preferences
- To assess the extent to which factors such as brand loyalty, advertising other than price affect consumer preferences.
- To recommend the measures that Olivine Industries can take in its pricing and branding strategies.

## **1.5 RESEARCH QUESTIONS**

Pivotal to this research is the need to answer the question what influence does price have on overall consumer preference for bath soaps?The fundamental questions include;

- Considerations of the effect of bath soap prices on consumer preferences?
- To what extent do other factors other than price affect consumer demand?

## **1.6 RESEARCH PROPOSITION**

Olivine Industries are addressing insignificant factors of consumer behaviour because they do not fully understand what the market wants.

## **1.7 JUSTIFICATION**

The study is focused on considering specific considerations that influence consumers when they buy FMCG products like bath soaps. This research will benefit Olivine Industries in a number of ways. It is expected that this research will provide insight on the Zimbabwean market in terms of how price affects preferences of bath soaps for Olivine Industries and indeed other companies so that they manufacture goods which are in line with the consumer requirements and expectations. The study will come up with recommendations on pricing, pricing strategies, role of marketing mix and consumer buying behaviour which is expected to be practical and useful for marketers for Olivine Industries. For Olivine Industries, this research is expected to translate the findings into growth in the market share, increased sales, and communicate real value and quality of Olivine's products.

This research work will contribute to the body of knowledge for marketers and scholars by providing insights on pricing and consumer buying behaviour in a setting where the study has never been done before. An examination by Israelsen (1990) of over 60 years of five major journals used by resource management scholars located only five research articles related to decision making in a family context; and these articles were applicable only to the USA. Ostensibly, the paucity of research in this area hinders our understanding of consumer decision-making processes. Additional research seems

warranted if marketers are to understand the many dimensions of consumer decision-making behaviour in a global context.

This research will also benefit to a large extent the consumers of Olivine bath soaps who are loyal to the brand or those who had switched to other brands because of disgruntlements. The recommendations of consumers ultimately matter where issues of price, quality, and packaging and so on are concerned for bath soaps.

### **1.8 DELIMITATION OF STUDY**

The research will be based on a case study of Olivine Industries and consumer preferences in Harare.

### **1.9 LIMITATIONS**

- a) The study was conducted using judgemental sampling where customer representatives will be used instead of surveying the actual customers.
- b) The case study may not be applicable to other FMCG companies that have a different business background to Olivine.
- c) The classification of bath soap is not uniform. Some of the soaps are luxury bath soaps while others are family bath soaps. Study is limited to family bath soaps.

### **1.10 DISSERTATION STRUCTURE**

#### **Chapter 1**

This chapter introduces the research in general from a global perspective, to a local (industrial) perspective and then lastly to the key area of the study. A background of the research and Olivine Industries is given followed by the problem statement. The objectives and justification are highlighted as well in Chapter 1.

#### **Chapter 2**

The literature review Chapter 2, highlights the work that has been carried out by other researchers including the theory on the research matter.

### **Chapter 3**

Chapter 3 is the Research Methodology. It shows the methodology to be used in doing the research. The systematic framework of the research design chosen, the explanation and reasoning for using a single case study approach, the data collection including their sources and how it will be processed and analysed are shown in this important chapter.

### **Chapter 4**

This chapter shows the analysis of the data and the findings. Chapter 4 applies the theoretical framework shown in Chapter 2 to the case study, and analyses theory to elucidate the results obtained from the case study. The research questions asked in Chapter 1 are answered in Chapter 4 and a discussion of the case study findings are shown in this chapter as well.

### **Chapter 5**

Chapter 5 is the conclusion and it looks at the theory, its application and recommendations. This chapter will conclude the report.

## **1.11 SUMMARY**

Chapter 1 introduced the influence of price on consumer behaviour, marketing mix and the general views of scholars on the relationship between price and consumer behaviour. The background information where the Porter's five forces was used to analyse the FMCG industry in Zimbabwe highlighted that this is a highly competitive industry, with a perfect competition market structure. Olivine industry is struggling to stay afloat in this market resulting in its prices being high on average than that of competitors. This has resulted in management drawing conclusions on the dipping sales of bath soaps which are in contrast with general literature, which presupposes that price has no major effect on bath soap preferences in relation to other factors. This problem statement emanating from the background was then used to generate the research objectives, research questions and

the justification for the research. The chapter concludes by giving the roadmap for the whole research.

## **1.12 CONCLUSION**

This chapter was the introduction to the research. The research introduction gave an overall view of the study. The next chapter will review the relevant literature on the research topic.

## **CHAPTER 2 – CONSUMER BEHAVIOUR LITERATURE REVIEW**

### **2.1 INTRODUCTION**

This chapter will review the literature on the research topic. According to Biggam (2011), a review of literature is carried out to discover the different views on the subject matter under research, specifically the research objectives, and to show the in depth level of reading of the researcher, including the skills necessary to both interpret and evaluate such literature.

The chapter seeks to gain a deeper understanding of consumers when they are making buying decisions for products and what influences demand of a product when price is the main differentiating factor. The Chapter will be divided into three main areas which are; the general influences on consumer behaviour, the price influence on consumer behaviour and the marketing mix influence. A critique of the literature then follows from which a conceptual framework will be developed. The chapter will conclude by summarizing the key points noted in the literature.

### **2.2 DEFINITIONS**

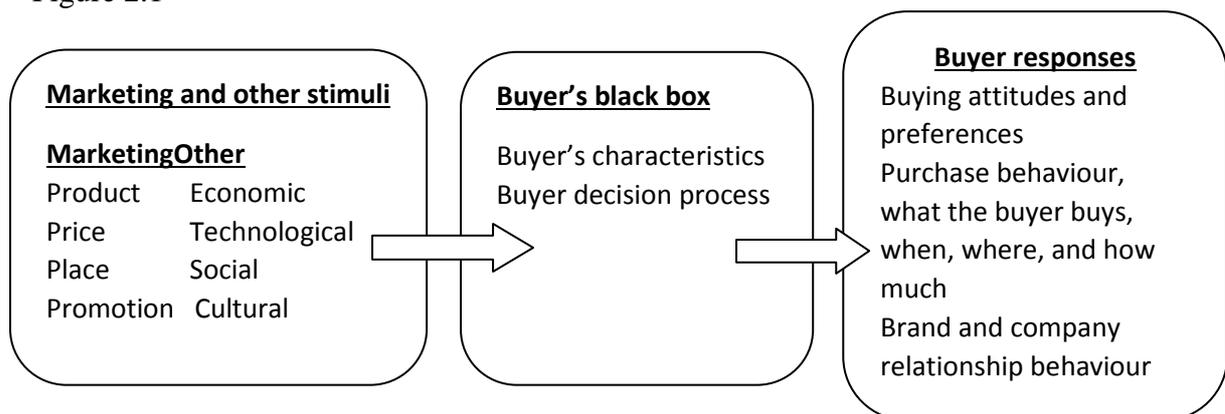
#### **2.2.1 Consumer Behaviour and Consumer Demand**

It is important to understand who or what exactly is a consumer or a customer as well as behaviour. The customer is the person or persons who buys the product/service and the consumer is the person who uses the product/service. They can be the same or different people (Wright, 2006). The words consumer and customer will be used interchangeably throughout this research. Behaviour is defined as the way in which an animal or person behaves in response to a particular situation or stimulus (Oxford University Press, 2016). Consumer buying behaviour refers to the buying behaviour of final consumers - individuals and households that buy goods and services for personal consumption (Kotler, et al., 2005). From the above definitions it is important to note that the study of consumer behaviour is a study of human behaviour and is therefore a complex process.

Demands are defined in terms of the ability to pay for a particular want. Kotler et al (2005) explain consumer demand by saying that consumers choose products that provide them with satisfaction for money and that the ability to pay makes the wants of consumers into demands. An issue therefore that affects demand is the ability to pay. The issue of price is therefore important when it comes to demand.

### 2.3 GENERAL INFLUENCES ON CONSUMER BEHAVIOUR

A lot of study and research has been carried out particularly in India and America to look at the consumer buying behaviour of FMCG products. The general themes coming from the authors on the influences on FMCG consumer preferences are the issues of general factors affecting consumer behaviour like cultural, social, psychological and personal factors (Kotler, 2009; Armstrong & Kotler, 2009; Lancaster & Reynolds, 2005; Kotler, 2000; Subhash, 2004). These have been highlighted in a model by Kotler as highlighted in Figure 2.1



**Figure 2.1 - Models of Consumer Behaviour**

Source: Kotler 2009

As indicated in Figure 2.1 above, the marketing mix in the extreme left box is indeed part of the stimuli. The product, price, place and promotion are important considerations. All these stimuli including the economic, techno, socio and cultural influences go into the black box of the buyer, and processed into observable buyer responses (shown on the right-hand side of Figure 2.1): product choice, brand choice, dealer choice, purchase timing and purchase amount (Kotler, et al., 2005). This model sums up much of what is described by most authors on consumer behaviour and the definitions given above of behaviour being affected by a stimulus. It is interesting to note that price is given as one of the marketing stimuli. This aspect and the other general stimuli will be looked at

further in this literature review. This model provides an almost holistic view of what influences consumer buyer behaviour.

### **2.3.1 Cultural Influences**

Kotler (2009) defines culture as the set of basic values, perceptions, wants and behaviours learned by a member of society from family and other important institutions. The cultural factors are subdivided into sub-culture and social class. Sub cultures are groups of individuals who share common life experiences and situations resulting in the same value systems and an example is African Americans or young consumers. Social classes are said to be perpetual and well-arranged separations in a society with members who share the same interests and values including behaviours (Kotler, 2009). An example of a social class is the working class or middle class.

Culture is 'learned' behaviour that has been passed down over time (Lancaster & Reynolds, 2005). These authors further state that culture is reinforced in our daily lives through the family unit and educational religious institutions, and that cultural influences are powerful and cannot be easily classified as they concern unwritten laws about what is socially acceptable or appropriate in a particular society. Culture influences buying behaviour on a much deeper level. Culture influences how people buy things like soaps since these are deep rooted influences. People will buy soaps based on how their family buy their soaps.

### **2.3.2 Social Influences**

Social influences are divided into reference groups, family roles and status. Groups that a person belongs to can influence how that individual will make a buying decision. Armstrong and Kotler (2009), note that the pressures to conform are direct result of the exposure a person is subjected to in reference groups. The reference groups make the consumer change attitudes and his consciousness to the choices of particular products. The buyer will respect a product if he sees the people he holds in high esteem buying that same product. With regards to young customers, Lancaster and Reynolds (2005), highlight that young consumers tend to absorb the influences of the group to which they

aspire, and gradually reject the lifestyles of their parents and their parents' friends and relations. Income and education allows younger people to adopt lifestyles that are different to those of their parents. For this reason, 'occupation' is a useful pointer to social class.

According to Rani (2014), the family is maybe the most influencing factor for an individual. It forms an environment of socialization in which an individual will evolve, shape his personality, and acquire values. The family also influences the development of attitudes and opinions on various subjects such as politics, society, social relations or himself and desires. This has implications in the buying of soaps by consumers with younger people buying soaps based on current trends while parents will most likely look at the prices, quantity and benefits of buying a particular soap brand.

### **2.3.3 Personal Influences**

A buyer's decisions are also influenced by personal characteristics such as the buyer's self-concept, lifestyle, occupation personality age and life-cycle stage, and economic situation (Kotler, et al., 2005). Over the lifetime and life-cycle of people, a number of things change because of the effect of age, career, tastes and such other factors. The writers note that as families grow, what they eat, how dress, the furniture in the household and so on also change. This in turn affects and influences a buyer's choice. For example a person working in the office is expected to buy suits in comparison to a person working on the farm because of the differences in their occupations. A person's economic situation will affect product choice. If economic pointers show a decline, marketers can take measures to remodel, reposition and reprice their products (Kotler, et al., 2005).

Kotler et al. (2005) state that an individual's way of life embodies a greater influence than the individual's personality or social class. It profiles a person's whole pattern of acting and interacting in the world. Each person's distinct personality influences his or her buying behaviour. Personality refers to the unique psychological characteristics that lead to fairly constant and lifelong reactions to an individual's own setting. Personality is usually described in terms of traits such as self-confidence, dominance, sociability, autonomy, defensiveness, adaptability and aggressiveness. Personality can be useful in analysing

consumer behaviour for certain product or brand choices. For example, coffee makers have discovered that people who drink coffee heavily are highly sociable. As a result, Nescafe ads show people coming together over a cup of coffee (Kotler, et al., 2005).

#### **2.3.4 Psychological Influences**

Lancaster and Reynolds (2005), focus on five psychological concepts which are generally recognised as being most important in understanding buyer behaviour. These five concepts are, personality and the self-concept, motivation, perception, attitudes and learned behaviour.

Kotler (2001), says that at any given time a person has many needs. Certain needs are said to be biogenic, and these needs begin from physiological states like discomfort, thirst or hunger. He goes on to say that the some needs are also psychogenic; and that they are caused by psychological states of tension like esteem, the need for belonging, or recognition. A need is said to develop into a motive upon being aroused to a significant level of intensity. A motive is defined by Kotler (2001) as a need that is sufficiently pressing to cause the individual to act. Some theories have been developed in the past which try to explain human motivation and these include Maslow's hierarchy of needs, Herzberg's two factor theory and Freud's theory. This has implications on buying of soaps in that a person's need will push him or her to choose a particular soap brand.

#### **2.4 PRICE INFLUENCE ON CONSUMER BEHAVIOUR**

Price is defined as the amount of money charged for a product or service, or the sum of all the values that customers give up in order to gain the benefits of having or using a product or service (Armstrong & Kotler, 2009). Literature further notes that the importance of price as a strategic item is its relation to the positioning of the product and the effects that pricing has on other marketing mix elements like promotion, product features and the distribution decisions. The following paragraphs will explain influence on price by giving an overview of recent research on price, explaining the concepts of perceived value and price, relationship between price and demand, consumer theory, price adjustment strategies, price objectives, company price strategy and finally price setting.

### 2.4.1 FMCG Price Recent Research Overview

In a study conducted by Hemalatha et.al (2014), he concluded that at times price may not affect the purchase intention, if the customers are loyal towards a particular brand. If the customer is loyal, he/she may wish to pay a premium price for the particular brand. By comparing price with perceived values and cost, customer's satisfaction can be developed and built. Preferably, customer will enjoy of the perceived values of the product greater than the cost of the product. Loyal customers never take risk to switchover to alternative or available products even if the cost of their brand increases.

