EFFECT OF PRICING POLICIES ON TEXTILE CONSUMERS IN KADUNA STATE

By

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A thesis submitted to the Postgraduate School, Ahmadu Bello University, Zaria, in partial fulfillment of the requirements for the award of Master of Education (Business Education) degree.

November, 1996

DECLARATION

I hereby declare that this Thesis has been originated, developed and written by myself. It has not been presented in any previous application for a higher degree. All citations and sources of information were specifically acknowledged by means of bibliography.

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CERTIFICATION

This Thesis titled: Effect of pricing policies on textile consumers in Kaduna State, by KANU, Judith Amaka meets the regulations governing the award of degree of Masters in Business Education (M.Ed.) of Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This thesis is dedicated to my husband, Dr. P.N. Kanu, and my two daughters, Onyinyechukwu Kanu and Chukwunonyelum Kanu.

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First and foremost, I thank the Lord God Almighty who has given me the grace and the ability to complete this work and for all his financial provisions.

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- J.A. Kanu

ABSTRACT

The purpose of this work was to determine the extent to which the textile industries in Kaduna State consider the consumers in setting the price of their products, the pricing policy they adopted, the effect of the pricing policy on the consumers, and whether the consumers' perception of price coincided with the adopted pricing policy of the textile industries.

In order to achieve the purpose of this study, the survey research method was adopted. In this method, questionnaire was designed and administered to consumers of textile fabrics and the management and staff of textile industries. The population for the study was made up of 300 members of the management and staff of the textile industries and a total of 3,969,252 textile consumers' in Kaduna State. Of this population a sample of 169 members of the management and staff of the textile industries was chosen and a sample of 384 textile consumers was also drawn. The t-test statistical method was used to test the null hypotheses formulated for this study. The research questions were also analysed using percentage statistical method. The hypotheses were tested at 0.05% significant level. The findings

revealed that the textile industries do consider consumers, but consumer consideration is not a major priority in setting the price of their products. It was also found that the pricing policy adcpted by the textile industries was cost-oriented pricing policy. The findings revealed that this policy affected both the consumers' demand for textile products as well the sales volume for the textile industries. The findings revealed also that differences exist in the opinions of low and high income earners concerning their consumption rate of textile fabrics. It was also found that no significant fference exists in the opinions of males and females concerning the effects of price on consumption rate of textile fabrics.

It was therefore concluded that price influence the buying behaviour of consumers because price make the consumers to decide whether or not to buy the product. It was also concluded that government policies, particularly the policy of Value Added Tax (VAT), does not only affect the textile industries but the consumers who were made to pay VAT in the form of high prices for the products.

Thus it was recommenced that the government sho should review its policy of Value Added Tax as this

policy falls more on the consumers than on the industries. It was also recommended that the textile industries should make use of local raw materials so as to produce at a reduced cost and sell at a low price.

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DEFINITION OF TERMS

The following terms used in the study were defined as follows:

Price

Price is the amount of money charged for a product or service. It is the sum of values consumers exchange for the benefit of having or using the product or service (Kotler and Armstrong, 1987).

Policy

Policy is a guideline derived from an objective that gives direction to managerial thinking. A policy defines areas within which decisions are made and ensures that they are consistent with the overall marketing and company objectives (Katagum, 1988).

Consumers

All individuals who buy or acquire goods and services for personal consumption (Kotler and Armstrong, 1987).

Consumer Buying Behaviour

Consumer buying behaviour is the process whereby consumers decide whether, what, when, how, where and even from whom to buy the goods or services (Chukwudi, Fadeke and Udo-Affia, 1988).

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Textile Fabrics

Clothing, either wollen or silk made by weaving for the purpose of covering the body (Joseph, 1980).

Low Income Earners

Persons whose annual income fall below ₦10,000.00.

High Income Earners

People who receive a salary of ₦10,000.00 and above as their annual income.

Value Added Tax (VAT)

A policy introduced by the government whereby the manufacturing organisations are charged certain percentage of money on production. It serves as a means of generating revenue for the government.

Chapter 1

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INTRODUCTION

1.1 BACKGROUND INFORMATION

Textile products are as early as civilization of man. They form the part and parcel of man's daily life. They are used for clothing, home furnishing and for various domestic and industrial purposes. The contribution of textile products to the well being of man, most especially in Nigeria cannot be overemphasised. The consumption of textile products by man has been on the increase particularly with the increase in economic development in the country.

Nwosu (1983) that in an attempt to encourage the textile industries, the government of Nigeria in 1978 imposed the Import Prohibition Order, banning imported textile fabrics of various types. This effort was an attempt to orient the consumers to accept the locally made product.

Today the country is undergoing a period of rapid changes in the economy, characterized by retrenchment, wage freeze, and so on. In essence, a period of economic recession during which the consumers' purchasing power is shrinking and being

eroded daily by inflation.

The textile industries like many other business organizations in the country now operate under severe resource constraints due to rising cost, resource shortages, high interest rate, and reduced buying power. The government policy of Value Added Tax (TAT) and removal of subsidies have all combined to make the consumer more careful in what he/she purchases. Thus the consumers' demand for goods and services have been greatly reduced by the economic recession invariably affecting the rate of turnover of companies thereby leaving them with unsold stock. Therefore, the marketers are faced with new breed of consumers whose purchasing power is being greatly reduced and is more interested in getting value for his/her money.

Since the consumer is the king in the whole scheme of things, there is the need to consider them in pricing any product. The price set by companies for their products, either high or low, do attract some reactions from the consumers of such product. This therefore gave the researcher a concern to carry out a study on the effects of pricing policies on consumer buying behaviour. The study looked at the factors the textile industries in Kaduna State take into consideration before setting the price of their products. The study also looked at the reaction

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of consumers as regards increase or decrease in price of textile fabrics.

Pricing is a major factor affecting buyer's choice, hence, the need for an organization to follow a policy in setting the price of its products. Marketing organizations as observed by Kotler and Armstrong (1987), need to make decisions about the price of its products. In order to do this, it has to have a pricing policy to serve as a guide in making such decisions. Thus pricing policy according to Katagum (1988) is a course of action designed to influence and determine pricing decisions. Pricing policy set guideline for achieving pricing objectives.

1.2 STATEMENT OF THE PROBLEM

The government of Nigeria has embarked on various policies such as ban on importation of various goods, the new Value Added Tax (VAT) (Nwokoh, 1993:27), the removal of subsidies and so on, as measures to improve the economy of Nigeria. These measures have got their effect on the purchasing power and consumption habit of the average Nigerian consumers. The ban on importation of certain goods has led to the shortage of some chemicals used by the textile industries (Gandu, 1991). This has resulted to the high cost of production of textile fabrics, the result of which are increases in the

prices of the finished products. These increases are paid for by the final consumers of the product.

However, based on preliminary discussions with some officials of textile fabric industries there is general complaint among textile fabric manufacturers for the low rate of turnover of their products which is as a result of the reduction in demand by consumers. This researcher's preliminary discussion with some consumers revealed that some of them have been complaining of the increase in the prices of the textile products. The discussion also revealed that consumders' demand for and consumption of textile fabrics has greatly reduced. Most consumers no longer make new purchases of textile fabrics, but prefer to manage the ones they already have, while some have resorted to the purchase of fairly used clothing (Aniah, 1989, Haruna, 1991). Interview with some consumers revealed that some people no longer attend functions because they cannot afford new fabrics and feared they would be criticized each time they are being seen with the same fabric during every function.

The result of these is that there are certain speculations by the consumers of textile fabrics that the price of textile fabrics has increased beyond the reach of the average consumer. Since there are lots of textile industries located in

different parts of the country particularly in Kaduna State, one would expect that the price of the textile fabrics produced by these industries would be much lower than the foreign products. Instead, the prices of these fabrics, based on the researcher's market survey, continued to increase almost on daily basis.

1.3 RESEARCH QUESTIONS

In order to empirically find out the speculations of the textile consumers as stated in the statement of problems, the following research questions were drawn:

1. What are the effects of government policies on the price of textile fabrics?
2. To what extent do the textile industries consider the consumers in setting the price of their products?
3. What effect has price on the present demand and sales volume of textile fabrics?
4. What effect has the cost of production of textiles on the price of textile fabrics?

1.4 NULL HYPOTHESES

1. There is no significant difference in the opinions of low income earners and high income earners concerning consumption rate of textile fabrics.

2. There is no significant difference in the opinions of males and females concerning the effects of price on consumption rate of textile fabrics.

1.5 PURPOSE OF THE STUDY

The purpose of this study was to:

1. Examine the extent to which the textile industries under study consider the consumers in setting the price of their products.
2. Examine the pricing policies adopted by the textile industries.
3. Examine the effect of price on the consumption habits of textile fabric consumers.

1.6 SIGNIFICANCE OF THE STUDY

This study is intended to be of benefit to the textile industries in Kaduna State as it will highlight the different methods involved in setting prices. This will enable such industries to know the particular policy to adopt in setting the price of their products.

The study will also be of benefit to the textile industries as it will reveal the reactions of the consumers with respect to changes in price.

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Consumers of textile fabrics will equally benefit from this study as it will identify those factors which the industries consider before setting price.

The government will also benefit from the study since the effects of government policies and regulations on textile industries will be highlighted.