In another study in India by Anilkumar and Joseph (2014), an interesting observation was found from the study of a rural and semi urban setting in India. The study was done to identify the level of influence of various factors on the purchase of FMCG products-soaps & detergents among the rural/ semi urban consumers. The study emphasized that rural consumers gave more importance to the 'quality' of the FMCG-personal care brands they bought rather than thenormative influences or social appeal wide celebrity endorsements in the mass media (Anilkumar& Joseph, 2014). This is interesting because generally rural and semi urban centres are low revenue recipients. The rural consumers are known to earn low income, have low level of literacy, low level of brand awareness, asymmetric information, inadequate communication and transportation facilities(Anilkumar & Joseph, 2014).

*Table 2.1 - Rural Respondents*

SI No.	Product Attributes	Most Salient attributes %	Moderately salient attributes %	Least Salient Attributes %
1	Quality - Value for Money	68	21	11
2	Personal attitude	67	26	7
3	Pricing - Affordability	64	20	16
4	Brands image	58	24	18
5	Product attributes e.g Perfume	57	22	21
6	Personality - Lifestyle	54	36	10
7	Personal experience from usage	53	29	18
8	Motivation for the buy	51	34	15
9	Other aspects on buy	49	41	10
10	Attractive Packaging size	48	29	23

11	Retailer Patronage	44	42	14
12	Other's influence on buy	21	20	59

Source: Anilkumar & Joseph (2014)

**Table 2.2 - Factors Influencing Buying**

S.No.	Name of the product Factors Influencing	Toilet Soap		Laundry Detergent		Dishwashing Bar	
		Garrett Score	Rank	Garrett Score	Rank	Garrett Score	Rank
1	Brand Name	62.36	1	62.67	1	62.83	1
2	Quality	57.02	2	57.07	2	56.5	3
3	Quantity	55.13	3	55.04	3	55.27	4
4	Price	54.79	4	55.01	4	57.21	2
5	Easy Availability	53.37	5	53.27	5	52.18	5
6	Package	49.88	6	50.33	6	49.02	6
7	Trade Name	45.6	7	46.02	7	47.42	7
8	Date of Manufacture	43.42	8	42.28	8	43.62	8
9	Transparent	40.57	9	39.39	9	39.46	9
10	Affordability	36.43	10	36.68	10	36.86	10

Source: ScieResPub (2013)

Table 2.2 above highlights the findings of a study in an International Journal of Advancements in Research & Technology (2013), which compared the rank of different factors influencing consumers' buyer behaviour in India. This study conducted in that scientific research publication found that brand name is the most important factor followed by quality and quantity in influencing the consumer to make a purchase decision for bath soaps. Price was ranked as the 4<sup>th</sup> important factor.

All these empirical studies support that price is not necessarily the most important influence on consumer buyer behaviour. Quality and brand image have the highest influence with price falling behind these attributes in terms of importance or having the most influence on consumer buyer behaviour.

As noted earlier in the introduction 1.1, Mahmud and Gope (2012) in yet another research found that the majority, (63%) of the toilet soap users are brand loyal. They buy soap on

the basis of product features including colour, fragrance, skin care or germ fight features. People are very much less sensitive to price. So, brand loyalty does not get affected much by price.

#### **2.4.2 Perceived Value and Price**

Perception plays an important role in pricing. How a consumer perceives a price as high, as low, as fair has a strong influence on both purchase intentions and purchase satisfaction. Considering the perception of price fairness for example, there is some evidence that the customers do pay attention to the prices paid by other customers and that the differential pricing strategies used by some marketers are perceived as unfair by customers not eligible for the special prices (Wasonga, 2011). According to Assael (2004), consumers' price perceptions may appear to be a simple matter of determining a product price based on an advertisement or on observation in store. However, it is not that simple because consumers have certain expectations about what prices are or should be. This price is known as a reference price.

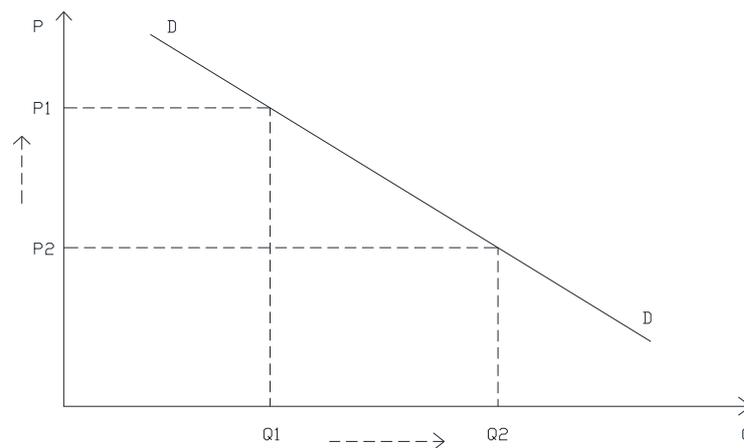
Kotler & Keller (2006) note that a growing number of companies of late have been basing their price on the perceived value of the customer. Perceived value is made up of a number of features which among others include what the buyer thinks or views how the particular product performs, its distribution, warranty offered on quality, customer care service and support and indeed the suppliers dependability, reputation, and esteem (Kotler & Keller, 2006).

#### **2.4.3 Price and Demand**

The subject of price and demand is very well documented especially in Economics. Demand refers to the quantities that people are or would be willing to buy at different prices during a given time period, assuming that other factors affecting these quantities remain the same (Wilkinson, 2005). However, this "demand" explained in Economics is different from the "demand" explained in business and marketing. This definition of demand refers to the quantity demanded. In contrast to the economist's focus on demand, the accountant's approach to pricing is often based essentially on costs. Break-even analysis and break-even pricing are generally viewed as accounting concepts, but are

extremely useful in evaluating the profit potential and risk associated with a pricing strategy, or any marketing strategy(Hollensen, 2010).

The law of demandstates that the quantity demanded of a good or service is inversely related to the selling price, ceteris paribus (all other determinants remaining unchanged)(Webster, 2003). In simple terms, as the price of an item rises, the quantity demanded normally falls. As the price falls, the quantity demanded normally rises, all other things held constant. The graph of the law of demand is as shown in Figure 2.2.



**Key**

Q - Quantity Demanded

D – Demand

P – Price

***Figure 2.2 - The Demand Curve***

*Source: Webster (2003)*

The quantity demanded of any product normally depends on its price. Quantity demanded also depends on a number of other determinants, including population size, consumer incomes, tastes, and the prices of other products. It is also important to note that a change in the price of a good produces a movement along a fixed demand curve. By contrast, a change in any other variable that influences quantity demanded produces a shift of the entire demand curve(Baumol & Blinder, 2010).

Kotler & Keller (2012)highlight that customers’ sensitivity to price reduces when they don’t buy an item often or when the item is of low cost. The writers further state that

the customers are less price sensitive when (a) the substitutes and competitors are few; (b) the increased price is not easily noticeable by the consumers (c) Customers do not quickly change how they buy especially their shopping habits (d) they think the higher prices have a plausible explanation and can be justified easily (e) the price is insignificant when compared to the sum cost of the product over its lifetime including operation, servicing and obtaining it.

#### **2.4.4 Price Elasticity of Demand**

Pricing has intricate connections to issues such as demand, competition, and customer expectations. All of these come together in a concept known as price elasticity of demand which is perhaps the most important consideration in setting effective prices. Simply defined, price elasticity refers to customers' responsiveness or sensitivity to changes in price (Ferrel & Hartline, 2011). Price elasticity of demand affects bath soaps in particular in that consumers are sensitive to changes in price.

#### **2.4.5 Consumer Theory**

This area of economic theory is concerned with explaining why consumers behave in certain ways, in particular with how the variables of price and income affect what consumers buy and how much. While it may be true that managers and business-owners are often not interested in this theoretical background and analysis, being more concerned with demand responsiveness to changes in different variables, this theoretical framework is still useful in explaining both motivation and behaviour (Wilkinson, 2005).

Consumer theory relies on the assumption that consumers have the objective of maximizing their total utility. Utility is defined in terms of value or satisfaction. This is derived from consuming combinations of different products. These products are purchased from what is assumed to be a fixed amount of money available; thus there is a budget constraint on consumers' purchasing, which is largely determined by current income, although other factors like past saving, expectations of future income and the availability and cost of credit are relevant (Wilkinson, 2005).

The validity of the law of demand may be argued on the basis of common sense and simple observation. At a more sophisticated level, the validity of the law of demand may

be argued on the basis of diminishing marginal utility and income and substitution effects (Webster, 2003). Webster (2003) goes on to state that for most goods, the *income effect* asserts that as a product's price declines (increases), an individual's real income (purchasing power) increases (decreases). The increase in real purchasing power resulting from a fall in prices enables the individual to consume greater quantities of a commodity, while the opposite is true for an increase in prices. The *substitution effect* reflects changes in consumers' opportunity costs. The substitution effect states that as a product's price declines, consumers will substitute the now less expensive product for similar goods that are more expensive.

Having considered the effects that prices have on consumers, the next paragraphs now look at pricing from the organizations view, and the influence of strategies.

#### **2.4.6 Pricing Objectives**

Literature notes that it is important for an organisation to set its pricing objectives. Usually these objectives are set depending on what the organisation intends to achieve. Broadly speaking, pricing objectives can be either profit oriented or volume oriented. The profit-oriented objective may be defined either in terms of desired net profit percentage or as a target return on investment. The latter objective has been more popular among large corporations. The volume-oriented objective may be stated as the percentage of market share that the firm would like to achieve. Alternatively, it may simply be stated as the desired sales growth rate (Subhash, 2004). Among other objectives, which will be shown later, the following are some objectives pricing by companies.

##### **Survival**

Kotler (2000) says that the survival objective is used by companies which are troubled with intense competition, overwhelmed with overcapacity and shifting consumer wants. The author further states that the company will remain in business if the variable and fixed costs are covered by its prices.

##### **Profit maximisation**

Most companies have an overall pricing objective of profit maximisation. Market conditions usually make it impossible to maximise profits on all products, in all markets, simultaneously. For this reason, some companies employ pricing techniques that may

promote sales, but reduce profits on certain products in the short term, with the overall objective being to maximise profit on total sales of the company (Lancaster & Reynolds, 2005).

### **Maximum market share**

For this objective, Kotler (2000) says that the firm assumes the market is sensitive to prices and therefore sets the lowest price. Kotler says that this objective is suitable when, (1) distribution and production costs decline with cumulative production knowledge, (2) market is highly price sensitive, therefore a low price fuels market growth and (3) a low price discourages competition.

### **Maximum market skimming**

A number of firms are said to be in support of setting prices high in order to do market skimming. Kotler (2000) argues that an objective like this is suitable under conditions where: (1) the high price communicates the image of a superior product (2) the starting price does not attract a lot of competitors attention (3) the merits of charging what the customers can afford are not eroded by the costs of manufacturing a small volume of the product and (4) a sufficient number of buyers have a high current demand.

### **Maintaining price stability**

A pricing policy with the objective of maintaining price stability and margins might seem to detract from marketing creativity and free choice. Although it is true that some products can be promoted and priced as prestige items, most firms have little influence over the general level of prices in a market. They must organise their businesses so that costs are at a level that will permit them to fall in line with the prices charged by market leaders. Prices tend, therefore, to be 'market led' with little scope for deviation from established price structures (Lancaster & Reynolds, 2005).

### **Product-Quality Leadership**

A firm might have a goal of being the product-quality leader in the market. There are a number of services and products such as Starbucks coffee, Bavarian Motor Works (BMW) and Viking ranges which aim for this goal by providing affordable but luxurious items. These products as is expected have customers who associate the products with high levels of perceived status, quality, taste and prices which consumers can pay for without too much effort. These products are leaders in quality in their categories because they

combine quality, luxury, comfort and a premium price which their customers are willing to pay because of their intense (Kotler & Keller, 2006)

This list is not exhaustive, but apart from the objectives listed above, the other objectives have been written by other authors such as Subbash (1999).

#### **2.4.7 Pricing Strategy**

There is generally, a stepwise approach recommended by authors in coming up with a pricing strategy. This stepwise approach is suggested by Kotler & Keller (2006)

##### **Step I: Choosing an Objective**

The business first chooses where it desires to position its market offering (see paragraph 2.4.5, Pricing objectives). It is easier to set the price if the company knows its objectives.

##### **Step II: Defining the Demand**

The level of demand is determined by each price as explained earlier (paragraph 2.4.3 Price and demand). This therefore, has a bearing on a businesses' marketing objectives. The demand curve shows the relation among different prices and consequent demand. Demand and price are shown to have an inverse relationship meaning that a higher results in lower demand and vice versa in a normal case scenario. The demand curve at times slopes upwards particularly where luxurious goods are concerned. An example of a perfume company which sold more perfumes after raising its prices is given by Kotler & Keller (2006). Some consumers take the higher price to signify a better product Kotler & Keller (2006). The authors note that demand may also fall if the price becomes too exorbitant.

##### **Step III: Costs Estimation**

(Kotler & Keller, 2006) argue that what the company sets as its maximum price is set by the demand and the costs set the minimum charge. The business needs a charging price that caters for selling, producing and distributing as well as a reasonable return for the carried risks and effort put. However, the writers note that even if a firm prices its products covering all the costs, profitability is not always the net result.

##### **Step IV: Evaluating Rivals' Prices, Costs and Offers**

The company must consider its rivals prices, costs and probable reactions to price changes in addition to the probable prices which are set by the firm's costs and market demand. If the firm is manufacturing products with features which are not being offered by their competitors, that element of the product needs to be considered after evaluating their net worth (Kotler & Keller, 2006). In addition, the writers say if the rival's offer comprises certain features which aren't presented by the company, their value to the consumer have to be assessed and deducted from the firm's price. After doing this, the business will be in a position to determine if it is possible to price higher, equal to, or less than the rival. The competitors however can still adjust their own prices in reaction to what the firm would have set.