1.7 BASIC ASSUMPTIONS

Based on the problem and the purpose of the study, the following assumptions were made:

1. that price of textile fabrics influence consumer buying behaviour,
2. that the price of textile fabrics produced in Nigeria should be lower than of the foreign counterpart.
3. that income level determines the consumption rate of textile fabrics.

1.8 DELIMITATIONS

There are nine textile companies established in Kaduna State. These are: Kaduna Textiles Limited (KTL), Arewa Textiles Limited, Super-Tex Nigeria Ltd., Nortex Nigeria Ltd., United Nigeria Textiles Ltd. (UNTL), Zaria Industries Ltd., Harco Textiles, Fine Tex Ltd., and Uni-Tex Ltd., all located in Kaduna metropolis and Zaria.

Of all the above nine companies, this study was delimited to the following textile companies in Kaduna State: Kaduna Textiles Ltd. (KTL), Arewa Textiles Ltd. and Nortex Nig. Ltd., as well as consumers of textile fabrics in Kaduna State.

1.9 LIMITATIONS

The limitations of this study is in the area of obtaining information. The textile industries were not keen on giving out information to the researcher. The management of the firms complained that previous researchers usually stole their designs or chemicals, and reveals this to their competitors thereby making their competitors to have competitive edge over them. As a result of this they were only prepared to give out information to the researcher on the basis that the researcher produces a guarantor to stand for and guarantee that the information will be strictly used for academic purposes. In one of the firms the researcher was given certain conditions to meet before carrying the research. Since the researcher has no other alternative, the researcher had to comply with the conditions.

Chapter 2

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

This chapter deals with the various views expressed by various individuals and groups of writers as it relates to the problems of this study. These views were obtained from books, journals, newspapers and students' projects on previous work done as it relates to this study. The review of related literature was done under the following subheadings:

2.2 Textile industries in Nigeria: An Overview
2.3 The theory and objective of pricing
2.4 Pricing policies
2.5 Pricing Decisions
2.6 Stages for establishing price
2.7 Consumer buying behaviour and decision process
2.8 Price and consumer behaviour
2.9 Summary

2.2 TEXTILE INDUSTRY IN NIGERIA: AN OVERVIEW

Textile products are an integral part of every person's daily life. They provide basis for clothing, for home furnishings, and for various

domestic fabrics used in the home. Textiles are encountered in almost every aspect of human daily life.

Textile fibres and their uses predated recorded history. Archeological evidence indicates that textiles of fine quality were made thousands of years before written records cite their existence. The history of textile is an integral part of the history of civilization. According to Nwosu (1983: 21), the legendry fig leaf of the garden of Eden was supplanted by the textile body coverings, and textiles assumed a place of importance in the home. Early civilization possessed both ingenuity and a desire to enhance appearance on humanity and environment. These factors contributed over the centuries to the development of complicated fabrics and ultimately to enormous technological expansion.

The issue of textile industry cannot go without mentioning the industrial revolution of the sixteenth and seventeenth centuries in Europe. According to Nwosu (1983), the revolution brought a change from home made textile products to factory products. This change saw a mass production of textile products. To this effect the production of raw materials for these factories were affected, thus the growth and production of wool and cotton

became the concern of government in the affected areas, if not the entire world. According to Joseph (1980:7) the first manufactured fibre was rayon and it was developed, marketed, and made into a practical reality in the early 1930s. Years after then have seen major changes in the manufacturing process and in equipment involved with the production of yarns and fabrics.

Adegbile (1980:14) noted that these mills thrived in the production of finished cotton textile goods such as sewing thread, hair-plaiting threads, under and outer-wear fabrics because the basic raw material (cotton fiber) is produced locally and was readily available then. In addition to this development as a step toward advancement, Nwosu (1983:22) noted that the manufacture of textiles from man-made fibres was introduced in Nigeria around 1968.

For commercial and economic reasons majority of these textile firms are concentrated in the big cities of Lagos, Kano, Kaduna, Aba and others.

Mohammed (1984:1) noted that in 1980 there were over one hundred textile establishments in the country locationally distributed in zones as shown in table 2.1a.

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Table 2.1a. Distribution of Textile Plants in Nigeria by Zones.

Location	No. of Textile Plants
Lagos	68
Kano Zone	17
Kaduna Zone	8
Eastern Zone	4
Western Zone	4
Total	101

Source: NISER: The Nigeria Textile Market: A comprehensive survey of NNDC related firms, May 1982.

According to the Manufacturers Association of Nigeria (MAN) (1984), there are over two hundred textile establishments in the country locationally distributed in zones. As applied to this study, there are one hundred and twenty five textile establishments producing textile and weaving apparallel in the country (see table 2.1b below). The table shows the number of textile establishments in the country that produces textile and weaving apparallel as registered members of the Manufacturers Association of Nigeria.

Table 2.1b. Distribution of Textile Plants in Nigeria by Zones.

Location	No. of Textile Plants
Lagos Zone	70
Kano Zone	20
Kaduna Zone	10
Eastern Zone	18
Western Zone	7
Total	125

Source: Nigeria Industrial Directory by Manufacturers Association of Nigeria (MAN) 1994.

Mohammed (1984:2) stated that the trend of growth in the industry which gives the installed capacity of the Nigerian cotton and weaving industry is depicted in table 2.2 below.

The above table shows a ten-fold growth in spinning capacity in less than twenty years, from 72,000

Table 2.2. Nigerian Cotton Spinning and Weaving Industry: Growth of Installed Capacity 1962-1978.

Year	Spindles	Looms
1962	72,000	2016
1963	79,000	1950
1964	87,000	2100
1965	118,000	2981
1966	128,000	3381
1967	143,000	3815
1968	123,000	3700
1969	240,000	7216
1970	288,000	8800
1971	295,000	9000
1972	450,000	13300
1973	555,000	13600
1974	575,000	14300
1975	618,000	15000
1976	661,000	15700
1977	671,000	16400
1978	672,000	17277

Source: Ugbole, Problems of the Nigerian Textile Industries. Business Times 3 March, 1981.

The above table shows a ten-fold growth in spinning capacity in less than twenty years, from 72,000 spindles in 1962 to 672,000 spindles in 1978, and an eight-fold growth in the weaving capacity

over the same period, from 2016 looms in 1962 to 17,277 looms in 1978.

In Nigeria today there are several companies involved in the production of textile products such as Kaduna textiles Ltd., Zaria Industries Ltd., Arewa Textiles Ltd., Aba Textile Mills, Nichem Textile (Nig.) Ltd. and many others.

Akhile (1979) noted that it is the largest employer of labour after the public sector, and macro-economically contributes substantially in terms of taxation, excise duty, manpower development and applied technology. He further stated that at the end of 1978, the Nigeria Textile Industry had a labour strength of about 100,000 employees.

In agreement with this, Adekeye (1990:17) in his write-up stated that after the civil service, the textile industry employing over 150,000 is the second largest employer of labour. Commenting on remuneration, he maintained that only the oil sector and merchant banks, are remunerating their junior employees better than the textile industry.

Despite this position as one of the largest employer of labour, in the early 1980's it was badly hit by the economic recession in which most of their workers were laid off their jobs.

Nigeria witnessed a heavy importation of textile products as the population increased and with some kind of awareness the locally manufactured products could not meet the need of this large population.

Umesi (1980:18) stated that the quantity of different types of textile materials imported in the first quarter of 1978 was 26,096,299 kilograms, and the value of this quantity of materials in Naira is approximately ₦47,635,872.00. The importation of these products came from West Germany, U.K., Holland, Japan, Asia and United States.

Nwosu (1983:24) noted that this state of affairs was not considered healthy for the economic and technological development of the nation. The government of Nigeria therefore sought a gradual but steady replacement of this state of affairs with based industry. Individual business organizations and state governments were encouraged to set up more textile factories.

In order to butress this encouragement the government imposed a ban on the importation of foreign textile materials through the Import Prohibition Order Legal Notice No. 16 of 1978. The government policy was to revive the dying industries in order to boost local production. As a result of the prohibition the then existing

industries started working three shifts and were almost at full capacity.

Most of the textile industry in the country are known to produce different types of cloth among many others include suitings, shirtings, wax blocks, drills, bafts, coloured wovens, satins, denims, embroideries, African prints, gingham, dyed shirtings, dress prints etc.

Nwosu (1983:6) pointed out that the fortunes of the industry started experiencing down-turn. The market situation in the industry declined, putting most of the textile firms in the country in serious financial squeeze. Many companies in the industry have cried out that they cannot meet up their daily obligations. Many have folded up out-right while others have resorted to the sad experience of retrenching their workers in order to remain afloat bringing about untold hardship to thousands of Nigerian workers.

Mohammed (1984:3) observed that the industry complained about the rising cost of raw materials and the minimum wage legislation as factors contributory to its troubles. The rising trend in the price of cotton lint which is the dominant raw material in the industry is shown in the table below.

Table 2.3. Trend in the movement of prices of Nigerian cotton lint.

Date	Price Per Kg.
April 1976	86.71 kobo
June 1979	110.00 kobo
April 1980	118.00 kobo
July 1980	120.00 kobo
February 1981	132.00 kobo

Source: NISER, The Nigerian Textile Market.

Industry requirements cannot be promptly met by the Nigerian cotton Board, nor are the textile firms allowed to import cotton directly to keep their plants running. In spite of all these, according to Mohammed (1984) the income policy guidelines of the federal government disallowed textile manufacturers from increasing their product selling price by more than five percent in any one calendar year.

2.3 THE THEORY AND OBJECTIVE OF PRICING

As one of the four ps (product, price, promotion and place), price is a critical part of the marketing mix. In fact, the price charged for a product may be the most visible part of the marketing mix and it is closely compared with the price of competing products.

According to Schewe and Smith (1980:320), the term price goes by many other names such as rents, tuitions, fare, rates, interest, toll, premium, honorarium and even bribe, all of which add up the one thing: What consumers pay for a product or service.

In agreement to this, Katagum (1988:34) observed that prices are expressed in many forms like charges, fees, fares, rents or simply price.

Any transaction can be seen as an exchange of something of value, usually money for a bundle of satisfaction. Therefore pricing of products calls for a careful decision because if the price is too high people will abandon the product and if it is too low people will underrate its value.

According to Gabor (1977:177), the theory of price is to help us understand the behaviour of consumers, distributors and producers. He further outlined the following four assumptions on which the price theory is based. These are:

i) The businessman has only one aim, and that is the maximization of his total profit, both in the long run and in the short run.

ii) His firm provides (or handles) only one product or, if it has several products,

they are invariably produced and sold in the same proportion.

iii) The businessman knows exactly what each level of output will cost him.

iv) He also knows how much he should sell at each possible price.

It can be concluded from the above four assumptions of price theory that a firm will increase its rate of output up to the point where any further increase would add more to its cost than to its sales. Cooper-Jones (1976:7), observed that the price theory attempts to establish relationship between profit, selling price and costs in specific business environments. The theory of price centres on the derivation of accurate costs and setting of prices under particular market conditions to realise optimum profit objective in terms of the policies of the business.

According to Cooper-Jones (1976:7), there are four theories of price which generally exists. These are:

i) Marginal cost theory. This is defined as the ascertainment of marginal cost and of the effect on profit of changes in volume or type of output by differentiating between fixed cost and variable cost. In this method of pricing only variable costs are charged to processes or products, while fixed costs are written off against profits in the periods in which they arise.

ii) Absorption costing price theory. This is the practice of charging all costs both variable and fixed are charged to operations, processes or products.

iii) Partial cost price theory. In this method of pricing variable costs are charged to processes while fixed costs are written off against profits. It also involves charging all costs both variable and fixed to operations and processes. Thus the partial cost price theory is intermediate between marginal cost price theory and absorption costing price theory.

iv) Product analysis pricing theory. This is the method of setting a range of values per unit quantity for all significant properties of the objective constituent into which any product in a range of goods can be analysed.

None of the above theories can apply exactly to any one business, but within their limitations each of the theories can assist the establishment of realistic price setting policies for those broad categories of business to which they can be applied.

Prices are not just set anyhow, they are set to achieve a certain objective or goal. Thus pricing objectives should flow from and fit with company objectives. They should be explicitly stated because they have a direct effect on pricing policies and the price determination methods which are employed. Baker (1979:229) outlined five objectives as the most typical pricing objectives:

i) Pricing to achieve a target return on investment. Seeking a target return is a common profit-oriented objective. This may

be a certain return on sales or on investment. Some companies try to maximise their profit in as short a time as possible by setting high prices (skimming). These are mostly ones that do not anticipate immediate competition but expects so in the future. Others just want to make quick profit and move on to other business.

ii) Maintain or improve market share. In some companies, the major pricing objective is to maintain or improve the market share. Such companies believe in long-run profits and they produce in large quantities and set lower prices.

iii) Stabilization of price and margin. The goal of stablizing price is often found in industries that have a price leader. Companies seeking stability in their prices tend to avoid price war, even when demand is declining.

iv) Meet or prevent competition. Some companies price their products to meet or prevent competition. Companies trying to prevent competition entering or capturing the market usually set low prices to discourage competition.

v) Maximization of profit. Profit maximization has been said to be the major objective of most companies. Therefore companies set their prices to reflect or attain this goal.

According to Mellot (1978:291), the most common objective of pricing is a target return on investment which may be a fixed percentage of sales. This pricing objective is an effective long run policy especially for firms that operate in a stable and established market where their competitors have similar objectives. Mellot (1978:297) also observed that a firm which seek to maintain an existing market share will favour conservative pricing

policies whereas that which seeks to increase its market share will pursue more aggressive **pricing** policies. Fox and Wheatley (1978:313) identified the following as the three major objectives of pricing:

- To effect company profit
- To effect sales volume
- To maintain stability in the market place.

These objectives of pricing are not always mutually exclusive. They overlap both in theory and in practice, but they do provide important guidelines for particular pricing decisions.

2.14. PRICING POLICIES

The ultimate goal of every organization is to ensure that it survives. To do this, it sets for itself goals and objectives which it hopes to attain. Policies are therefore necessary to give direction to decision making and to serve as guides to every action undertaken. They are 'paths' which every organization should follow for easy and effective attainment of its goals and objectives*

According to Katagum (1988:21) policies are Dlans or general statement or understandings which guide or channel thinking and action in decision-making. Pricing policy therefore, refers to those marketing activities that guide the organization

towards attaining marketing objectives and goals. It may be viewed as a prescribed course of action that is predetermined to ensure uniformity of procedure by those in management responsible for the administration of prices.

Katagum (1988:38) observed that the various pricing policies include:

i) Price Variation Policies

This is a situation where the Company has one price policy. One price policy stipulates that the same price must be quoted and charged to all customers, who purchase under similar conditions. A variation price policy permits price concessions and the actual prices charged are a function of negotiation.

ii) Price Discount Policies

To allow for legitimate and legal adjustment from listed prices, firms establish discount prices. These reduction may be in the form of cash or in the form of other concessions such as free merchandise.

iii) Objective-oriented Pricing Policies

Achieving company's objectives should be a primary consideration in every pricing decisions. Two specific pricing policies related to this concept are skimming price policy, and penetration price policy.

iv) Competition-oriented Pricing Policies

Since competition significantly influences all pricing decisions, firms consciously develop pricing policies to deal with competitive conditions k in the market. This policy of pricing encourage the aggressive use of price as a competitive weapon in the marketing mix.

A pricing policy according to Pride and Ferrell

(1985) is a guiding philosophy or course of action designed to influence and determine pricing decisions. Pricing policies relate to price setting in practice. They help marketers to solve the practical problem of establishing prices. Pride and Ferrell (1985:422), identified the following as the most common pricing policies:

i) Pioneer Pricing Policies

Setting the base price for a new product is a necessary part of formulating a marketing strategy. The base price is easily adjusted (in the absence of government price control). The base price can be set high to recover development costs quickly or to provide a reference point for developing discount prices to different market segments.

ii) Price Skimming

This is a pioneer approach that provides the most flexible introductory base price. Price skimming according to Pride and Ferrell (1985:422) is charging the highest possible price that buyers who most desire the product will pay. Price skimming can provide several benefits especially when the product is in the introductory stage of its life cycle.

iii) Penetration Price Policy

A penetration price is a lower price designed to penetrate the market and produce a larger unit sales volume. When introducing a product, a marketer sometimes uses a penetration price to gain a large market share quickly. Penetration pricing can be especially beneficial when marketers suspect that competitors can enter the market easily.

iv) Psychological Pricing Policies

Psychological pricing is designed to

encourage purchase that are based on emotional reaction rather than on rational responses. It is used most often at the retail level.

v) Prestige Pricing Policies

In prestige pricing policies, prices are set at an artificially high level to provide prestige or a quality image. This type of pricing policy is used when a higher price is consistent to buyers attitude toward the expected cost of a product.

In deciding on which pricing policy to adopt, there are certain factors which the marketing firm must consider. These factors according to Baker (1979:230) are classified into internal and external price determinants. In the external price determinants, Baker (1979:230) observed that the major determinant of pricing policy is the structure of the market in which the firm is selling its products. This suggests that one must take into account not only the price of perfect substitutes but also the price of all goods which compete for the same market and can be used to satisfy the same basic wants.

A second determining factor of pricing policy is the concept of elasticity. According to Baker (1979:230), elasticity measures the responsiveness of demand to change in price. Elasticity of demand is conditioned by the importance of the product in the consumer's scale of preference, by the disposable

of existing and potential consumers, by the existence of substitute, and a number of other lesser factors.

A third factor that determines pricing policy is government policy. The firm's pricing policy will be influenced by government policy to an extent and the proposed legislation in such area as price maintenance, monopolistic practices, etc.

Kotler and Armstrong (1987:149) observed that consumer perception of value and price is also a factor to be considered in determining price. When setting prices, the company must consider consumer perception of price and how these perceptions affect consumer buying decisions. Marketers must look at consumer's reasons for buying the product and set prices according to the consumer's perception of the product's value. Good pricing begins with analysing consumer needs and price perception.

A major internal factor that determines price according to Baker (1979:233), is the firm's definition of the business it is in, for this determines the product it will produce and the nature of the market it will seek to serve. The nature and extent of a firm's corporate resources also determines its price.