#### Step V: Picking a Method for Pricing

With the customers' demand schedule, the cost function, and competitors' prices, which are the 3 Cs,—the firm is now equipped to choose a price as recommended by Kotler and Keller (2006). They go on to state that the price of other products and that of competitors offer a point of reference but the costs fix a baseline while the customers valuation of exquisite features set the maximum price. All the three considerations are recommended when a company is setting its price. Among the pricing methods to choose from the following six price-setting methods can be used: target-return pricing, going-rate pricing, perceived-value pricing, mark-up pricing value pricing, and auction-type pricing.

#### Step VI: Final price selection

How the company selects its final price is determined by the pricing methods and these methods offer a limited range of selecting the price. When choosing the price, the business needs to think through other aspects, comprising the influence of other company pricing policies, marketing activities, advantage-and-risk-distribution pricing, and how other parties are impacted by price.

### **2.4.8 Price Adjustment Strategies**

(Kotler, et al., 2005) note that businesses adjust their elementary prices to cater for the dynamic situations presented by the customers because of the customers ever shifting demands. The seven price-adjustment strategies: discount and allowance pricing, segmented pricing, psychological pricing, promotional pricing, -value pricing,

geographical pricing and international pricing. These strategies are summarized in table 3 below,

**Table 2.3 - Price Adjustment Strategies Summary**

DISCOUNT AND ALLOWANCE PRICING	SEGMENTED PRICING	PSYCHOLOGICAL PRICING	VALUE PRICING	PROMOTIONAL PRICING	GEOGRAPHICAL	INTERNATIONAL
Reducing prices to reward customer responses such as paying early or promoting the product	Adjusting prices to allow for differences in customers products, and locations	Adjusting prices for psychological effect	Adjusting prices to offer the right combination of quality and service at a fair price	Temporarily reducing prices to increase short-run sales	Adjusting prices to account for the geographic location of customers	Adjusting prices in international markets

*Source: Kotler et al, (2005)*

### 2.4.9 Price Setting

Subbash (1999) notes that although businesses of all types devote a great deal of time and study to determine the prices to put on their products, pricing is often more art than science. He goes further to state that in certain cases, setting prices does encompass the use of a straightforward equation: material and labour costs + overhead and other expenses + profit = price. But in many other cases, the equation contains psychological and other such delicate subjective factors that the pricing result may essentially rest on gut feeling.

Table 2.4 proposes a way of joining information on dissimilar pricing factors to make an unbiased pricing decision in industrial marketing. As an example, price sensitivity, conspicuousness to competition, and strength of supplier relationships are used to rank

various customers, allowing a different pricing strategy to be adopted for each customer to effectively achieve profit, share, and communication objectives.

**Table 2.4 - Price Guide**

Company Relationship with Customer (Leverage)	Visibility of Price to competition (Knowledge)	Customer's Price sensitivity	
		Low	High
Strong	High	To gain profit and communicate high price	To maintain share and communicate willingness to fight
	Low	To gain profit	
Weak	High	To communicate high price	
	Low	To gain share	

Source: Subash (2004)

The eight steps listed below deal with the fundamentals of setting the true price and then monitoring that decision so that the benefits are sustainable.

1. Assess what value your customers place on a product or service.
2. Look for variations in the way customers value the product
3. Assess customers' price sensitivity.
4. Identify an optimal pricing structure.
5. Consider competitors' reactions.
6. Monitor prices realized at the transaction level.
7. Assess customers' emotional response.
8. Analyse whether the returns are worth the cost to serve.

These eight steps consider the factors affecting price. Companies need to assess their customers to determine how a product or service is valued. Differences in the way customers put value on the same product may be spun to a company's benefit through clever pricing(Subhash, 2004).

## **2.5 MARKETING MIX INFLUENCE ON CONSUMER BEHAVIOUR**

Kotler (2000) defines the marketing mix as a collection of tools that a business uses on the target market to meet its marketing objectives. The main components of a marketing mix are product, price, promotion and place. As shown in Figure 2.1, the marketing stimuli on consumer behaviour is effectively the marketing mix. Hollensen (2010), makes an interesting observation that the company can modify the marketing mix to accommodate the demands expressed by consumers. The more successful it is in matching its marketing mix with expressed and latent demands in the market, the greater the possibility is that consumers will buy the company's products now and in the future, hence effectively influencing consumer behaviour.

### **2.5.1 Product**

Marketers should know that most of the 'want-satisfying' nature of the product is resultant from consumer perceptions. The real nature of the product is what the consumer perceives it to be, and not what the company thinks it is, or would like it to be. Marketing management is responsible for finding out what perceptions will add to consumer satisfaction, and then manage the marketing mix to ensure that the product embodies these perceptions(Lancaster & Reynolds, 2005).

The characteristics of a soap product can influence the consumer in making a buying decision. The product attributes that are of particular interest on soap include the brand name, quality, packaging, colour, quantity and perfume of the bath soap. These attributes of the product have been used generally in literature in determining their influence on bath soap buying behaviour of the consumer (Wijesundera & Abeysekera, 2010; Anilkumar & Joseph, 2014; Hemalatha, et al., 2014). As noted earlier, these attributes are usually ranked along with pricing in determining how much of an impact they make on consumers and which attribute is the most important in influencing consumers to buy the toilet soap. The product attributes are explained further in the following paragraphs.

### ***2.5.1.1 Brand loyalty***

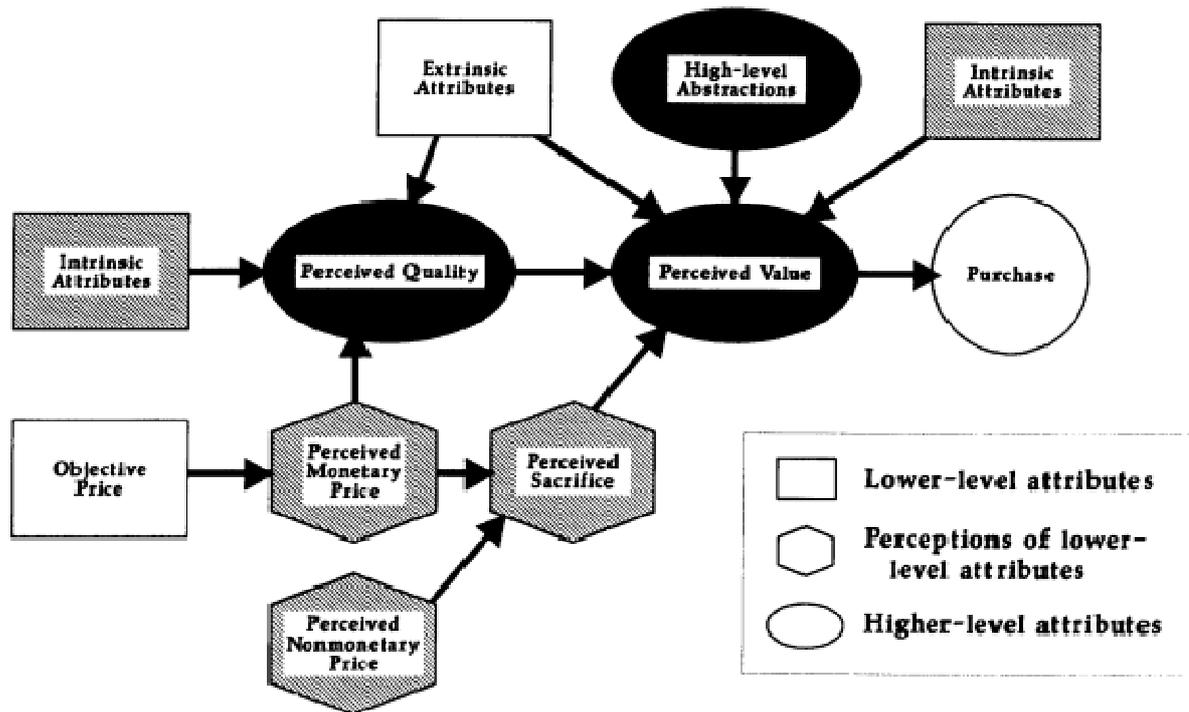
When consumers become committed to a particular brand and make repeat purchases over time. Brand loyalty is a result of consumer behaviour and is affected by a person's preferences. Loyal customers will consistently purchase products from their preferred brands, regardless of convenience or price (Dhanalakshmi & Ganesan, 2013). Literature places much emphasis on brand loyalty as the main factor that influences buying decisions. Brand loyalty is usually ranked higher along with quality, and price as shown earlier in this literature review.

A study in India supports the assertion of the importance that brand loyalty plays. Through the study of consumer behaviour of soaps and detergents, most of the consumers make purchase decision on the basis of brand name, quality and their prices. Management should position their brand in a better way to achieve quality and fix reasonable prices by proper training and development (SciResPub, 2013). The primary data from this research is shown in Table 2.2.

In another study of brand loyalty on toilet soap buying behaviour by female customers in India Hemalatha and others (2014) is an example. The study identified that brand name influence brand loyalty towards toilet soaps. In the present changing buying behaviour brand loyalty is important for any organization to ensure that their products is kept in minds of consumers and it will reduce the switching to other brands (Hemalatha, et al., 2014).

### ***2.5.1.2 Quality***

The concept of quality is important, particularly where a product like soap is involved. Quality can be defined broadly as superiority or excellence. By extension, perceived quality can be defined as the judgement of the customer about an item's total distinction or supremacy. Perceived quality is (i) different from objective or actual quality, (ii) a higher level abstraction rather than a specific attribute of a product, (iii), a global assessment that in some cases resembles attitude, and (iv) a judgement usually made within a consumer's evoked set (Zaithaml, 1988).



**Figure 2.3 - A Means End Model (Price, Quality & Value)**

Source: Zaithaml (1988)

### 2.5.1.3 Packaging

In 1885, William and James Lever founded their soap company. Through innovative marketing and packaging, their soap, known as Sunlight, became the world’s biggest selling soap by 1887 (Subhash, 2004). The issue of packaging in influencing consumer buyer behaviour for soap cannot be underestimated because packaging has a pull effect on customers.

The process of designing, manufacturing as well as the related actions associated with producing a products container is described as packaging by Kotler (2000). The container which is the package might have as high as three levels of material. A container corrugated box is the shipping package, with the cardboard boxes being the secondary package and the bottle or plastic with the product being the primary package(Kotler, 2000).

The use of packaging as an effective marketing tool has been growing primarily because of the following reasons: potent

- ▶ Self-service: According to Kotler, a usual customer goes by almost 300 items in a minute. He states that almost fifty three percent of all purchases are impulsively made, therefore an effective package draws attention, pronounces features, generates assurance, and creates a favourable impression.
- ▶ Consumer affluence: Kotler (2000) says that increasing customer wealth results in consumers being prepared to pay more for the handiness, look, reliability, and status associated with superior packages.
- ▶ Company and brand image: a company's brand can be spotted instantly by its package. Campbell Soup stated that their red and white can was seen by an average customer over seventy times a year which equated to advertising worth twenty six million dollars.
- ▶ Innovation opportunity: Numerous advantages to customers and manufacturers can be realised with innovative packaging. A convenient packaging for example a toothpaste pump dispensers, captured an increased market share because of its user friendliness (Kotler, 2000).

#### ***2.5.1.4 Colour***

For bath soaps, the issue of colour is just as important as packaging because of the appeal that colour gives to the customer. This is the reason why a single brand like the Olivine Jade soap has four variants in white, pink, lime and honey. Consumers have different preferences based on the colour of the soap.

In soap industry, ingredients mixed along with the soap plays a major role, because it affects the hand, feel, texture and other performance aspects of the product. In regard with the product toilet soaps and detergent soaps colour plays major role. Consumers personally relate colour with them. At majority of the situation, though the product is good, if the colour is not appealing, the customer will reject the particular brand. The functional attributes like skin dryness, quick dryness, light weight, size and durability plays major role (Hemalatha, et al., 2014).

A classic example of the importance of colour is when Ford made a classic production-orientated statement that is often repeated today in relation to his Model 'T' Ford that was introduced in 1913. Ford produced only black coloured cars. This production-orientated

philosophy was feasible as long as a sellers' market pertained. However, this statement was not good for business.

Colour nowadays signifies a lot more than just preference and appeal as it is now associated with religion, health matters for example a white soap is perceived to be less sensitive to the skin compared to a pink soap. Colour even has cultural significance in some market. It is therefore important when producing colour of the soap to be cognisant of the market in which it will be sold.

#### ***2.5.1.5 Perfume***

The perfume or fragrance of a bath soap is very important. The smell of a product often guides our consumer choices (Rauch, 2011). This feature of the product not only helps to increase the appeal to customers but also works in differentiating between the different brands of the soaps. For example, the Jade brand has four variants of the same product differentiated by colour and perfume.

#### **2.5.2 Place**

The customer, or final consumer, is the keystone in any channel design. Thus the size, geographic distribution, shopping habits, outlet preferences and usage patterns of customer groups must be taken into account when making distribution decisions. Consumer product channels tend to be longer than industrial product channels because the number of customers is greater, the customers are more geographically dispersed, and they buy in smaller quantities. Shopping habits, outlet preferences and usage patterns vary considerably from country to country and are strongly influenced by sociocultural factors (Hollensen, 2010).