2.5 PRICING DECISIONS

According to Lere (1974:1), "pricing is a logical decision". In pricing a firm should compile as much information as appears possible, reasonable, and feasible. The amount of information collected depends on the time the firm has to make the decision, the cost of the information and what seems relevant to the decision. As part of the decision however, the pricers must use their logical powers. This implies that at the time when sales are quite low and the firm has difficulty in selling its products, the raising of price, whatever method a firm might use to determine what price would probably not be the right choice.

Pricing decisions are as important and difficult as any other decision in marketing. One measure of importance of pricing is its effect on the producer's profit and long-run financial well-being.

According to Fox and Wheatley (1978:231), a bad pricing decision can doom a product to failure in the market place. A correct decision may contribute decisively to its success. Pricing decision is also important in that it can contribute to the success or failure of other segments of the market mix.

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Compounding the difficulty of making pricing decisions is that much of the decision making process is necessarily subjective. It is difficult for a seller to know in advance that the price set for a product is the correct one, even if the product is successful in the market place.

For some sellers, pricing is not a difficult task, and for some it is not a problem at all. A retailer has no pricing problem when a producer firmly sets a price for a product or service. And of course there is no pricing problem if prices are mandated by government. In some industries and for some companies pricing problems are minimized by simply following the price set by a leading competitor.

An important function of the pricer or price decision taker is to provide information. He must collect data related to the action of competitors in a particular situation. If a firm is in an industry characterized by price leadership, part of the analysis the pricer will do is to predict what action other firms in the industry might take in response to a change by the price leader in the industry. The pricer must keep in mind what happened in similar situations in the past. Although a competitor may not be expected to always behave in the same way, past behaviour should give the pricer a guess as to

what action competitors will take.

Without prices there can be no marketing. Products may be matched with markets, but only when buyers and sellers agree on prices do ownership transfer actually occur. Pricing decisions both individually and collectively influence the relative ease with which 'ownership' transfers are effected. Katagum (1988) observed that there are certain factors which affect pricing decisions among which are:

i) Cost

Most companies set prices on the basis of cost incurred in producing that product.

ii) Demand

The demand for a product in some cases influences pricing decision. Normally prices are charged high when there is a great demand for a product.

iii) Competition

The prices and actions of competitors greatly influences a company's pricing decision. The company takes into consideration what others are charging before setting its own prices. It may decide to charge relatively same, higher or lower than what competitors charge.

Many economists consider pricing to be the major factor that keeps the economy in balance. Schewe and Smith (1970:222), observed that price performs the function of rationing and allocating of resources to their most efficient use. Price is

important in helping to determine company's profit. Thus profit can ultimately lead to new technology and better products that provides more satisfaction and an improved standard of living.

The basic problem of economic society is to allocate resources among the members 1 of the society as a whole. According to Monre (1979:3), to achieve this objective each resource should be used to perform the function that it contributes most efficiently to society. Thus price furnishes the guide post that indicates how resources should be used. Prices determine what products and services should be produced and in what amount, how these products and services should be produced, and for whom the products and services should be produced.

2.6 Stages for Establishing Prices

Establishing prices and altering them has a definite impact on a firm's marketing mix. It can influence the responses of buyers, resellers, and competitors.

The actual task of pricing falls distinctly in the domain of mmarketing because pricing requires creative judgement and a keen awareness of buyers' motivations. Awareness of who the buyers are, why they buy, and how they make their purchase decisions is helpful in determining price.

Pride and Ferrell (1985:422) identified eight stages for establishing prices. However, these stages are not considered inevitable, they are guidelines that provide a logical way of analysing the effectiveness of price in the marketing mix and the contributions price makes to an organization's objectives. The stages are represented diagramatically as shown in figure 1 on page 33.

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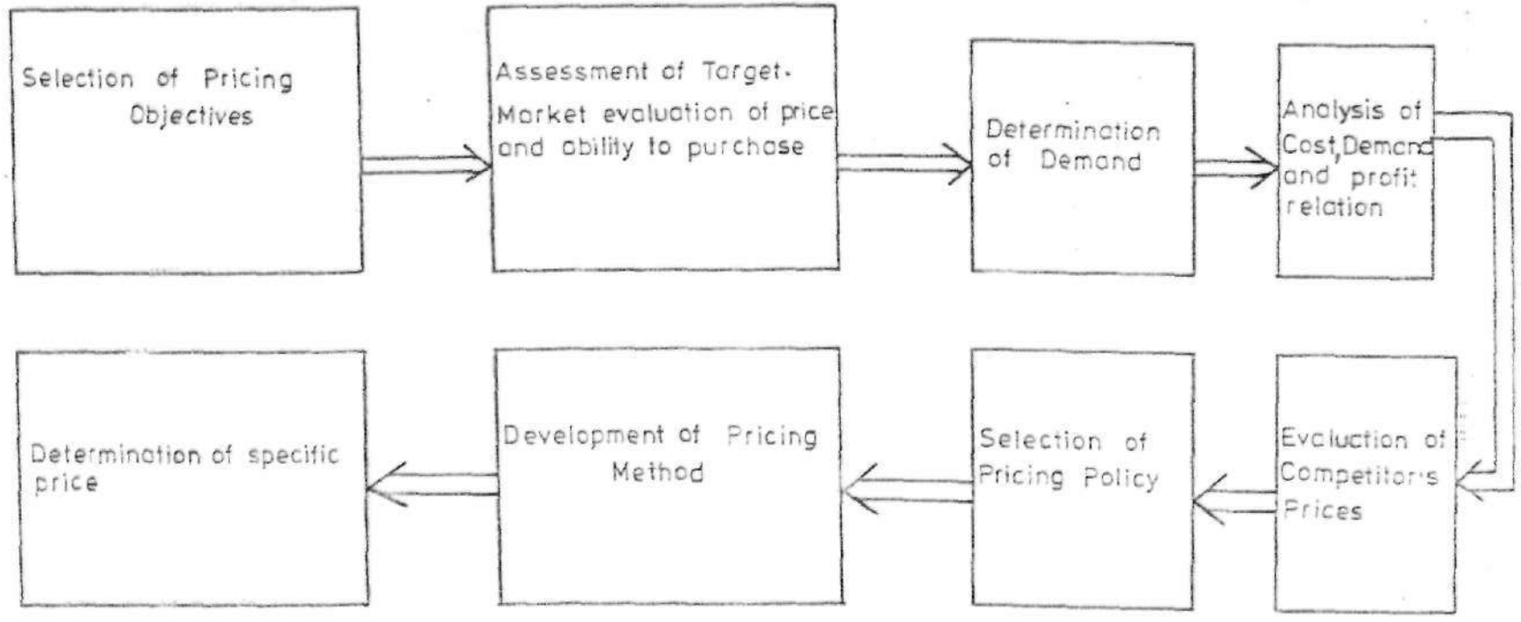


Fig. 1 The Eight Stages for establishing Price

i) Selection of Pricing Objectives

In setting prices, marketers should always begin by considering objectives. Pricing objectives are overall goals that describe the role of price in an organization's long-range plans. Since pricing objectives will influence decisions in most functional areas, including finance, accounting and production, the objectives must be consistent with the organization's overall mission and purpose.

ii) Assessment of the target Market's Evaluation of Price and its ability to Purchase

Although we generally assume that price is a significant issue for buyers, the importance of price depends on the type of product and the type of target market. By assessing the target market's evaluation of price, a marketer is in a better position to know how much emphasis to place on price. Information about the target market's price evaluation may also aid a marketer in determining how far above the competition a firm can set its prices.

The people who make up a market must have the ability to buy a product. Buyers must need a product, be willing to use their buying power, and have the authority to buy. Their ability to buy, like their evaluation of price, has direct consequence

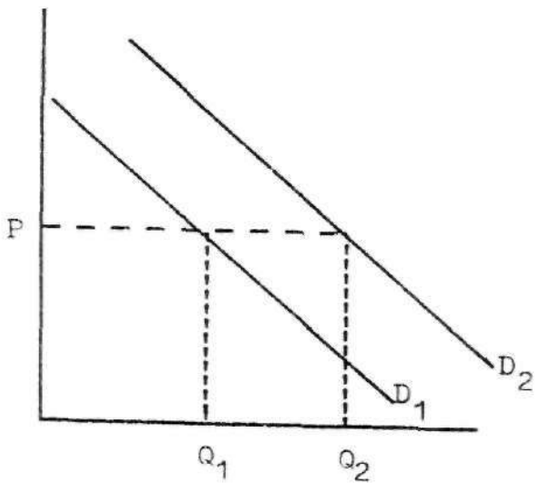
for marketers. The ability to purchase involves such resources as money, credit, wealth, and other products that could be traded in an exchange. Understanding the purchasing power of customers and knowing how important a product is to them in comparison with other products helps marketers to assess the target market's evaluation of price correctly.

iii) Determination of Demand

Determining the demand for a product is the responsibility of marketing research. Techniques for estimating sales potentials - the quantity of a product that could be sold at a specific period - are practical approaches to understanding demand. Sales estimates are helpful in establishing the relationship between a product's price and the quantity demanded.

For most products, the quantity demanded goes up as the price goes down, and as price goes up, quantity demanded goes down. There is an inverse relationship between price and quantity demanded. As long as buyers' need, ability, willingness and authority to buy remain stable, and as long as environmental situations remain constant, this fundamental inverse relationship will continue.

The diagram below illustrates the effect of one variable - price - on the quantity demanded. The classic demand curve (D_1) is a line slopping downward to the right, showing that as price falls, quantity demanded will increase. Demand also depends on other factors in the marketing mix, among them product, quantity, promotion, and distribution. Improvement in any of these factors may cause a shift to, say demand curve D_2. In such a case, an increased quantity (Q_2) will be sold at the same price (P).

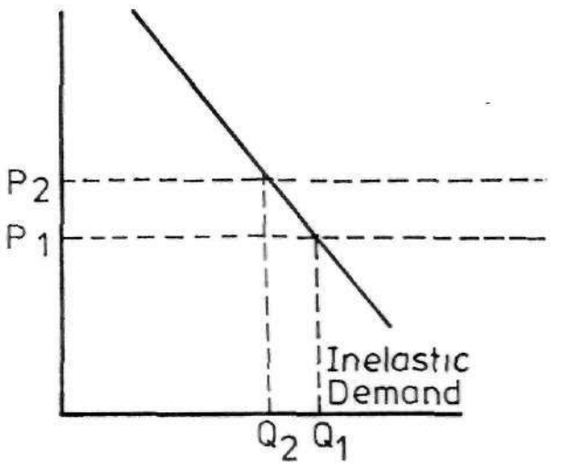


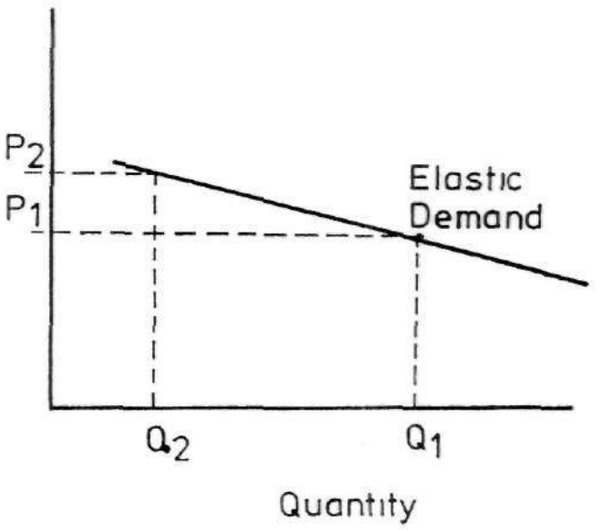
iiia) Elasticity of Demand

Elasticity of demand is the relative responsiveness of changes in quantity demanded to changes in price. The percentage of change in quantity demanded caused by a percentage change in price is much greater for elastic demand than for inelastic demand. For a product such as textile material, demand is relatively inelastic. When its price is increased, say from P_1 to P_2, quantity demanded goes down only a little, from Q_1 to Q_2.

If marketers can determine price elasticity, then setting a price is much easier. According to Pride and Ferrell (1985:422) by analysing total revenue as prices changes, marketers can determine whether a product is price elastic. Total revenue is price times quantity. If demand is elastic a change in price causes an opposite change in total revenue, an increase in price will decrease total revenue, and a decrease in price will increase total revenue. An inelastic demand results in a parallel change in total revenue; an increase in price will increase total revenue, and a decrease in price will decrease total revenue. The following formular gives the price elasticity of demand.

$$\text{Price Elasticity of Demand} = \frac{\% \text{ change in qty demanded}}{\% \text{ change in price}}$$


P2
P1
Inelastic
Demand
Q2 Q1


P2
P1
Elastic
Demand
Q2
Q1
Quantity

The less elastic the demand for a product, the more beneficial for the seller to raise the price. marketers cannot base price solely on elasticity consideration. They must also examine the cost associated with different volumes and see what happens to profit. Products without available substitute and for which there is a strong need perceived by consumers usually have inelastic demand.

iv) Analysis of Demand, Cost and Profit Relationships

According to Pride and Ferrell (1985:433) "a company has to set prices that cover all costs if such a company has to stay in business". Costs are associated with the production of any good or services. To help set prices, Pride and Ferrell (1985:433), identified two approaches to understanding demand, cost and profit relationships. These are:

a) Marginal Analysis, and
b) Breakeven Analysis.

Pride and Ferrell (1985:435) were of the opinion that marginal analysis involves examining what happens when something is changed by one unit. Marginal revenue according to them is the change in total revenue that occurs when a firm sells an additional unit of a product.

Before the firm can determine if a unit makes a

profit, it must know its cost as well as its revenue since profit equals revenue minus cost.

According to Pride and Ferrell (1985:437), breakeven point is the point at which costs of producing a product equal revenue made from selling the product. Knowing the number of units necessary to breakeven is important in setting the price. To use breakeven analysis effectively, a marketer should determine the breakeven points for each of several alternative prices. This determination allows the marketer to compare the effect on total revenue, total costs, and the breakeven point for each price under consideration. Although this comparative analysis may not tell the marketer exactly what price to charge, it will identify highly undesirable price alternatives that should definitely be avoided.

Breakeven analysis is simple and straightforward. It does assume, however, that the quantity demanded is basically fixed and the major task in setting prices is to recover costs. Marketing managers can use this concept to determine more accurately whether a product will achieve at least a breakeven volume.

v) Evaluation of Competitors' Prices

According to Pride and Ferrell (1985:450), a marketer in most cases is in a better position to establish prices when he or she knows the prices

charged for competing brands. Learning of competitors' prices may be a regular function of marketing research.

Becoming aware of competitors' prices is not always easy, especially in producer and reseller markets. Competitors price lists are often closely guarded. Even if marketers has access to competitive price lists, these lists may not reflect the actual prices at which competitive products are sold. The actual price lists may be established through negotiation.

Awareness of the prices charged for competing brands is very important for a marketer. Marketers in an industry in which nonprice competition prevails need competitive price information to ensure that their organization's prices are the same as competitors' prices. In some instances, organization's prices are designed to be slightly above competitors' prices to give its product an exclusive image. Another company may employ price as a competitive tool and attempt to price its brand below competing brands.

vi) Selection of a Pricing Policy

According to Pride and Ferrell (1985:450), a pricing policy is a guiding philosophy or course of action designed to influence and determine pricing decisions. Pricing policies set guidelines for

achieving pricing objectives. They are an important component of an overall marketing strategy. In general, pricing policies should answer this recurring question: How will price be used as a variable in the marketing mix? This question may relate to:

a) Introduction of new products
b) Competitive situations
c) Government pricing regulations
d) Economic conditions
e) Implementation of pricing objectives.

Pricing policies relate to price setting in practice. They help marketers to solve the practical problems of establishing prices. Pride and Ferrell (1985:455), outlined the following as the most common pricing policies used by most organizations in setting the price of their products.

Pioneer pricing policies, psychological pricing policies, professional pricing policies, promotional pricing policies, and experience curve pricing policies have been discussed in chapter 2.4.

vii) Development of a Pricing Method

After selecting a pricing policy, a marketer must choose a pricing method.

According to Pride and Ferrell (1985:458), pricing method is a mechanical procedure for setting

prices on a regular basis. The pricing method structures the calculation of the actual price. The nature of a product, its sales volume, or the amount of product carried by the organisation will determine how prices are calculated.

Pricing methods provide techniques for actually assigning prices to specific products. Pricing methods must take into account pricing objectives as well as knowledge of buyers, demand, costs and competition. Pride and Ferrell (1985:459), identified three types of market-oriented pricing.

1. Cost-oriented Pricing Method

In using a cost-oriented pricing, a firm determines price by adding certain amount or percentage to the cost of a product. Cost-oriented pricing does not necessarily take into account the economic aspect of supply and demand, but cost-oriented pricing methods are simple and easy to implement. They involve calculation of desired margins or profit-margin add-ons to the cost of a product.

A cost-oriented pricing method does not necessarily relate to a specific pricing policy or ensure attainment of pricing objective. Pride and Ferrell (1985:459) outlined two common cost-oriented pricing

methods as cost-plus and markup pricing.

a) Cost-plus pricing

According to Pride and Ferrell (1985:460), cost-plus pricing is a pricing method in which the seller's costs are determined (usually during or after a project is completed), and then a specified amount or percentage of the cost is added to the seller's cost to set the price. When production costs are unpredictable, or production takes a long time, cost-plus pricing is appropriate.

In periods of rapid inflation, cost-plus pricing is popular, especially when the producer must use raw materials that are fluctuating in price. For industries in which cost-plus pricing is common and sellers have similar costs, price competition may not be especially intense.

b) Markup Pricing

Pride and Ferrell (1985:260) noted that this is a common pricing method among retailers. It is a method through which a products price is derived by adding a predetermined percentage of the cost, called markup, to the cost of the product.

Markup can be stated as a percentage of the cost or as a percentage of the selling price. When discussing a percentage markup, it is important to

know whether the markup is based on cost or on selling price.

Markups usually reflect expectations about operating costs, risks and stock turnovers.

2. Demand-oriented Pricing Method

Rather than basing the price of a product on its cost, marketers sometimes employ a pricing method that is based on the level of demand for the product. This method results in high price when demand for the product is strong and a low price when demand is weak. To use this pricing method, a marketer must be able to estimate the amounts of a product that consumers will demand at different prices. The marketer then chooses the price that generates the highest total revenue. The effectiveness of demand-oriented pricing depends on the marketer's ability to estimate demand accurately.