#### **2.5.3 Promotion**

(Kotler & Keller, 2012) argue that promotional pricing strategies lead to zero-sum because when they work, they can be copied by competitors and they become useless while if the opposite is true, they result in wastage and the organization losing money which could have been used for other meaningful purposes like improving the quality of

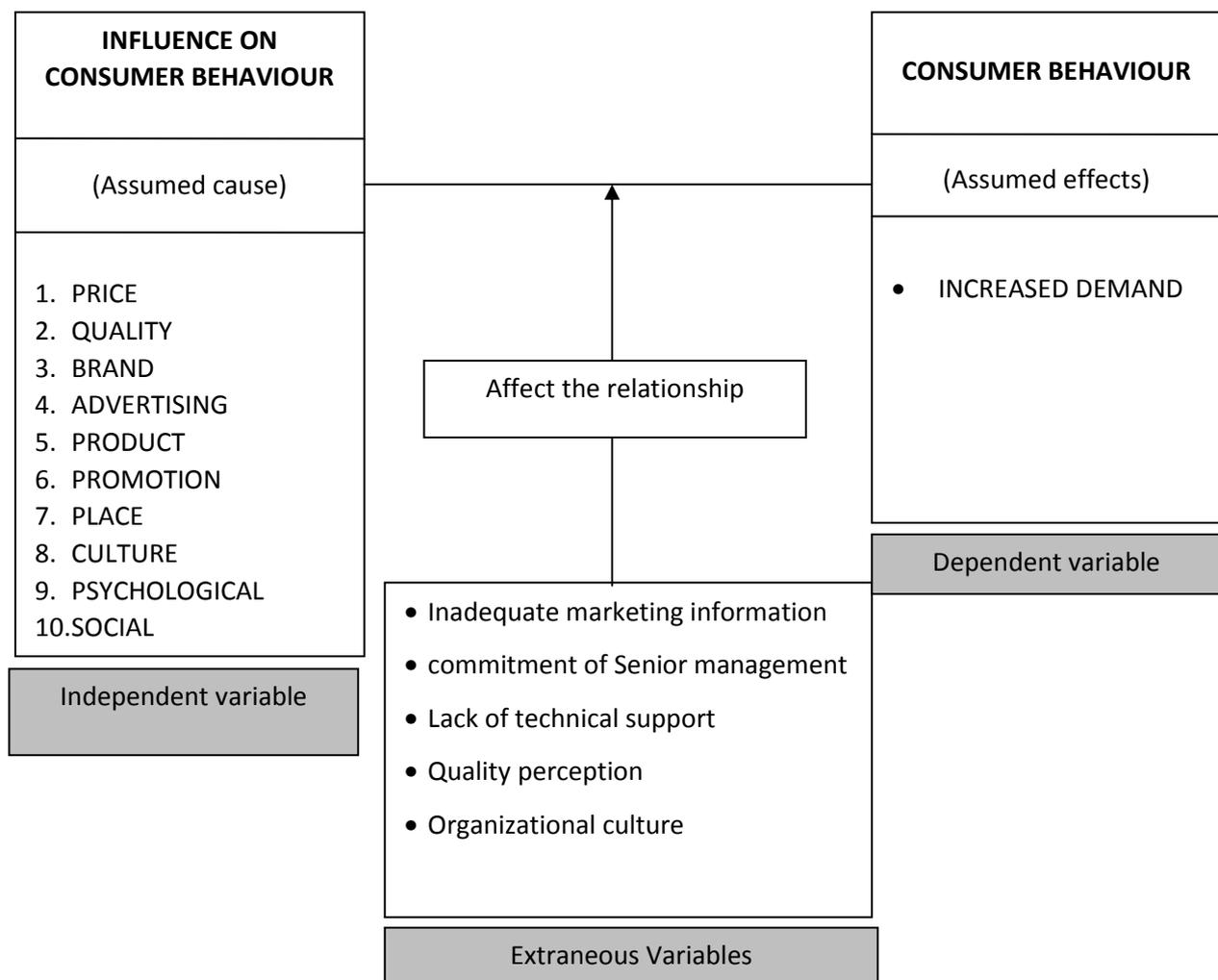
the product or enhancing the product profile and image by advertising. The money could be channelled to these useful marketing tools. Companies can use several pricing techniques to stimulate early purchase (Kotler & Keller, 2012).

- Loss-leader pricing. This pricing technique allows the retailers and other sellers to reduce their price on their popular products to stimulate demand and increase customers who buy their product. The lower profits can be off-set if the volumes sold though the sales are pushed to compensate for the reduced margins on the loss-leader items. This practice has its critics in that the loss leader manufacturers usually complain of the negative effect that the reduced price has on the image of their brands and also other supermarkets and sellers who charge the list price will feel short changed. Efforts have been made by manufacturers to keep the intermediaries from using this techniques without much success (Kotler & Keller, 2012).
- Special event pricing. Retailers make special prices for holidays and seasons associated with either holidays or even Christian or Muslim festivities. As an example, sellers can use Christmas sales specials every December.
- Cash rebates. Manufacturers of vehicles, perishable products and even other products can offer cash rebates to encourage sale of their products within a specified time. This helps in reducing inventories and clearing stock without necessarily reducing the retail price.
- Special customer pricing. Certain customers will receive special offers and prices. Edgars for example offers its account holders price discounts and other special buying conditions which are exclusive of other ordinary buyers.
- Low-interest financing. Another option is low interest financing whereby the customers are given substantially low interests for them to be able to make the purchase. This practice is common in the automotive industry.
- Longer payment terms. Customers prefer longer payment terms because they reduce the fixed monthly payments. Mortgages and automobile companies use this option of pricing to a great effect because of the flexibility it offers to the customers who are more concerned about affordability more than the loan interest rate.
- Warranties and service contracts. Guarantees, service level agreements and warranties stimulate consumers and can promote sales particularly if they are long term in nature
- Psychological discounting. This practice is common usually with retailers. A high price is set and the product offer marketed as if it gives substantial savings. For example, a

product can be put on the shelf with a tag, “Was \$1 050, Now only \$999”. Discounts from normal prices are a legitimate form of promotional pricing; the Federal Trade Commission and Better Business Bureaus fight illegal discount tactics (Kotler & Keller, 2012).

## 2.6 CONCEPTUAL FRAMEWORK

Having reviewed the relevant literature, the conceptual framework highlighted in Figure 2.4 is envisaged for this research.



**Figure 2.4 - The Conceptual Framework**

This chapter reviewed the literature on pricing and consumer behaviour with the objective of gaining insights on the subject matter. The chapter highlighted the importance of the marketing mix and other attributes of bath soap that influence price and consumer

behaviour. The conceptual framework was then derived from the literature. The next stage of this research will detail the Research Methods to be used to capture the empirical data, including details on the research strategy to be adopted and data collection techniques.

## **CHAPTER 3 – RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

This chapter covers the methodology used for this research. Chapter 2, literature review identified a gap in existing research in that there was ample evidence on the need to research for influence of price and other factors on consumer demand in various markets like the Fast Moving Consumer Goods (FMCG) market in other countries. This section – Research Methodology – will provide the details of the research strategy adopted to address the research issues identified above, together with the means of collecting data for analysis. The starting part includes the basis of assuming a sole case design and also explains the use of the case study approach using the phenomenological philosophy. The second part analyses on sample selection and includes a description on primary data collection activities from personal interviews with marketing personnel at Olivine Industries and questionnaires given to customers. Overall, the objective of this chapter is to justify the use and appropriateness of the research methodology used, as well as its potential limitations.

### **3.2 RESEARCH DESIGN**

A research design is a framework or plan for conducting a research project. The research design details the procedures necessary for obtaining the information needed to structure or solve the marketing research problem (Malhotra, et al., 2012). Yin (2003) argues that inferences which bring out causal relations can be made from the research design by collection, analysis and interpretation of the observations. Yin (2003) states that when a case is representative or typical, a single case study can be used. The researcher used a ‘representative’ single case design of Olivine Industries (Pvt) Limited company using the recommendations by Yin.

### **3.3 RESEARCH PHILOSOPHY**

Research philosophy is an all-encompassing phrase relating to the advancement of knowledge as well as the nature of that knowledge (Saunders, et al., 2009). Kothari

(2004) notes the two approaches to research, namely qualitative approach and quantitative approach. Saunders et al. (2009) note the research philosophies as being divided into four, realism, pragmatism, interpretivism, positivism and the research approaches as being inductive and deductive. They go on to further explain that the assumptions underpinning a researchers' methods and strategy are based upon how the researcher views the world.

In brief as defined by Saunders, et al. (2009), the four philosophies are defined as follows; Objects can be said to exist autonomously of our awareness. This epistemological position is called realism. Pragmatism argues that the utmost vital element of a research philosophy assumed is the research question, and that it is possible to work within interpretivist and positivist positions. Saunders, et al. (2009) state that it relates to a real-world approach, incorporating diverse perspectives to assist gather and deduce data. Interpretivism advocates the need to comprehend variances amongst human beings in their role as social actors. Positivism is the epistemological position that advocates working with an observable social reality. The emphasis is on exceedingly organized methodology to enable replication, and the end product can be law-like generalisations similar to those produced by the natural and physical scientists.

### **3.3.1 Quantitative approach**

Creswell (2003) defines a quantitative approach as one in whereby the researcher predominantly uses post-positivist claims for developing knowledge (i.e., cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories), employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data. The quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion (Kothari, 2004).

### **3.3.2 Qualitative approach**

Saunders, et al., (2009) define a qualitative approach as one in which the researcher usually makes knowledge claims grounded principally on constructivist viewpoints (i.e., the multiple meanings of individual experiences, meanings socially and

historically constructed. with an intent of developing a theory or pattern) or advocacy/participatory perspectives (i.e., political, issue-oriented, collaborative. or change oriented) or both. It also uses strategies of inquiry such as narratives, phenomenologies, ethnographies, grounded theory studies, or case studies. Creswell (2003) states that the researcher collects open-ended emerging data with the primary intent of developing themes from the data. Saunders et al., (2009) states that the analysis of qualitative data involves a demanding process and should not be seen as an easy option. Yin (2003) refers to those who leave the data that they have collected unanalysed for periods of time because of their uncertainty about the analytical process required.

### **Advantages of qualitative methods**

Qualitative research encompasses a variety of methods that can be applied in a flexible manner, to enable participants to reflect upon and express their views or to observe their behaviour. It seeks to encapsulate the behaviour, experiences and feelings of participants in their own terms and context (Malhotra, et al., 2012). Dey (1993) argues that number depends on meaning but it is not always the case that meaning is dependent on number. The writer further points out that it becomes less and less possible to quantify the data meaningfully if the concepts are vague and variable. Robson (2002) concurs with Dey and adds that qualitative data are linked with ambiguous and elastic concepts because they are characterised by their richness and fullness based on the chance to dig deep a topic in as genuine a manner as is possible. These writers conclude that a divergence can therefore be made between the ‘thin’ generalisation and depiction that results from quantitative data collection and the ‘thick’ or ‘thorough’ abstraction or description linked with qualitative data (Dey, 1993; Robson, 2002; Saunders, et al., 2009).

### **3.3.3 Choosing the Appropriate Approach**

Yin (2003) states that the option of choosing or picking the appropriate approach to use between qualitative or quantitative research hinge upon:

- i) The type of the research
- ii) Information required
- iii) Resource availability (time, human capital and money)
- iv) The setting of the research.

This research is primarily qualitative in nature, not quantitative, where the former relates to studying things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them (Denzin & Lincoln, 2005: p2), whereas the latter tends to be used in the natural sciences (such as physics) to study natural phenomena, using methods such as laboratory experiments and mathematical modelling, although quantitative research can often employ survey techniques within social settings and be used in conjunction with qualitative methods (Biggam, 2011).

As highlighted in paragraph 3.3 above, the four research philosophies (realism, pragmatism, interpretivism and positivism) affects the researchers choice of a research strategy and research method because of his/her view of the world. This writer does not subscribe to the epistemological position that is based on positivism, neither is he attempting to make generalizations from a sample population to test theories. The interpretative perspective of the world fits in with this researchers view of the world and his aim of gathering different stakeholder perspectives to understand the influence of price and indeed other factors on consumer demand for bath soaps in a Zimbabwean FMCG environment.

Finally, the qualitative approach was selected because of resources such as time, finance and human capital required to carry out the research.

### **3.4 RESEARCH STRATEGY**

The research strategy that will be used to implement the empirical research is a case study. Cohen & Manion (1995:p 106) describe a case study thus; "...the case study researcher typically observes the characteristics of an individual unit – a child, a class, a school or a community. The purpose of such observation is to probe deeply and to analyse intensively the multifarious phenomena that constitute the life cycle of the unit." According to this definition, a case study is therefore concerned with close observation of how a particular population group behave in a particular context.

Yin, (2003) defines a case study in a another way. He argues that a case study is an empirical inquiry that

- investigates a contemporary phenomenon in depth and within its real-life context, especially when
- the boundaries between phenomenon and context are not clearly evident.

Yin, with the above definition, is trying to distinguish a case study from other research strategies. An *experiment*, he argues, intentionally separates phenomenon from context; *historical* research, although integrating phenomenon and context, normally deals with non-contemporary events; *surveys* can investigate phenomena and context together, but lack the in depth investigation of a case study approach.

Yin (2003) gives three conditions in which different methods can be used; (a) the type of research question posed, (b) the extent of control an investigator has over actual behavioral events, and (c) the degree of focus on contemporary as opposed to historical events. The major research methods are experiments, surveys, archival analyses, histories, and case studies. Yin (2003) .The importance of each condition, in distinguishing among the five methods, is as outlined in Table 3.1.

**Table 3.1 - Relevant Situations for Research Methods**

Strategy	Form of research question	Requires control of behavioural events	Focuses on contemporary events
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival analysis	Who, what, where, how many, how much?	No	Yes/no
History	How, why?	No	No
Case study	How, why?	No	Yes

Source: Yin (2003)

### **3.4.1 Case Study Strategy**

Given the nature of this research where a variety of customer and marketers views and perspectives are sought, and where the underlying research philosophy is based on an interpretative understanding of the world, a strategy that meets the needs of this research is a case study. A case study approach facilitates this researchers drive to probe deeply into the influence of price and other factors on consumer demand for Olivine Industries' bath soaps by devoting time and energy concentrating on specific aspects of price and consumer behaviour in one organization.

From table 1 above and the definition given by Yin, the research topic fits with the case study methods because the research intends to answer 'how' and 'why' consumers make their preferences when they buy bath soaps. The control of behavioural events for this research is not required since we want to investigate the consumers behaviour in a natural FMCG market setting. The research also focuses on contemporary events since the buying process and selection of the bath soaps in the FMCG market is an ongoing event.

### **3.4.2 Prejudices Against Case study strategy**

A case study strategy is not without its critics and there are limitations in adopting this approach that require to be addressed. In the first place, the researcher is aware of the difficulty of making generalisations as a result of one case study (Adelman, et al., 1977; Borg, 1981), in this case selecting one FMCG company, Olivine Industries, in which to study the influence of price on consumer preferences. There are other FMCG companies in Zimbabwe which make bath soaps like Unilever, Surface Wilmar and United Refineries. However, this researcher is attempting to shed light on what is happening in a particular setting (Saunders, et al., 2009), thereby adding knowledge to the rich picture of consumer buying behaviour research. The case study approach facilitates this aim. The findings from a case study regardless of the FMCG company may be of interest and benefit to any FMCG company keen on understanding the influence of price on consumer behaviour (Biggam, 2011).

The use of a case study approach in this research thus exploits the concepts of *reliability*, where other institutions in relating to situational aspects of the case study and recognizing

similar issues and problems described in this research can learn from the findings. Bassey (1981) for example is a strong supporter of the concept of reliability and believes that reliability of a case study is more important than its generalisability.