3. Competition-oriented Pricing Method

In using competitition-oriented pricing, an organization considers cost and revenue secondary to competitors' prices. The importance of this method increases if competing products are almost homogenous and the organization is serving markets in which price is the key variable of the marketing strategy.

Competition-oriented pricing should help attain

a pricing objective to increase sales or market share. Competition-oriented pricing may be combined with cost approaches to arrive at price levels necessary for a profit.

viii) Determination of a Specific Price

This is the last of the eight stages for establishing price as identified by Pride and Ferrell (1985:462). Pricing policies and methods should direct and structure the selection of a final price. If they are to do so, it is important for marketers to establish pricing objectives, to know something about the target market, and to determine demand, price elasticity, costs, and competitive factors. In addition to those economic factors, the role of price in the marketing mix will affect the final price.

Although systematic approach to pricing is suggested, in practice prices often are finalized after only limited planning. Trial and error, rather than planning, may be used to set a price; then marketers determine whether revenue minus cost yields a profit. This approach to pricing is not recommended because it makes it much harder to discover pricing errors.

In the absence of government price control, pricing remains a flexible and convenient way to adjust the marketing mix. In most situations, prices

can be adjusted quickly. This flexibility and freedom do not characterise the other components of the marketing mix. Since so many complex issues are involved in establishing the right price, pricing is indeed as much an art as a science.

2.7 Consumer Buying Behaviour and Decision Process

Marketers have to be very careful in analysing consumer behaviour. This is because consumers often turn down what appears to be a winning offer. If they do not vote for a product, the product loses.

The consumer market according to Kotler and Armstrong (1987:149), consists of individuals and households who buy or acquire goods and services for personal consumption. Consumers refer to the final user of goods and services while consumer buying behaviour according to Chukwudi et al (1988) is the process whereby consumers decide whether, what, when, how, where, and even from whom to buy the goods.

The consumers are utility maximizers. They use their limited resources to acquire a bundle of goods that will put them on the highest utility curve. A consumer sees a particular product as a combination of attributes and this is why they behave differently the way they do towards a particular

product or service.

Consumers are therefore decision makers. Pride and Ferrell (1985:72) observed that "consumers usually have the general objective of creating and maintaining a collection of goods and services that provides current and future satisfaction". To accomplish this objective, buyers make many purchasing decisions. For example, an average adult must make several decisions daily regarding food, clothing, shelter, medical care, education, recreation, or transportation. According to Pride and Ferrell (1985:73), a major part of consumer buying behaviour is the decision process used in making purchase. This include the following stages:

i) Problem Recognition

According to Pride and Ferrell (1985:74) "problem recognition occurs when a buyer becomes aware that there is a difference between a desired state and an actual condition". Sometimes, a problem or need exists for a person, but the individual is not aware of its occurence. This is why as consumers we can easily make mistakes since we have not been provided with the physical and mental abilities sometimes needed to be sensitive and discriminating agents in a modern society. Thus marketers use sales personnel, advertising and packaging to aid in triggering the

recognition of such need or problems.

ii) Information Search

After becoming aware of the problem or need, the consumers searches for information. Information search according to Pride and Ferrell (1985:75) can focus on many dimension, such as availability of brands, product features, sellers characteristics, warranties, operating instructions, and prices.

When seeking information, a consumer may turn to one or several major sources. One primary source of information search according to Pride and Ferrell (1985:75), is experience. Direct experience with a product can provide selected kinds of information that a consumer may not be able to acquire in other ways. A successful information search yields a group of brands that a buyer views as a possible alternative.

iii) Evaluation of Alternatives

To evaluate the product in the evoke set that results from information search, Pride and Ferrell (1985:76) observed that consumers establish a set of criteria against which to compare the products' characteristics. These criteria are features that are desired by the buyer. Evaluation may yield no brand that the buyer is willing to purchase. In this case further search may be required. If the

evaluation yields more brands than the consumer is willing to buy, he or she is ready to move on to the next stage of the decision process.

iv) Purchase

According to Pride and Ferrell (1985:77), this is the stage in which the consumer selects the product or brand to be bought. The choice is based on the outcome of the previous evaluation stage. During this stage the consumer determines from which seller to buy the product. Issues such as price, delivery, warranties, installations, and credit arrangements are discussed and settled. Finally, the actual act of purchase occurs during this stage (unless the consumer terminates the buying decision process prior to purchase).

v) Post-purchase Evaluation

According to Pride and Ferrell (1985:78), this is the stage in which a buyer begins to evaluate the purchase. Shortly after the purchase of an expensive product, postpurchase evaluation may result in cognitive dissonance. Cognitive dissonance is a dissatisfaction which occurs because the buyer questions whether he or she would have purchased the product at all, or would have been better off purchasing another brand that was evaluated favourably.

As the product is used, the consumer evaluates it to determine if its actual performance meets expected levels. The outcome of this stage is either satisfaction or dissatisfaction which feeds back to other stages of the decision process and influences subsequent purchases.

The consumer buying decision process is being influenced by certain factors. These factors as identified by Pride and Ferrell (1985:79) are as follows:

i) Person-specific Influences

A person-specific factor is one that is unique to a particular individual. This factor is of two categories:- Demographic and Situation. Demographic factors also called socio-economic factors are individual characteristics such as sex, age, race, nationality, income, family, life-cycle stage, and occupation. Demographic attributes can influence the speed at which a person moves through the consumer buying decision process.

The situational factors according to Pride and Ferrell (1985:79) are the circumstances or conditions that exists when a consumer is making a purchase decision. Sometimes, a consumer engages in buying decision making as a result of an unexpected situation.

ii) Psychological Influences

Psychological influences operates within individuals to partially determine their general behaviour and thus to influence their behaviour as consumers. The primary psychological elements that influences consumer behaviour are: perception motives, learning, attitudes, and personality.

Perception as defined by Pride and Ferrell (1985:80) is the process of selecting, organizing, and interpreting information inputs in order to produce meaning. It is obvious that how and what people perceive strongly affects their behaviour towards products, prices, package designs, sales and so on.

A motive is an internal engaging force that orients a person's activities towards a goal. A buyer's actions at anytime are affected by a set of motives rather than just one motive.

According to Pride and Ferrell (1985:81), learning consists of changes in ones behaviour that are caused by information and experience. For a firm to market its products successfully, it must help consumers learn about the products directly through information from sales persons, advertisement, friends, and relatives.

An attitude consists knowledge and positive or negative feelings about an object. Consumers attitude towards a firm and its products greatly influences the success or failure of the firms marketing strategy.

Personality is an internal structure in which experience and behaviour are related in an orderly way. Personality is believed by marketers to influence the types and brands of products purchased.

iii) Social Influences

These are the forces that other people exert on buying behaviour. The major areas of social influences on consumer buying behaviour include Roles and family influences, Reference group influences, Social classes, Culture and subculture.

2.8 Price and Consumer Behaviour

Pricing is a dynamic process, companies design a pricing structure that covers all their products, change it over time, and adjust it to account for different customers and situations.

The assumption that underlies every expression of the behaviour of market demand is that, all other things being equal, price plays a decisive role in the determination of the rate of purchase of the

consumers. If this is to be true, the consumer must have an appropriate degree of price consciousness, the first condition of which is familiarity with the price of goods and services which compete for their expenditure.

According to Kotler and Armstrong (1987:49), the consumer decides whether the company has set the right price. The consumer weighs the price against the perceived value of using the product - if the price exceeds the sum of the values, consumers will not buy the product. Consumers differ in the values they assign to different product features, and marketers often vary their pricing strategies for different price segments.

Gabor (1977:182), stated that cost alone cannot justify price, whether or not a price is effective depends on the view taken by the final consumer. Pricing should be market-oriented and the activities of the competitors matter only to the extent to which they influence the purchasing behaviour of the consumers.

Gabor (1977:182), also observed that the consumer's attitude to price and his or her market behaviour are essentially rational in the sense that they are consistent with the striving for satisfaction of the individuals desire.

Products are bought to satisfy human needs, felt or latent. Without a true evaluation of the needs of a given individual, it is unfair and inaccurate to describe the purchase of a product or service as 'irrational', 'emotional', or 'impulsive'.

According to Gabor (1977:182), the concept of a just level of price, that is what things ought to cost, is permanently present in the minds of most consumers. It is largely independent of the cost of production, which is generally unknown to the consumer and may vary from place to place and with the passage of time. Thus, the consumer judges the price of different goods and services by comparing them, more or less subconsciously, with some standards which may not, of course, be the same for all persons.

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Kotler and Armstrong (1987:149), observed that whether the price of a product is raised or lowered, the action will affect buyers, competitors, distributors, and suppliers, and may interest government as well.

Consumers do not always put a straightforward interpretation on price changes. They may view a price cut in several ways. They may think the item is about to be replaced by a later model, or that it

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has some fault and is not selling well. They may think that the firm is in financial trouble and may not stay in business to supply future parts. Or they may believe that the price will come down even further, and therefore that it will pay to wait, or that quality has been reduced.

A price increase which will normally lower sales, may carry some positive meaning to the buyers. They may think that the item is very "hot" and may be unobtainable unless it is bought soon. Or they may believe the item is an unusually good value, or they may decide the seller is greedy and is charging what the traffic will bear.