### **3.5 DATA COLLECTION**

#### **3.5.1 Population**

The full set of cases from which a sample is taken is called the population (Saunders, et al., 2009). In this research, the sample composed of the Olivine Industries Managing Director, General Manager and National Sales Manager, Sales Manager, the Distribution Manager drawn from the Olivine Industries population and twenty customers who buy Olivine Industries Jade bath soap drawn from the retail shops in Harare which are OK, Pick n Pay, Choppies, and Spar. The purpose for choosing senior management was that they are directly involved in the strategic planning process within the organisation. The customers were chosen from the main retail outlets in Harare but have branches across the whole country.

#### **3.5.2 Sampling procedure**

There are two types of sampling which are; (1) non-probability or judgemental sampling and (2) probability or representative sampling. Non-probability sampling relies on the personal judgement of the researcher rather than on chance to select sample elements. Commonly used non-probability sampling techniques include convenience sampling, judgemental sampling, quota sampling and snowball sampling. In probability sampling, sampling units are selected by chance (Malhotra, et al., 2012).

Qualitative research methods use non-probability type of sampling. This research used judgemental sampling. Purposive or judgemental sampling enables you to use your judgement to select cases that will best enable you to answer your research question(s) and to meet your objectives. This form of sample is often used when working with very small samples such as in case study research and when you wish to select cases that are particularly informative (Saunders, et al., 2009).

### **3.5.3 Sampling frame**

The sampling frame for any probability sample is a complete list of all the cases in the population from which your sample will be drawn (Saunders, et al., 2009). In judgement sampling the sample size may or may not be fixed prior to data collection but may depend on the resources and time available as well as the study objectives (Denzin and Lincoln, 2005). In this research the sample constitutes five management members and twenty customers picked from four retail outlets who were able to answer research questions in line with the objectives. This data was analysed by being put in data display and making a qualitative comparison of the responses.

## **3.6 DATA SOURCES**

When the research problem has been defined, the process of collecting data starts. The research design is drafted at this stage. There are two types of data that the researcher uses and these are primary data and secondary data. Primary data is original in character, is collected at the source and the researcher would have gathered this data for the first time. Secondary data is collected by an independent party and is usually subjected to some form of statistical process and made available in the public domain. Collecting primary and secondary data is different. Secondary data methods normally include compilation while primary data methods require field or practical work by the researcher to access and collect it (Kothari, 2004). The research used primary data and secondary data. Primary data was collected through questionnaires and interviews to consumers. Secondary data was obtained from the company sales reports.

### **3.6.1 Questionnaire**

A questionnaire consists of a number of questions printed or typed in a definite order on a form or set of forms. Questionnaires can be used as a stand-alone method for data collection but Saunders, et al., (2009) recommend that this method can be linked and used with other methods in multiple-methods research design like in-depth interviews particularly when the objective is to assess customers' attitude or consumer behaviour.

For this research, the questionnaires were used primarily because they have the following advantages;

1. Well thought answers can be given by the respondents because of the adequate time given to them to respond.
2. Due to the nature of collecting information through questionnaires, the method can be cheap and cost effective even when the population is large and spaced.
3. Bias is minimised because the respondent answers in his or her own words particularly when the questions are structured correctly.
4. Large samples can be reached easily through questionnaires.
5. Inaccessible respondents such as Managing Directors or influential people can be reached with relative ease by using a questionnaire.

The demerits of the questionnaire though are;

1. There is a possibility of getting ambiguous replies or complete omissions making interpretation difficult.
2. It is important that respondents of a questionnaire be literate and have some form of education for them to be able to answer the questions meaningfully.
3. Cooperation of the respondents is required otherwise the questionnaire will not be answered.
4. The control over questionnaire may be lost once it is sent.

Despite these demerits the questionnaire is still a very important data collection method.

### **3.6.2 Interview**

The interview method of collecting data involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses (Kothari, 2004). An in-depth interview is an unstructured, direct, personal interview in which a single participant is probed by an experienced interviewer to uncover underlying motivations, beliefs, attitudes and feelings on a topic (Malhotra, et al., 2012). The interview method was chosen because of the following merits as mentioned by;

- i. Interviewer is able to overcome resistance by using good communication skills thereby making the interview yield nearly perfect samples of the general population.
- ii. Detailed and useful information can be obtained by using interviews.
- iii. It is possible to control the samples because the possibility of having no returns or missing responses and wrong people answering the interview are virtually absent.
- iv. The method is flexible as questions can be restructured in the interview to suit the particular situation and responses. Unstructured questions are useful in this regard.
- v. Observation method can as well be applied to recording verbal answers to various questions.
- vi. The interviewer controls who answers the questions. This is not possible in mailed questionnaire approach. If so desired, group discussions may also be held.

But there are also certain weaknesses of the interview method. Among the important weaknesses, mention may be made of the following:

- i. High income groups and influential people in the society are not easily approachable for interviews. Protracted and cumbersome processes are required to get their time for interview.
- ii. Some respondents are stimulated by the interviewer and thereby they give fictitious, dramatic or even non-existent information to make the interview interesting and likewise other interviewees maybe economical with information choosing not to answer questions.
- iii. For the interview to be effective at times it is necessary to train the interviewer especially for complex interviews. This makes the process of interviews difficult and costly.
- iv. Effective interview presupposes proper rapport with respondents that would facilitate free and frank responses. This is often a very difficult requirement(Kothari, 2004).

An interview guide will be drafted using semi-structured open ended questions. The interview guide will be pre-tested before use in order to establish if it is useable and the questions can be easily answered by the respondents. The interviews will be face-to-face interviews.

### **3.7 DATA ANALYSIS**

Neuman (2006) notes that there is no standard format in data analysis in qualitative research. For this study, the procedure recommended by Miles and Huberman (1994) was adopted as detailed below.

Miles and Huberman (1994) suggest that qualitative data analysis consists of three procedures:

1. *Data reduction*. This refers to the process whereby the mass of qualitative data you may obtain – interview transcripts, field notes, observations etc. – is reduced and organised, for example coding, writing summaries, discarding irrelevant data and so on.
2. *Data display*. To draw conclusions from the mass of data, Miles and Huberman suggest that a good display of data, in the form of tables, charts, networks and other graphical formats is essential. This is a continual process, rather than just one to be carried out at the end of the data collection.
3. *Data analysis*. Your analysis should allow you to begin to develop conclusions regarding your study. These initial conclusions can then be verified, that is their validity examined through reference to your existing field notes or further data collection.

### **3.8 CONCLUSION**

To conclude, this chapter looked in detail at the research methodology used for this research. The chapter highlighted the research design, whereby the research philosophy is interpretative because of the researchers' view of the world. The research approach adopted was qualitative with the research strategy used being a case study of Olivine Industries. Data was collected from primary sources using interviews and questionnaires and the analysis adopted was that suggested by Miles and Huberman where data reduction and display was used before drawing conclusions on the research. The justification and rationale for using this research methodology was also highlighted throughout the chapter. The following chapters discuss and analyse the research findings.

## **CHAPTER 4 – RESULTS AND DISCUSSION**

### **4.1 INTRODUCTION**

This chapter will discuss the findings of this research from the interviews done. The findings will include views of managers from Olivine Industries and the views of managers from the supermarket chains who represent the views of customers because of their interaction with them as well as having records of sales, customer complaints and so on. The chapter will be in four parts namely data display, analysis of data, discussion linking to literature and finally a summary of findings.

### **4.2 KEY RESPONDENTS: OLIVINE MANAGEMENT**

The Olivine Industries management was interviewed to get their views on the research questions. The Olivine Industries Sales Manager, Brand Manager and Quality Manager were interviewed. These Managers have an in depth knowledge regarding pricing, quality and sales of the bath soaps in the organisation. Their views are therefore of paramount importance in the research.

The questions posed to the managers were as follows;

- A. Demographic information
- B. Influence of price on consumer behaviour
- C. Influence of other factors on consumer behaviour

#### **4.2.1 Section A – Demographic Information**

The respondent's demographic information is summarized in the Table 4.2 The demographic information in Table 4.2 shows the people who are decision makers in the Sales and Marketing department as well as quality department at Olivine Industries. The respondents have a combined experience of more than thirty years' experience working for the organization highlighting the vast experience they have with the operations of the organisation. Two respondents have a marketing background which means their responses to this marketing research were appropriate and precise while the other

respondent has a packaging background which brings diversity and balance to the responses.

*Table 4.1 - Demographic Information of Respondents*

<b>Respondent</b>	<b>Professional Background</b>	<b>Number of Years in current position</b>	<b>Number of years employed by organisation</b>
<b>Manager 1</b>	Marketing	3 years	8 years
<b>Manager 2</b>	Packaging	10 years	20 years
<b>Manager 3</b>	Marketing	4 years	4 years

#### **4.2.2 Section B: Influence of price on consumer behaviour**

This section considered the specific factor of price on consumer demand for the bath soaps. The section was aimed at seeking an understanding of how the organization arrives at its bath soap price and the consequent effect thereof of the set prices. The idea was to gain an understanding of what the managers consider as being of paramount importance on the issue of bath soap prices.

Table 4.2 is a data display which shows the responses by the managers on the questions asked with a focus on the influence of price on consumer behaviour. The first question asked for the description of the pricing factors used by the organization for their pricing strategy of bath soap brands, and why this particular strategy was used? The second column shows the responses on what the managers thought on the level of influence consumers have when their organisation considers setting its final price. A third question was on the price perception of the managers when they compare their soap to that of the price of their competitors. The bath soap brands of Olivine are the most expensive in the market so the researcher queried the reasons behind these high prices and what causes these high prices compared to other soaps of the same type. As a follow up question the effect of this discrepancy was asked and how it affects the demand of the bath soaps and the general reaction of the consumers. To conclude the questioning the managers were asked what they considered to be peripheral factors which are affecting the price and any other factors they thought were important in affecting price and consumer behaviour.

*Table 4.2 - Data Display: Price Influence on Consumer Behaviour*

<b>RESPONDENT</b>	<b>PRICING STRATEGY FACTORS CONSIDERED</b>	<b>CONSUMER INFLUENCE ON FINAL PRICE</b>	<b>PRICE PERCEPTION OF MANAGERS</b>	<b>REASONS FOR HIGHER PRICES</b>	<b>EFFECT OF PRICE DISCREPANCY ON DEMAND</b>	<b>OTHER FACTORS AFFECTING PRICE</b>
<b>MANAGER 1</b>	Target Market Competitor pricing	High level of influence	Bath soaps are of higher quality	High cost of importing raw materials. Pure soap of high quality	Dependent on economic environment	Location of supermarket
<b>MANAGER 2</b>	Input Costs Margins required Competitors	Customer determines final price	Bath soaps are highly priced compared to competitors	High costs of productions	Demand of bath soap reduces	Quality perception Brand Name Availability Production volume
<b>MANAGER 3</b>	Cost of production. Customers' ability to purchase. Market conditions. Competition	Customers have the highest influence	Jade is a brand that is affordable	High production costs. It is big in size meaning more raw material. Imported raw material.	The effect is negative on demand.	Quality Cost from supplier Promotions/discounts Competition

### **4.2.3 Data Analysis Price influence**

The data displayed in Table 4.2 was further analysed in the following paragraphs. Reference is made to Table 4.2 in analysing this data.

#### ***4.2.3.1 Pricing strategy factors***

Question 1. A pricing strategy takes into account market segments served, ability to pay, market conditions, competitor actions, trade margins required and input costs, amongst other factors

Please describe the factors Olivine Industries pricing strategy for bath soap brands, particularly the Jade brand take into account. Why is this strategy used?

The managers concur that competition is the main factor considered when they set their pricing strategy. Manager one stated that they consider their target market and use that as a basis for their pricing strategy. Manager two included additional input production costs and the profit margins as being contributory factors when they set their pricing strategy. Manager three even went a step further by noting that they take note of the market conditions in their pricing strategy.

#### ***4.2.3.2 Consumer influence on final price***

Question 2. Please explain the level of influence customers have when you consider setting the final price of the bath soap?

The managers agree that the customers exert a lot of influence on how they price the bath soap particularly if the price is increased or if the customers perceive the price to be too high. Manager 1 explained that they have a high level of influence since they will not buy if the product is expensive and Manager 2 argued that if the price is set at a level that is considered expensive by customers they will simply switch to competitor brands that are well priced and affordable. So customers finally determines the final price.

#### ***4.2.3.3 Price perception of managers***

Question 3. How do you perceive your bath soap prices in relation to other competitors' brands in the same category of soap types? (e.g Jade soap vs. Sona, Geisha, Pearls brands).

There are diversified views on the perception of the bath soaps by the managers in relation to their bath soap brand and that of competitors. One manager perceives the quality of the soap to be of superior quality while the other manager considers the price to be on the high side when compared with soaps in the same category.

#### ***4.2.3.4 Reasons for high prices***

Question 4. Please explain the reasons behind your bath soap being the highest priced in their category.

The managers agree that the price of the soap is high but they view the reasons of this high price from different perspectives. Manager 1 justifies that the quality of the soap makes its price higher because of the non-use of inert materials in the soap as well as the use of imported material to manufacture the soap. Manager 2 looks at the price from a purely profit oriented perspective. He argues that there are high costs inherent in the production line resulting in the prices of the products also becoming high. He states that "The major reason is that our costs are very high so we have to set the price at that level otherwise we will make losses"

#### ***4.2.3.5 Effect of price discrepancy on prices***

Question 5. Please explain what effect the price discrepancy mentioned above has on the demand for your bath soaps?

The managers differ in their view of the effects of the price discrepancy. Manager 1 looks at the demand as being affected by the economic environment and not because of the price discrepancy and that the pricing does not affect the demand. Manager 1 says that depending on economic environment, when things are bad it slightly lowers, though usually demand is not affected.

#### **4.2.3.6 Other factors**

Question 6. What other factors do you think affects the retail price of family bath soaps?

The manager held different views on other factors they thought affected pricing of bath soaps in retail outlets. Manager 1 was of the view that the location of the supermarket affected the final pricing of the bath soaps with those outlets further from the cities pricing more compared to those in the cities. Manager 2 held the view that quality perception, brand name, availability on the market and a production volume that gives leeway to play around with price levels are some of the factors that affect the pricing of the soaps.