Gabor (1977:182), observed that while price may play an important part in the actual choice, unless the items acquired turned out to be unsatisfactory, the consumer's concern with the price will tend to varnish and revive only when the time comes round to look for another similar item, either as a replacement or as an addition to his stock.

In most cases the price last paid, even if well remembered, will have little, if any, relevance to the purchasing decisions concerning a consumer durable, because even if inflation has not meanwhile affected the general level of prices, fashion and technical progress have almost certainly resulted in

considerable alterations in the properties of the available types.

Some individuals find it difficult to resist a bargain. If they see anything attractive at a price which implies to them a genuine reduction, they are strongly tempted to buy it without full regard to the actual cost. Then, there are certain situations in which most people feel that it will be inelegant if not invidious to reveal that money is a consideration with them; consequently they will not ask for the price until after they have declared that they will buy the article in question. Even if they find that the price is considerably higher than expected, they will not withdraw for fear of losing face. While behaviour of this kind is not irrational, it must be conceded that there are certain transactions in respect of which the cost of acquisition is not an important determinant of the consumer decisions.

Gabor (1977:182), observed that the knowledge of price consciousness of actual and potential customers should be of considerable interest to the price setter, since it is obvious that the more attention they pay to price, the greater will be its importance in the marketing mix.

2.9 Summary

Textile products are an integral part of every

persons' daily life. They are encountered in almost every aspect of human daily life. The industrial revolution of sixteenth and seventeenth centuries in Europe brought a change from home made textile products to factory products.

In Nigeria, among other industries, textile industry is one of the oldest ranging from cotton spining mills and other cottage mills found mostly in the Northern and Eastern parts of the country. Most of the textile industries in the country are known to produce different types of cloth, among many others include suitings, shirtings, wax-block, drills, bafts, coloured wovens, and many others.

As one of the four ps (product, price, promotion and place) price is a critical part of the marketing mix, and the price charged for a product may be the most visible part of the marketing mix and it is closely copared with the price of competing products. Thus the theory of price attempts to establish relationship between profit, selling price and costs in specific business environment. There are four theories of price that exists. These are: Marginal cost theory, Absorption costing price theory, Partial cost price theory, and Product analysis pricing theory.

Prices are not just set anyhow, they are set to achieve certain objectives or goals. Thus pricing

objectives are:

i) pricing to achieve a target return on investment;

ii) Maintain or improve market share;

iii) stabilization of price and margin;

iv) meet or prevent competition;

v) maximization of profit.

Pricing policies are established as a guide to pricing strategy and tactics. A pricing policy may be viewed as a course of action that is predetermined to ensure uniformity of procedure by those in management responsible for the administration of prices. The various pricing policies are:

- Price variation policies
- Price discount policies
- Objective oriented pricing policies
- Competition oriented pricing policies
- Pioneer pricing policies.

Pricing decisions are as important and difficult as any other decision in marketing. A bad pricing decision can doom a product to failure in the market place. A correct decision may contribute decisively to its success.

Without prices there can be no marketing. Products

may be marched with markets, but only when buyers and sellers agree on a price do ownership transfer actually occur. Pricing decisions both individually and collectively influence the relative ease with which ownership transfers are effected. The factors which affect pricing decisions among others are:- Cost, Demand, and Competition.

Pricing is the major factor that keeps the economy in balance. Price performs the function of rationing and allocating of resources to their most efficient use.

Establishing prices and altering them has definite impact on a firm's marketing mix. It can influence the responses of buyers, resellers, and competitors. The actual task of pricing falls distinctly on the domain of marketing because pricing requires creative judgement and a keen awareness of buyers' motivations. Thus eight stages of pricing were identified in this review. These are:

i) Selection of pricing objectives

ii) Assessment of the target market's evaluation of price and its ability to purchase.

iii) Determination of demand

iv) Analysis of demand, cost and profit relationships.

v) Evaluation of competitors' prices

vi) Selection of a pricing policy

vii) Development of a pricing method

viii) Determination of a specific price.

Consumer buying behaviour is the process of whereby consumers decide whether, what, when, how, where, and whom to buy from. Consumers are utility maximizers who use their limited resources to acquire a bundle of goods that will put them on the highest utility curve.

Consumers usually have a general objective of creating and maintaining a collection of goods and services that provides current and future satisfaction. To accomplish this objective, buyers make many purchase decisions. Included in the decision process are such elements as: problem recognition, information search, evaluation of alternatives, purchase, and postpurchase evaluation. The consumer buying decision process is influenced by such factors as: person-specific influences, psychological influences, and social influences.

The various literature reviewed in this chapter has its relationship with the present study in that the key to determining the price of a product lies in understanding the values that consumers perceive

in the product and the values resulting from their total perception of total satisfaction provided by the product. Many consumers for instance derive satisfaction from getting a product at a good price.

Moreover, the price of products in the market place has many effects on the overall economy and on the standard of living for individual consumers within the economy. Therefore in setting prices marketers must consider this long run effect as well as their own desire for profit.

For a consumer with a given income level, price influences to a great extent what is to be bought and how much of each product to buy.

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Chapter 3

RESEARCH DESIGN AND METHODS

3.1 Introduction

The purpose of this chapter was to describe the research design, method and procedures adopted for conducting the study. The chapter is organized according to the following sub-headings: Population, Sample, Sampling procedure, Instrumentation, data collection and data analysis technique.

3.2 Population

There are nine textile companies in Kaduna State: Kaduna Textiles Ltd. (KTL), Arewa Textiles Ltd., Nortex Nig. Textiles Ltd., Supertex; Unitex, United Nigeria Textiles Ltd. (UNTL), Harco Textiles, Fine Tex, and Zaria Industries Ltd. (ZIL). Out of these nine companies the researcher was concerned with three. These are: Kaduna Textiles Ltd. (KTL), Arewa Textiles, and Nortex Nigeria Textiles. Thus the population for this study was made up of 300 members of the management and staff of the textile companies under study as well as a total of 3,969,252 textile consumers in Kaduna State. The 300 members of the management and staff of the textile industries were made up of the senior staff of the

three textile industries studied. This was because no junior staff was allowed to give out information concerning the industries.

3.3 Sample

According to the 1991 census in Nigeria, but published in 1992, Kaduna State has a population as stated in 3.2 above. Using Krejcie and Morgan's table for determining sample size from a given population, the sample for Kaduna State is represented by 384 people. This sample size was drawn randomly from different local government areas of the state. These local government areas are: Ikara, Makarfi, Zaria, Sabon Gari, Kaduna North and Kaduna South. Sixty-four subjects were randomly sampled from each of the six local government areas.

A total number of senior staff in the textile industries was 300. A sample of 169 senior staff was drawn from the population of 300 using Krejcie and Morgan's (1970:608) table for determining sample size from a given population. The researcher drew the sample from the senior staff of the textile industries under study because no junior worker was allowed to give out information about the industries.

3.4 Sampling Procedure

The procedure for obtaining the required sample size for this study was random sampling procedure.

A sample of 384 textile consumers were drawn randomly from six local government areas of Kaduna State. Sixty-four subjects were randomly sampled from each of the six local government areas.

Also a sample of 169 subjects were randomly drawn from the senior staff of the textile industries under study.

3.5 Instrumentation

The instruments that were used to collect data for this study are the questionnaire and personal interview.

3.5.1 The Questionnaire

The questionnaire consists of a list of questions relating to the aims of the study and the hypotheses to be verified to which the respondents were required to answer by writing his/her responses. The questionnaire was designed using the likert scale form of rating, all that the respondents needed to do was to assign a tick to the correct answer. Two sets of questionnaires were designed. One contained 10 items designed for the consumers of textile fabrics while the other contained 19 items for the management and staff of the textile industries (see appendices I and II).

3.5.2 Personal Interview

There are certain questions which cannot go into the questionnaire and which the respondent may term confidential to be written down on paper. The researcher used personal interview to collect such information. The personal interview was with the principal officials of the textile industries under study. The information from the personal interview was not analysed, but was brought in, during the discussion of the findings (see Appendix V for interview schedule).

3.5.3 Reliability and Validity of the Instrument

The instrument used in collecting data for this study was given to experts in the field who validated its adequacy for the aim in view. Some items of the instrument were adopted by the researcher from previous similar study such as: Dodo (1988), "The effects of pricing and pricing policies on sales". The researcher also carried out a pilot study to ascertain the content and construct validity of the instrument (see Appendix VI for pilot study result).

3.6 Data Collection

The first questionnaire was administered personally by the researcher because of the nature of the study. From a total of 169 questionnaires administered to the sampled senior staff, fifty were

collected. Efforts to obtain the remaining proved futile as they were not keen to release information through the questionnaire. However, the findings obtained from the fifty questionnaires can be applied to the population of senior staff.

The second questionnaire meant for consumers of textile fabrics was also administered personally by the researcher to all the 384 people that constituted the subject of the study. Fortunately, the researcher succeeded in collecting 350 completed copies of the consumers' questionnaire with little difficulties.

In addition, interview was conducted with the personnel manager, public relations manager and the training managers of the textile industries on sales, price, company objectives presence of competition, product attributes and consumers reaction to price.