#### **4.2.4 Section C: Influence of Other Factors on Consumer Behaviour**

This section looked at other factors influencing consumer demand for the bath soaps other than price. The section was aimed at seeking further explanations on the other factors that affect consumer behaviour and their relation to the overall demand on bath soaps.

Table 4.3 is a data display which shows the managers' answers on the questions asked about the different factors that are associated with bath soap marketing which have a possibility of influencing consumer behaviour. The first question asked for the description of the pricing factors used by the organization for their pricing strategy of bath soap brands, and why this particular strategy was used? The second column shows the responses on what the managers thought on the level of influence consumers have when their organisation considers setting its final price. A third question was on the price perception of the managers when they compare their soap to that of the price of their competitors. The bath soap brands of Olivine are the most expensive in the market so the researcher queried the reasons behind these high prices and what causes these high prices compared to other soaps of the same type. As a follow up question the effect of this discrepancy was asked and how it affects the demand of the bath soaps and the general reaction of the consumers. To conclude the questioning the managers were asked what they considered to be peripheral factors which are affecting the price and any other factors they thought were important in affecting price and consumer behaviour

*Table 4.3 – Data Display: Influence of other Factors on Consumer Behaviour*

<b>RESPONDENT</b>	<b>PERCEIVED BRAND QUALITY</b>	<b>MARKET SHARE OF BRAND</b>	<b>REASONS FOR MARKET SHARE TREND</b>	<b>CUSTOMER COMPLAINTS ON SOAP</b>	<b>CUSTOMER SATISFACTION ON SOAP ATTRIBUTE</b>	<b>RANKING OF SOAP ATTRIBUTES DURING MANUFACTURING</b>
<b>MANAGER 1</b>	High quality	It has reduced to a large extent	Cheap imports	Discoloring of the white soap	Customers prefer more perfume	<ul style="list-style-type: none"> <li>i) Quality</li> <li>ii) Brand Name</li> <li>iii) Quantity</li> <li>iv) Availability in shop</li> <li>v) Packaging.</li> <li>vi) Advertising</li> <li>vii) Price</li> <li>viii) Perfume</li> </ul>
<b>MANAGER 2</b>	Perceived as of high quality	Has taken a nose dive	Product expensive Product not marketed aggressively enough	Opening up of wrappers Expensive Dull perfume	None noted	<ul style="list-style-type: none"> <li>i) Price</li> <li>ii) Quantity</li> <li>iii) Quality</li> <li>iv) Brand Name</li> <li>v) Perfume.</li> <li>vi) Colour</li> <li>vii) Availability in Shop</li> <li>viii) Packaging</li> </ul>

<b>MANAGER 3</b>	Perceived as high quality resulting in high prices	The market share has reduced	Erratic supply of soap on the market Rebranding of competitor bath soaps Supply of other options	Colour changes on jade white. Strong perfume. foam quality drops if soap stays for long	Quality i.e. no irritation on skin. The size of the soap. Foam is good for use by children.	<ul style="list-style-type: none"> <li>i) Brand Name</li> <li>ii) Advertising</li> <li>iii) Quality</li> <li>iv) Price</li> <li>v) Perfume.</li> <li>vi) Packaging</li> <li>vii) Availability in Shop</li> <li>viii) Colour</li> </ul>
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## **4.2.5 Data Analysis: Influence of Other Factors**

The data in Table 4.3 is analysed in this section.

### ***4.2.5.1 Perceived Brand Quality***

Question 7. Please describe the extent to which perceived brand quality has on pricing of Olivine bath soap brands.

The managers all shared the same view that they perceived their brand to be of higher quality and that this has a bearing on the price which is expected to be higher because of this perceived higher quality. Manager three was of the view that Brand quality to greater extent has an effect on pricing of the product because the greater the quality of soap chips used and perfumes the higher the price of the soap brand. Manager 2 however provided a different angle to this question by stating that there is a notion that Olivine bath soap is a quality product and hence it should be priced high but this does not hold water in their current situation where the market is price sensitive.

### ***4.2.5.2 Market Share of Olivine Brands***

Question 8. How would you describe the market share of the Olivine bath soap brands for the past five years?

This question intended to find out what if the Managers knew the performance of their brands in the market and a general description of their market share trend. All the managers stated that their market share had been decreasing over the last few years. The responses of the managers converge on the idea that imported brands have been eroding their market share because of their low prices. Manager two stated that the market share had taken “a nose dive due” to influx of cheaper brands like sona, pearl etc. He further stated that the brands including Geisha had eaten into traditional market for Olivine soaps. Manager three said that the market share had reduced over the years due to the erratic supply of bath soap on the market and the availability other cheaper imported bath soaps. Manager one simply noted that the market share had been on a decrease over the last few years with Unilevers’ Geisha capturing much of their previous market share.

#### ***4.2.5.3 Reason for Trends in the Market Share***

Question 9. What have been the main reasons behind the trend you explained above?

Two managers concurred that the main reason for the negative slide in the market share is due to cheap imports, while the third manager viewed external factors as being contributory to the slide in the market share. Manager one viewed the only explanation of the decrease in the market share as being attributed to the cheap imports which they were failing to match their price. Manager two who has a packaging background highlighted that their product is expensive and is not being aggressively marketed to stimulate demand and that they had not rejuvenated the brand through adopting innovative packaging. Manager three's view was that the reasons include erratic supply of soap on the market, rebranding of competitor bath soaps for example pearls and geisha as well as supply of other options for example bubble soap and foam baths.

#### ***4.2.5.4 Customer Complaints***

Question 10. Which bath soap attribute would you say you receives the most customer complaints for your bath soap brands? Please explain what customers complain most about on your bath soaps.

Customers' complaints were also investigated in order to hear what the Managers know about the customers dislikes particularly on the bath soaps. Manager one emphasised that the most complaints she receives were those of the Romance white brand discolouring, that is to say the soap changes colour while on the shelf. Manager two stated that wrappers at times open up on shelves, customers complain that the soap is expensive and also that the perfume at times is not sharp i.e. dull. Manager three stated that the complaints she received the most from customers were that there are colour changes on Jade white, further explaining that if it stays longer the soap changes from white to beige. She also concurred with Manager two that perfume on pink and honey at time vanishes if the soap stays longer the perfume, lastly she said another complaint is that when the soap stays for longer the foam quality drops.

#### ***4.2.5.5 Customer Satisfaction***

Question 11. Which bath soap attribute would you say you receives the most customer praises for your bath soap brands? Explain further what causes this satisfaction.

Complaints are not the only feedback the managers receive from customers hence this question wanted to understand what the Managers think customers like on their bath soap brands. Manager one indicated that the customers like the strong perfume on the bath soaps which was in sharp contrast to Manager two and three's view that customers complain of the poor perfume on the soap which is "dull" according to Manager two and is "too strong vanishes with time" according to Manager three. Manager two chose to praise other soap brands noting that Geisha is the leading brand so far because of promotion and innovative packaging. Manager three pointed out that customers like the quality i.e. no irritation on skin. She further stated that the size of the soap is big i.e. "family soap" and also that its foam is good enough even for use by children. In contrast to Manager one, Manager three stated that the customers prefer the perfume used on jade white, which they say its 'calm'.

#### ***4.2.5.6 Ranking of Bath Soap Attributes***

Question 12. Please rank the following attributes in order of importance to you when you manufacture your bath soap brands. Colour, Perfume, Quality, Brand Name, Price, Quantity, Availability in Shop, Advertising, Packaging, Other (Please justify your ranking)

This question intended to get a broad summarized view of what the Managers consider as important factors when they manufacture, market, price and distribute their product. A ranking format was used to get this information together with summarized responses from the managers. The Managers had interesting responses to the rankings with Manager one stating the quality, brand name and quality as being the most important attributes. Price was ranked a lowly seventh out of eight attributes. Manager two stated the price, quantity and quality as of paramount importance. Manager two's explanation was that at Olivine they look at the profit margin that they get from the soap and hence price, quantity and demand (availability in shops) trigger production. Manager three ranked brand name, advertising and quality above price. Manager three justified her ranking by saying that they consider that most customers purchase the soap they are familiar with in terms of quality and therefore the brand has to be marketed so that customers are aware that the product is still on the market.

### **4.3 KEY RESPONDENTS: CUSTOMERS**

Data from customers were collected using interviews with the main corporate customers who are OK, Spar, Pick N Pay and N.Richards. The responses were sought from Branch managers to

represent the views of the different customers because they interact with customers on a daily basis and they have databases of customer feedback, sales figures, and stock levels and so on. For ease of comparison between what the Organisation views their bath soap brands to be and what customers actually think, the questions posed to the customers were almost similar to those that were asked the Management but with minor changes in the wording of the questionnaire.

The questions asked to the customers were divided into three sections which were;

- A. Demographic information
- B. Influence of price on consumer behaviour
- C. Influence of other factors on consumer behaviour

The responses from the customers will be presented summarised in a data display table which will be explained in detail in the data analysis followed by the discussion of the responses.

#### 4.3.1 Section A: Demographic Information

Table 4.4 highlights the demographic profile of the managers who were interviewed. From Table 4.4 it can be seen that the researcher interacted with customers from various backgrounds and most of them worked in the organizations at various levels for a number of years. These managers represented the voice of the customers because of their proximity to the shop floor and interaction with various customers.

*Table 4.4- Demographic Information Customer Respondents*

<b>Respondent</b>	<b>Position in Organization</b>	<b>Professional Background</b>	<b>Number of Years in current position</b>	<b>Number of years employed by organisation</b>
<b>Customer 1</b>	Section Manager	Human Resources	6 months	4 years
<b>Customer 2</b>	Receiving and Despatch Manager	Marketing	5 years	19 years
<b>Customer 3</b>	Receiving Supervisor	Marketing	3 years	5 years
<b>Customer 4</b>	Section Manager	Purchasing	4 years	10 years
<b>Customer 5</b>	Branch Manager	Marketing	2 years	5 years

#### 4.3.2 Section B: Influence of Price on Consumer Behaviour

The information from this section is highlighted in data display Table 4.5

*Table 4.5 - Price Influence on Consumer Behaviour*

<b>RESPONDENT</b>	<b>PRICING STRATEGY FACTORS CONSIDERED</b>	<b>CONSUMER INFLUENCE ON FINAL PRICE</b>	<b>PRICE PERCEPTION OF CUSTOMERS</b>	<b>REASONS FOR HIGHER PRICES</b>	<b>EFFECT OF PRICE DISCREPANCY ON DEMAND</b>	<b>OTHER FACTORS AFFECTING PRICE</b>
<b>CUSTOMER 1</b>	Majority of factors are taken into account	Customers have no influence	Local brands priced higher compared to imports	High production costs	Consumers demand the lower priced soaps	Competition Differences in markets
<b>CUSTOMER 2</b>	All factors are considered by manufacturers	Manufacturers do not consider the customers' expectations	Customers Associate the high price with quality	Size Age of brand in market Competition Local bath soaps are expensive	Customers associate the price with quality.	Costs of production Illegal imports Changing consumer tastes Marketing of substitutes
<b>CUSTOMER 3</b>	Companies currently concerned with factors to recover costs mostly.	Customers have little to no influence, as some just buy out of loyalty to the brand	Imported soaps are generally cheaper	High input costs and aging equipment	Loyal customers will maintain buying brands they are used to.	Access to cheap capital Labour costs Raw material imports

<b>RESPONDENT</b>	<b>PRICING STRATEGY FACTORS CONSIDERED</b>	<b>CONSUMER INFLUENCE ON FINAL PRICE</b>	<b>PRICE PERCEPTION OF CUSTOMERS</b>	<b>REASONS FOR HIGHER PRICES</b>	<b>EFFECT OF PRICE DISCREPANCY ON DEMAND</b>	<b>OTHER FACTORS AFFECTING PRICE</b>
<b>CUSTOMER 4</b>	Manufacturers do not take market conditions into account	Manufacturers are not considerate of customers	Locally made soaps have high prices.	Economy not performing. Lack of raw materials.	Customers would rather buy cheap soap	Competition Production costs
<b>CUSTOMER 5</b>	There is no suggestion that manufacturers consider most of these factors	Consumers have little influence on the setting of the final price	Imported bath soaps are cheaper	Raw materials being used. Locally made soaps have better quality	Demand of local bath soaps is reduced	Cost of production Product quality

### **4.3.3 Data Analysis: Price Influence of Consumer Behaviour**

The data displayed and summarised in Table 4.5 of the consumers responses will be analysed and synthesised in the paragraphs to follow.

#### ***4.3.3.1 Pricing factors consideration***

Question 1. A pricing strategy takes into account market segments served, ability to pay, market conditions, competitor actions, trade margins required and input costs, amongst other factors.

To what extent do you think manufacturers and retailers take into account the above mentioned factors in their pricing of bath soaps?

Out of the five customer respondents, three customers stated that organizations do not take into account any factor in their pricing strategy while two respondents were of the view that most of the factors are considered in the pricing strategy by manufacturers. Customer three provided an interesting response by stating that because of the harsh economic conditions that have affected most local companies in Zimbabwe especially those with aged equipment most of them end up pushing their prices up to recover their input costs. Those customers who supported that the manufacturers consider most of the pricing factors supported their responses by saying that companies are charging their prices based on the prevailing economic situation and these prices are justified.

#### ***4.3.3.2 Influence of consumers***

Question 2. Please explain the level of influence customers have when manufacturers consider setting the final price of the family bath soap?

There is a general consensus among the respondents that customers have no influence to how prices are set. All the five respondents supported that customers have no influence in persuading manufacturers and their considerations are not taken into account when prices are set on certain products by manufacturers. Customer one was of the opinion that basically customers do not have direct influence on pricing to the manufacturer and that

retailers use their own discretion in setting the prices. Customer two stated that manufacturers should consider what customers expect from local bath soaps for example size, quality, quantity and so on. Customer three's view was that the issue of pricing was not really determined by the customers as those customers who are loyal to the brand will buy the soap at whatever price is set. Customer four's reply was even emotional about the subject matter, stating that customers have limited incomes as their money is supposed to cover all household expenses such that manufacturers should consider that when setting their price. Customer five was said that customers are not consulted when the prices are set as manufacturers have the main objective of recovering their cost.

#### ***4.3.3.3 Price perception of customers***

Question 3. How do customers perceive local bath soap prices compared to imported brands in the same category of soap types?

The general perception among all customers was that locally made bath soaps are expensive when compared to the imported brands even though they are the most preferred. An interesting observation on this question was that some of the customers were responding to this question by attaching other issues like preferences and quality to the pricing. Customer one said that locally made manufactured bath soaps are the most preferred but because imports are priced lower, than local brands customers prefer imports. Customer two conjectured that customers perceive local products including bath soaps as the "best" products. He further stated that customers want value for money but he went on to further state that customers complain that local bath soaps are expensive. Customer three was of the opinion that customers like local soaps because they last longer although imported soaps are generally cheaper. Customer four concurred with the other customers in that local brands are preferred because customers "trust" local brands and that they perform better. Customer five simply stated that customers say imported soaps are cheaper than local brands.

#### ***4.3.3.4 Reasons for high prices***

Question 4. Please explain what you think are the reasons for local bath soaps being the highest priced bath soap in their category compared to imports.

The responses on the reasons for the high prices were varied among the respondents. The reasons given by the respondents pointed mostly to the production costs, raw materials used and aging equipment. The other respondents attributed the high prices to the better quality of the local brands and competition. Customer four made an interesting point by stating that locally made soaps have better quality than imported ones suggesting that the customer views the high prices as being a reflection of their quality. Customer two also concurred by saying that the brands of companies like Olivine have been in the market for a long time and therefore the other companies benchmark their prices against Olivine.

#### ***4.3.3.5 Effects of price discrepancy on demand***

Question 5. Please explain how this price discrepancy mentioned above influences customer preferences buying locally made bath soaps.

The responses from the customers were inconsistent on the influence of the price discrepancy with some customers arguing that the effect of difference in prices results in reduced demand while others were of the view that the discrepancy is inconsequential. Three of the five customers highlighted that the preferences and demand shifts to imported brands because of their low prices. Two customers however noted that customers will pay for the local bath soaps irrespective of the price discrepancy because of their loyalty to the brands and also that the high price communicates the high quality associated with the price.

#### ***4.3.3.6 Other factors influencing price***

Question 6. What other factors do you think affect the retail price of .bath soaps?

The responses to this question were varied, however production costs were again noted as the main factor influencing price. Customer one apart from noting production costs, stated competition and difference in markets as influencers of pricing. Other factors highlighted by customer two included illegal imports, changing consumer tastes and marketing of substitutes. Customer three wrote access to cheap capital, labour costs as well as raw material imports as other factors. Customer four included competition on top of

production costs while the fifth customer wrote the quality as another factor apart from production costs.

#### **4.3.4 Section C: Influence of Other Factors Consumer Behaviour**

The data for this section is summarized in Table 4.6.

*Table 4.6 - Influence of Other Factors on Consumer Behaviour*

<b>RESPONDENT</b>	<b>PERCEIVED BRAND QUALITY</b>	<b>MARKET SHARE OF LOCAL BRANDS</b>	<b>REASONS FOR MARKET SHARE TREND</b>	<b>CUSTOMER COMPLAINTS ON SOAP</b>	<b>CUSTOMER SATISFACTION ON SOAP ATTRIBUTE</b>	<b>RANKING OF SOAP ATTRIBUTES</b>
<b>CUSTOMER 1</b>	Local brands like Geisha perceived to be of higher quality	Imported brands have large market share	Issue of prices. Short supply of local brands	Quality of Jade & Image soap is poor. Fragrance. Unavailability	Quantity. Soaps are big enough for use.	<ul style="list-style-type: none"> <li>i) Price</li> <li>ii) Quantity</li> <li>iii) Availability</li> <li>iv) Brand Name</li> <li>v) Quality</li> <li>vi) Colour</li> <li>vii) Perfume</li> <li>viii) Packaging</li> <li>ix) Advertising</li> <li>x) Promotion</li> </ul>

<b>CUSTOMER 2</b>	Customers perceive bath soaps made locally to be of better quality	Market share has drastically reduced	Supply constraints. No variants. High costs of production. Under capitalisation.	Nil	White Jade is preferred by most customers	<ul style="list-style-type: none"> <li>i) Brand Name</li> <li>ii) Quality</li> <li>iii) Colour</li> <li>iv) Price</li> <li>v) Quantity</li> <li>vi) Perfume</li> <li>vii) Availability</li> <li>viii) Advertising</li> <li>ix) Packaging</li> <li>x) Promotion</li> </ul>
<b>CUSTOMER 3</b>	Strong brands cost more but Jade soap quality is questionable	Market share falling steadily over the years from roughly 50% to 30%	Economic hardships. Consumer resistance. Inconsistent supply	Jade white discolours to brown	Last longer compared to other imported soaps	<ul style="list-style-type: none"> <li>i) Price</li> <li>ii) Brand Name</li> <li>iii) Availability</li> <li>iv) Quantity</li> <li>v) Colour</li> <li>vi) Perfume</li> <li>vii) Packaging</li> <li>viii) Quality</li> </ul>

<b>CUSTOMER 4</b>	In terms of packaging and quality seems to be decreasing	Market share has gone down	Supply is inconsistent. Economic situation	White colour sometimes changes with time	It lasts longer Does not leave the skin dry	<ul style="list-style-type: none"> <li>i) Price</li> <li>ii) Quantity</li> <li>iii) Availability</li> <li>iv) Colour</li> <li>v) Perfume</li> <li>vi) Advertising</li> <li>vii) Packaging</li> <li>viii) Brand Name</li> <li>ix) Quality</li> </ul>
<b>CUSTOMER 5</b>	Olivine products quality is not improving. Is in the negative direction	They have a fair share of the market	Price Short supply	Colour is inconsistent. Packaging is poor.	Jade white is recommended even by Doctors. Does not irritate the skin.	<ul style="list-style-type: none"> <li>i) Price</li> <li>ii) Quantity</li> <li>iii) Quality</li> <li>iv) Perfume</li> <li>v) Availability</li> <li>vi) Packaging</li> <li>vii) Advertising</li> <li>viii) Brand Name</li> </ul>

### **4.3.5 Data Analysis: Influence of Other Factors**

#### ***4.3.5.1 Perceived brand quality***

Question 7. Please describe the extent to which perceived brand quality has on pricing of Olivine bath soap brands.

The responses to this question were varied. Two respondents pointed out that the local brands are perceived to be of better quality hence the higher prices, while the other customers are view the quality is on the decrease. Customer three was of the view that strong brands will generally cost more due to the durability of the product and perceived benefits on the skin but the cost of the Olivine Jade brand seems too high for its quality. Customer two stated that the Olivine brand perceived quality and pricing go hand in hand. He went on to say an unreasonably low price would make customers perceive the product to be of low quality. The rest of the respondents noted that the Olivine products are no longer viewed as being of better quality and therefore the price is unjustified.

#### ***4.3.5.2 Market share of local brands***

Question 8. How would you describe the market share of the Olivine bath soap brands for the past five years?

Save for one respondent, all respondents agreed that the market share for the local bath soaps particularly the Olivine bath soap had drastically reduced. Customer one highlighted that imported bath soaps are enjoying a large market share while customer two stated that in some instances there were no variants of the Olivine brands resulting customers switching to other soaps. Customer three put the fall at more than twenty percentage points to a lowly thirty percent. The last respondent said the market share was “fair” and this was at variance with the other respondents. Perhaps at the particular store the performance of the Olivine bath soap had been fair but that was just a localised response.

#### ***4.3.5.3 Reasons for market share trend***

Question 9. What have been the main reasons behind the trend you explained above?

The explanations given for the decreasing trend noted in the previous pointed to mainly a common reason of lack of supply. All the respondents concurred that the supply of the Olivine bath products had been poor and inconsistent. Other reasons given were that there were economic hardships, high prices, lack of variants, and high costs of production. The reasons were varied but a consensus was that the soap is invisible in the market.

#### ***4.3.5.4 Customer complaints***

Question 10. Which bath soap attribute would you say you receives the most customer complaints for the Olivine bath soap brands? Please explain what customers complain most about on those bath soaps.

Three respondents noted that most customers complained about the colour and the quality of the soap. For colour, Jade White in particular was singled out as the soaps with the most complaints. Jade white was said to discolour with time, that is, it changes to a Brownish colour from white. Customer one was broader by saying that customers usually complain about the quality of Jade soap which they say has changed for the poor in terms of the fragrance and availability. Customer two noted that he had not received any complaints regarding the Olivine bath soaps. Customers three, four and five noted the colour as being the attribute customers complain about with customer five adding that the packaging is archaic and poor when compared to Geisha.

#### ***4.3.5.5 Customer satisfying attributes***

Question 11. Which bath soap attribute would you say you receives the most customer praises for the Jade bath soap brands?

It is interesting to note that despite most complaints being on Jade white, Three respondents wrote that the white Jade receives better reviews and feedback from customers because it is recommended by medical practitioners and it does not irritate or

leave the skin dry. One responded stated that the size of the soap is big and it is also durable.

#### ***4.3.5.6 Ranking of soap attributes***

Question 12. Please rank the following soap attributes in order of importance to customers when they buy family bath soaps beginning with the most important to the least important. Colour, Perfume, Quality, Brand Name, Price, Quantity, Availability in Shop, Advertising, Packaging, Other (Please specify).

This question received a variety of responses in terms of what the customers consider to be important factors when they buy soaps. Price dominated most lists. Customers one, three, four and five all put price on top of the list. Respondent two viewed brand name as the most important factor consumers. The interesting thing is that even though the rankings were varied, the customers had minor differences in terms of their rankings. For example, when noting the first three important factors to the customers, customer one highlighted price, quantity and availability. Customer three stated price, brand name and availability while customer four ranked price, quantity and availability just like customer one. Customer five stated price, quantity and quality as the important considerations first. Customer two digressed from the other customers and stated brand name, quality and colour as the most important attributes. The rankings showed a familiar pattern among the respondents.

## **4.4 DISCUSSION OF RESPONSES**

After analysing this data a number of inferences can be made to the prior literature highlighted in Chapter two (Literature Review) and Chapter one (Introduction). This discussion will follow the sequencing of the questions in the interview guide, linking literature to the analysed data of the responses by the management of Olivine Industries and the customers.

#### **4.4.1 Price Influence**

From the responses on the price influence on consumer behaviour, the indication is that the consumers are very price sensitive since most of their responses show that they prefer lower priced bath soaps.

It is apparent that the Olivine prices its products based on competition followed by the production costs. This is only part of what Kotler and Keller (2006) recommend when picking a method for pricing. A firm is fully equipped to choose a price when it has the customers demand schedule, cost function and competitor's prices. This does not seem to be the case at Olivine since their prices are way above those of their nearest competitors. The objectives for which this pricing strategy is used point to the fact that Olivine Industries is using a survival strategy and not necessarily trying to increase its market share or be a product quality leader. This is particularly so because Kotler (2000) says that the survival objective is used by companies which are troubled with intense competition, overwhelmed with overcapacity and shifting consumer wants. Literature also notes that the market prices tend to be market led with a small scope for deviation from established price structures (Lancaster & Reynolds, 2005) therefore Olivine must organise its business so that its costs are at a level that will permit them to fall in line with the prices charged by market leaders.

Olivines' management all note that the customers have a very strong influence when they consider setting their prices but the responses highlighted by the customers point to the contrary. There is information asymmetry between the management and customers as this points out that the customers do not feel involved when the prices are set. The balance of scale tips to the customers because when answering the first question highlighted in the paragraph above the main theme that came out on the pricing strategy is that competition is necessarily the main consideration. This is also supported by the fact that customers view the price of the bath soaps as expensive.

According to Assael (2004), consumers' price perceptions may appear to be a simple matter of determining a product price based on an advertisement or on observation in store. However, it is not that simple because consumers have certain expectations about what prices are or should be. This price is referred to as the reference price. The

customers of Olivines bath have their own reference price which is not the same as what the company is charging. The customers are in agreement that the prices of the locally made bath soaps are steep when compared to similar imported bath soaps. The management of Olivine acknowledge to some extent that their price are high but they prefer to say their prices are compensated by the “good” quality of their soap. Literature notes that customers will enjoy of the perceived values of the product greater than the cost of the product(Hemalatha, et al., 2014). However, this appears not to be the case with Olivine bath soaps as customers prefer to talk more about the high price compared to the perceived value of the bath soap.

There is unanimity in agreement on the reasons for the high prices of the locally made bath soaps and the consequent effect the high prices have on the demand of the soap. The high production costs were cited by all the respondents as the cause of the high prices and that this results in a decrease in demand of the bath soap.Literature however notes that loyal customers will consistently purchase products from their preferred brands, regardless of convenience or price (Dhanalakshmi&Ganesan, 2013). The issue of brand loyalty comes into play here and it is apparently clear that there is no longer any brand loyalty of the Olivine bath soaps, the reason being attributed to the high prices and the lack of perceived value of the bath soaps from the customers.Mahmud and Gope (2012) also state brand loyalty does not get affected much by price.

The price influence therefore on the consumers of bath soaps can be seen from the responses given by the customers.

#### **4.4.2 Other Factors**

Kotler et al., (2005) state that non-price factors have become more important in buyer choice behaviour in recent decades. After considering how price affects consumer demand, the other stimuli which are related to the marketing mix as highlighted in Figure 2.1 by Kotler (2009),are discussed by looking specifically at quality perceptions, the product, place and distribution.

Olivines’ management is satisfied with the quality of their bath soap and they regard their bath soaps in high esteem. Perhaps it is a case of the managers being loyal to the

organization without necessarily being subjective on the true nature of the perceived quality. The reason why the researcher is of this view is that customers did not necessarily agree that the Olivine bath soap Jade brand is of good quality even though they concurred that other local brands like Geisha are of high quality. This is noted in literature where it is argued that the real nature of the product is what the consumer perceives it to be, and not what the company thinks it is, or would like it to be. Marketing management is responsible for finding out what perceptions will add to consumer satisfaction, and then manage the marketing mix to ensure that the product embodies these perceptions (Lancaster & Reynolds, 2005). Brands also say something about product quality and consistency—buyers who always buy the same brand know that they will get the same features, benefits, and quality each time they buy (Kotler & Armstrong, 2012). It is therefore not surprising that the market share of Olivine has reduced drastically. Management seem to be unaware of the market needs and their preferences when they buy bath soaps.

The customers had a number of issues relating to the unavailability and inconsistent supply of the soap and they pointed this to be the other major reason why the market share of the organizations product are reducing. The Olivine bath soaps are reported to be out of stock for greater periods of time resulting in its market share being wiped away by other competitors. The issue of distribution is important as it does not work separately from the rest of the marketing mix as was highlighted in literature. Perceived value is also made up of several elements, such as the buyer's image of the product performance, the channel deliverables, the warranty quality, customer support, and softer attributes such as the supplier's reputation, trustworthiness, and esteem (Kotler & Keller, 2006).

Customers place emphasis on product features as was highlighted in the responses and feedback from customers is a good measure of what customers prefer. Mahmud and Gope (2012) note that consumers buy soap on the basis of product features including colour, fragrance, skin care or germ fight features. The management of Olivine acknowledges that the poor colour of the white bath soap variant has been an issue that many customers have complained about. The customers have also pointed this out. However, the customers also note that other attributes like the strong fragrance at times make the soap unattractive. The positive feedback shows that the white jade variant is also preferred because of its

“neutrality” in terms of the colour and fragrance. In this regard, Olivine management are aware of the other complaints customers make.

The rankings emphasised that even with all the other attributes, price is considered to be very important to customers. Of interest is the difference in the rankings of Olivine Management and that of customers. Olivine management place emphasis on quality as highlighted by it appearing in the top three of all the managers ranking. On the other hand, customers virtually place price first above all other attributes, and quality is not emphasised that much, but interestingly, quantity has a higher ranking. What this shows is that the market being served by Olivine is extremely price sensitive. There are varied explanations to this price sensitivity according to literature. A person's economic situation will affect product choice. If economic pointers show a decline, marketers can take measures to remodel, reposition and reprice their products (Kotler, et al., 2005). Indeed Zimbabwe has been faced with economic challenges hence the price sensitivity of the customers. It was noted in literature that customers will become less sensitive to price if there are no substitutes or there is no competition. For the bath soaps, there is stiff competition for Olivines Jade and Romance from Geisha, Sona, Pearls and Image soap. This possibly explains the price sensitivity of the customers.

## **4.5 SUMMARY OF FINDINGS**

### **Influence of Price**

The research shows that price has a strong influence on consumer behaviour and buying preferences of bath soaps. Many consumers are considering price first above all the other factors. The customers of bath soaps are highly price sensitive with many consumers preferring to buy imported soaps or cheaply priced bath soaps. Customers are therefore more likely to buy a product that has a bigger quantity but going for a cheaper price. The demand of a particular family bath soap is therefore determined by its price and not its quality (perceived or real).

Olivine's market is aware of the challenges that they are facing and which are resulting in higher prices of their soap but the customers still perceive the prices of their bath soaps to be too exorbitant or unfair and not a true reflection of the value they can get if they purchase the soap. The finding therefore is that Olivine are addressing insignificant factors to what the market desires.

### **Influence of Other Factors**

Another finding was that when compared to price, the other factors have got a minimal effect in influencing the consumers who buy bath soaps. The consumers of bath soaps do not place much emphasis on the quality or brand name of the products. The customers prefer a bigger sized soap at the lower price when they buy. The study also reveals that customers prefer to have bath soaps that are bigger and more durable. The demand for clear or non coloured soap with minimal fragrance is also preferred by the customers.

### **Quality-Value Perception**

The research also made a finding that the quality perception of Olivine Industries management and the quality perception of the customers are different. Olivine's management think that their product is of high quality while customers perceive that quality of Olivine's bath soaps to be of poor quality.

The research showed that Olivine is not meeting the customers' expectations when it comes to providing quality and value of their bath soaps because they are not aware of what the market requires.

## **4.6 CONCLUSION**

This chapter presented the results of the empirical data, analysed it and discussed the two parameters of price and the other marketing mix elements. The following chapter will conclude the research and make recommendations on the findings and discussions made in this chapter.

## **CHAPTER 5 - CONCLUSION**

### **5.1 INTRODUCTION**

The overall aim of this research was to make an assessment of the influence of price on consumer preferences for soaps for Olivine Industries. Pivotal to this research was the need to answer the question; what influence does price or other factors have on overall consumer preferences for bath soaps? This chapter will summarise and conclude the findings, evaluate the proposition and make recommendations.

### **5.2 CONCLUSIONS**

#### **5.2.1 Effect of Bath Soap Prices on Consumer Preferences**

The main finding that was drawn on the effect of bath soap prices on consumer preferences was that price affects to a large extent the consumer preferences. The conclusion therefore was that Olivine is not priced competitively and will therefore continue losing market share since consumers prefer lower priced bath soaps to higher priced soaps in the Zimbabwean market.

The customers of the bath soaps are highly sensitive to the price differences and they will buy a family bath soap by considering its price first and then the quantity. Consumers will demand soaps that offer them the cheapest option relative to competition. What this entails is that a company that prices its bath soaps higher than its competitors will experience a decrease in the demand of its products and also its market share will be affected if it does not align its product price to the customers' expectation. Therefore, an organization must ensure that its product price strategies reflect the expectations of the customers.

#### **5.2.2 Influence of Other Factors**

For bath soaps in the Zimbabwean FMCG industry another finding was that the influence of other factors like the products attributes including the quality, brand name, colour, packaging have minimal influence on consumer preference in comparison to price yet certain standards have to be met for the soap to appeal to customers. A conclusion

therefore is that Olivine Industries needs not place too much emphasis on quality, and other attributes which might unnecessarily push their costs up yet giving little value to customers.

Consumers prefer quality products but in the current economic environment where there are liquidity challenges and high unemployment, brand loyalty is not as important as the price. Even though customers prefer products that are priced lower, they still expect the product to meet certain standards and expectations in terms of colour appearance, quantity, appeal of the fragrance and attractive package. Other attributes which surprisingly include quality, have been relegated as secondary as consumers prefer soaps they believe will last them longer, are bigger but are priced lower.

Therefore when considering product attributes of the bath soaps, the customers should determine what the attribute should be instead of the organization. Other factors are secondary to price when customers choose soaps on the shelf but they still should be considered to customers specifications when manufacturing since they set the basis of the products perceived value.

### **5.2.3 Quality and Value Perception**

On the quality and value perception of Olivine's management, it was concluded that Olivine's management need to align their perception of quality and value with that of their customers.

Olivine industries need to conduct market researches again for them to discover the new perceptions and expectations that customers have. Customers now have new definitions of what quality and value is. The market environment for their bath soaps has clearly changed and they need to change as well.

### **5.2.4 Evaluation of Research Proposition**

The research proposition was that Olivine Industries are addressing insignificant factors of consumer behaviour because they do not fully understand what the market wants.

This proposition was confirmed by the study. Olivine industries management still think their product gives value and that the customers will buy the product based on past experiences consumers had when their brands were viewed as the best in the market. The managers thought that the market is particularly concerned about the quality and brand name of their bath soap brands more than the price of the product. This has since changed as the customers now view the bath soap as not giving them value for money and therefore it is viewed as too expensive. Consequently, the market share and demand of their bath soap has been declining. The consumers prefer lower priced bath soaps and they will not buy a bath soap if they perceive the price as too high. From the conceptual model shown in chapter two (Literature Review), Figure 2.4, there is evidence that Olivine's management have inadequate marketing information regarding pricing, pricing strategies and what consumers in the market prefer. The quality perception of the organization is also at odds with what the consumers of their bath soaps believe. It is apparent that consumers view other local brands as being of better quality but the Olivines brands have been poor.

### **5.3 RECOMMENDATIONS**

The study has highlighted that indeed consumers in Zimbabwe consider price as of paramount importance with the other factors considered as secondary when they buy bath soaps hence the following recommendations are made in light of these findings;

1. Olivine need to price their products competitively. Olivine should lower its prices in line with competition come up with prices that reflect the customers' perceived value of the product. Information between the organizations and customers should be the same so that the way an organization defines quality or value for money is the same as that of an ordinary customary even in a remote area. Customers prefer lower priced bath soaps hence organizations should use pricing strategies that are either centred on creating value and ensuring that value is communicated to customers or to reduce operating costs and ways of running the business so that they can create a low priced product that beats competition. The price, product, distribution channels and promotion should be synchronized when marketing the product.

2. Olivine should find a balance between focusing on other factors and price. In other words, the organization should not expend its effort in concentrating more on other factors like quality while neglecting the very important aspect of price. Cutting prices to beat competition must not be considered as the only way to increase market share and demand of the bath soap but other softer attributes like quantity, colour and fragrance can be magnified and advertised extensively so that customers feel justified when buying the soaps at a premium.
3. Olivine's management must realign their quality and value perception to reflect that of its customers. Extensive market researches are required to reflect the modern trend of the consumer behaviour for their bath soap brands. The recommendations on the types of perfume, colour and packaging should come from market researches on consumers and not on the organizations perceptions.
4. Organizations should be more innovative when running their businesses to reduce costs. Apparently, customers know that organizations are struggling because of high production costs and imported raw materials, hence businesses should be proactive by buying more efficient equipment, lobbying government for reduced tariffs and being price conscious when devising marketing strategies. To customers, a product coming from across the border and at times from even as far as China with all the production costs, transportation, duties and taxes imposed on it should not be half the price of equally the same comparable product they are getting a kilometre away. Clearly, if there are other bottlenecks these should be addressed even as far as the national level so that costs are reduced or are comparable between imports and local brands. The organizations' senior management should identify these and resolve them.

#### **5.4 LIMITATIONS AND POTENTIAL AREAS OF STUDY**

There are certain limitations to this research. One limitation of this study was on the sample of customers that was used. The sample had respondents who were thought to represent the customers' views instead of the customers themselves. The customers were represented by Branch Managers of OK, Spar, Pick n Pay and N.Richards who are in Harare only. A further study can therefore be conducted on this research area using a full

customer survey from the customers in Zimbabwe and using all the FMCG companies in the industry that manufacture bath soap.

The case study may not be applicable to other FMCG industries with different business backgrounds to Olivine Industries. Studies of other companies within the FMCG industry in Zimbabwe can be carried out to find out how customers react to their own prices.

The classification of bath soaps is also large because of different uses of the soaps. That makes classification of soaps difficult as some are considered luxury soaps, others health soaps and other family soaps. It is worth looking at the effect of prices on luxurious soaps and health soaps so that a blanket statement on bath soaps is not applied to all the soaps.

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## **APPENDIX 1**

### **INTERVIEW GUIDE FOR OLIVINE MANAGEMENT**

#### **SECTION A: BACKGROUND OF RESPONDENT**

1. What's your position in the organisation?

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2. How long have you held this position?

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3. How long have you been employed in this organization?

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4. What's your professional background? (e.g. Marketing, Engineering, etc.)

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#### **SECTION B: INFLUENCE OF PRICE**

1. A pricing strategy takes into account market segments served, ability to pay, market conditions, competitor actions, trade margins required and input costs, amongst other factors

Please describe the factors Olivine Industries pricing strategy for bath soap brands, particularly the Jade brand take into account. Why is this strategy used?

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2. Please explain the level of influence customers have when you consider setting the final price of the bath soap?

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3. How do you perceive your bath soap prices in relation to other competitors' brands in the same category of soap types? (e.g Jade soap vs. Sona, Geisha, Pearls brands).

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4. Please explain the reasons behind Jade being the highest priced bath soap in its category.

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5. Please explain what effect the price discrepancy mentioned above has on the demand for the Jade soap?

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6. What other factors do you think affects the retail price of family bath soaps?

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**SECTION C: INFLUENCE OF OTHER FACTORS.**

1. Please describe the extent to which perceived brand quality has on pricing of Olivine bath soap brands

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2. How would you describe the market share of the Olivine bath soap brands for the past five years?

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3. What have been the main reasons behind the trend you explained above?

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4. Which bath soap attribute would you say you receives the most customer complaints for your bath soap brands? Please explain what customers complain most about on your bath soaps.

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5. Which bath soap attribute would you say you receives the most customer praises for your bath soap brands? Explain further what causes this satisfaction.

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6. Please rank the following attributes in order of importance to you when you manufacture your bath soap brands. *Colour, Perfume, Quality, Brand Name, Price, Quantity, Availability in Shop, Advertising, Packaging, Other (Please justify your ranking)*

i) .....

ii) .....

iii) .....

iv) .....

v) .....

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viii) .....  
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*End of Interview*

*Thank you for your time.*

**APPENDIX 2**

**QUESTIONNAIRE - CUSTOMERS**

**SECTION A: BACKGROUND OF RESPONDENT**

1. What's your position in the organisation?

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2. How long have you held this position?

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3. How long have you been employed in this organization?

.....

4. What's your professional background? (e.g. Marketing, Engineering, etc.)

.....

**SECTION B: INFLUENCE OF PRICE**

1. A pricing strategy takes into account market segments served, ability to pay, market conditions, competitor actions, trade margins required and input costs, amongst other factors.

To what extent do you think Olivine Industries takes into account the above mentioned factors in their pricing of bath soaps?

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2. Please explain the level of influence customers have when manufacturers consider setting the final price of the family bath soap?

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3. How do customers perceive local bath soap prices compared to imported brands in the same category of soap types?

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4. Please explain what you think are the reasons for local bath soaps like Jade being the highest priced bath soap in its categories.

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5. Please explain how this price discrepancy mentioned above influences customer preferences buying Jade, as an example

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6. What other factors do you think affect the retail price of .bath soaps?

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**SECTION C: INFLUENCE OF OTHER FACTORS.**

1. Please describe the extent to which perceived brand quality has on pricing of Olivine bath soap brands

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2. How would you describe the market share of the Olivine bath soap brands for the past five years?

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3. What have been the main reasons behind the trend you explained above?

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4. Which bath soap attribute would you say you receives the most customer complaints for the Olivine bath soap brands? Please explain what customers complain most about on those bath soaps.

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5. Which bath soap attribute would you say you receives the most customer praises for the Jade bath soap brands?

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6. Please rank the following soap attributes in order of importance to customers when they buy family bath soaps beginning with the most important to the least important. *Colour, Perfume, Quality, Brand Name, Price, Quantity, Availability in Shop, Advertising, Packaging, Other (Please specify)*

i) .....  
ii) .....  
iii) .....  
iv) .....  
v) .....  
vi) .....  
vii) .....  
viii) .....

7. Do you have any further comments that may assist this research?

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**End of Questionnaire**

***THANK YOU FOR PARTICIPATING***