3.7 Data Analysis Technique

The statistical technique that was used in analysing the data that were collected to test the two hypotheses in this study is the t-test for independent groups (see Appendix VII).

Chapter 4

PRESENTATION AND ANALYSIS
PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter contained the analyses and interpretation of data collected for this study. The data have been arranged to cover the frequency distribution of respondents, the analyses and evaluation of the null and research hypotheses.

4.2 Analyses of Personal Data

The personal or demographic data contained in the questionnaire were grouped, tabulated and analysed under frequencies and percentages (see tables 4.2a to 4.2d).

Table 4.2a. Distribution of Responses by Sex

Category	No	Percentages
Male	177	50.57
Female	173	49.43
Total	350	100.00

The table above showed that both sexes of male and female were properly represented in the study.

Table 4.2b. Distribution of Responses by Age.

Category	No	Percentages
Under 15 yrs.	5	1.43
15 - 25 yrs.	86	24.57
25 - 35 yrs.	176	50.29
Over 35 yrs.	83	23.71
Total	350	100.00

On the issue of age, 176 (or 50.29%) of the respondents fall within ages 25-35 years while 5 (or 1.43%) fall within under 15 years of age. It can be inferred from the above table that all the age range were properly represented in the study. Majority of the respondents fall within the age range of 25-35.years which has the highest frequency and percentage. It can also be inferred that the respondents within this age range are in the working class and can take decisions themselves concerning what to wear and the amount to spend on clothing. Since they are salary earners, any alteration in the price of textile fabrics, either increase or decrease in price is likely to attract some reaction from them. Moreover, majority of our fashion-conscious youths fall within this age, thus a change in the price of textile fabrics affects them in one way or the other. The age range of under 15 years which has the lowest frequency and percentage

include people who cannot take decision on their own but depended on their parents or guardian for their clothing and other things they needed. (Thus the price of textile fabrics do not affect them directly as such since they do not make the purchase on their own). There is an indirect relationship. Also 83 (or 23.71%) of the respondents indicated that they fall within the age range of 35 years and above. This age group include people who are retired from service as well as pensioners. They make the clothing decisions in their families, as such any change in the price of textile fabrics is likely to affect them.

Table 4.2c. Distribution of Responses by Marital Status.

Category	No.	Percentages
Married	173	49.43
Single	161	46.00
Divorced	6	1.71
Widowed	10	2.86
Total	350	100.00

The majority of the respondents, 173 (or 49.43%) indicated that they were married while 6 (or 1.71%) were divorced. It can be seen that those respondents who indicated that they were married fall within the age range of 25-35 years (as shown

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in table 4.2b above). Those who indicated that they were single also fall within the same age range. They are the salary earners who take decision concerning what to buy and thus they are affected by price as they have to consider whether or not to buy the product with either increase or decrease in price.

Table 4.2d. Distribution of Responses by Occupation.

Category	No.	Percentages
Applicant	6	1.71
Civil Servant	152	43.43
Private Business	25	7.14
Farmer	5	1.43
Housewife	4	1.14
Student	158	45.14
Total	350	100.00

The responses obtained on the occupation of the respondents revealed that 158 (or 45.14%) are civil servants; 4 (or 1.14%) which is the lowest frequency and percentage are housewives. This revealed that various categories of occupation were fully represented in this study since people in various occupations make use of textile fabrics and they respond in one way or the other to the price of these materials depending on the occupation.

4.3 Data Analysis and Discussion of Findings

4.3.1 Research Question 1

What are the effects of Government Policy on the price of textile fabrics?

The items that answered this research question were picked from the questionnaire for staff and management of the textile industries.

Table 4.3.1a. Distribution of Responses on the effects of government policy ion the price of textile fabrics.

Category	No.	Percentage
Agree	48	96.00
Disagree	1	2.00
Neutral	1	2.00
Total	50	100.00

On the issue of whether government policy affects the price of textile fabrics, 48 (or 96%) of the management and staff of the textile industries reported that indeed the policies of government affected the price of textile fabrics (table 4.3.1).

Table 4.3.1b. Distribution of Responses on the effect of government policy of Value Added Tax (VAT) on the price of textile fabrics.

Category	No.	Percentages
Agree	47	94.00
Disagree	2	4.00
Neutral	1	2.00
Total	50	100.00

The responses obtained on the effect of government policy of Value Added Tax (VAT) on the price of textile fabrics revealed that 47 (or 94%) indicated that government policy of VAT increases the price of textile fabrics (Table 4.3.1b).

Table 4.3.1c. Distribution of Responses on the effect of government policy of VAT on the Consumers of textile fabrics.

Category	No.	Percentages
Agree	44	88.00
Disagree	4	6.00
Neutral	2	6.00
Total	50	100.00

In the table above, 44 (or 88%) of the subjects indicated that government policy of Value Added Tax (VAT) affects the consumers of textile fabrics.

It can be inferred from the findings as shown in tables ij..3.1b and Ij.o3.1c that government policy of Value Added Tax (VAT) affects the price of textile fabrics as well as the consumers of textile fabrics. The policy of Value Added Tax is a situation whereby the manufacturing organization is charged *$%* on production cost. This amount helps to increase the cost of production which eventually increases the price of the finished product. In order to cover cost and at the same time make profit, the producers therefore pass on this tax to the consumers. Since the consumer • is always at the receiving end, he/she bears the last result. Thus the above finding revealed that government policies, particularly the policy of Value Added Tax affects both price and consumers of textile fabrics. This effect is in the area of increase in price of finished product of textile fabrics in which case consumers tended to reduce their rate of purchase of textile fabricso Thus it becomes clear that price affects demand to a great extent and when demand is affected consumers are affected because it is the consumers who make the demand.

4.3.2 Research Question 2

To what extent do the textile industries consider the consumers in setting the price of their products?

Table 4.3.2a. Distribution of Responses on the Consideration of Consumers by Textile industries in setting Price.

Category	No.	Percentages
Agree	91	26.00
Disagree	215	61.43
Neutral	44	12.57
Total	350	100.00

Table 4.3.2b. Distribution of responses on the consideration of consumers by textile industries in setting price.

Category	No.	Percentages
Agree	33	66.00
Disagree	17	34.00
Neutral	-	-
Total	50	100.00

In table 4.3.2a, 215 (or 61.43%) of the consumers disagreed that the textile industries consider the consumers before setting the price of their products while 33 (or 66%) of the management and staff of the consumers indicated that they take the consumers into

consideration when setting the price of their products.

It can be inferred from tables 4.3.2a and 4.3.2b above that the textile industries do actually take the consumers into consideration in setting the price of their products but consumer consideration is not their priority. The textile industries as we know is not a charitable organization but a profit oriented organization. Thus in setting prices for their products they try as much as possible to cover cost and achieve the objective of profit maximization since the objective of profit maximization does not favour the consumers but the industries in question, it can be said that the textile industries consider less of the consumers in price setting than they consider other factors. This finding agrees with the opinions of Pride and Ferrell (1985) that cost-oriented pricing policy does not take into account the economic aspect of supply and demand. This means that the consumers are not a major consideration in price setting but cost is considered much in order to maximise profit.

4.3.3 Research Question 3

What effect has price on the present demand and sales volume of textile fabrics?

Table 4.3.3a. Distribution of responses on the increase in demand of textile fabrics as a result of good pricing.

Category	No.	Percentages
Agree	13	26.00
Disagree	36	72.00
Neutral	1	2.00
Total	50	100.00

On the issue of whether the increase in demand of textile fabrics is as a result of good pricing, 36 (or 72%) of the management and staff of the textile industries reported that increase in demand of textile fabric is not as a result of good pricing (table 4.3.3a)

Table 4.3.3b. Distribution of responses on the increase in demand of textile fabrics by consumers when price is reduced.

Category	No.	Percentages
Agree	284	81.14
Disagree	58	16.86
Neutral	8	2.29
Total	350	100.00

284 (or 81.14%) of the consumers of textile fabrics indicated that demand and consumption rate of textile fabrics is increased when price is reduced (simple Micro Economics).

Table 4.3.3c. Distribution of responses on the increase in sales volume as a result of good pricing.

Category	No.	Percentages
Agree	12	24.00
Disagree	36	72.00
Neutral	2	4.00
Total	50	100.00

In the table above, 36 (or 72%) of the management and staff of the textile industries revealed that increase in sales volume is not as a result of good pricing.

It can be inferred from the findings (as shown in tables 4.3.3a, 4.3.3b and 4.3.3c) that indeed, price has effect on the present demand and sales of textile fabrics. It could be seen in table 4.3.3a, that majority of the management and staff of textile industries disagreed with the fact that increase in the demand of textile fabrics is as a result of good pricing. This indicated that the present demand and sales of textile fabrics is at a decrease. Thus the textile industries has failed to take this level of demand into consideration when setting the price of the product. This finding contradicts the opinions of Pride and Ferrell (1985) as stated in the review of related literature that marketers sometime based

their price on the level of demand for the product rather than cost. By this it is expected that the industries should reduce their price in order to increase demand, instead the price of the product continued to increase, hence, this price affects the demand of consumers.

The effect of price on demand was also revealed in table 4.3.3b where the majority of the consumers indicated that they do increase their demand for consumption of textile fabrics when price is reduced, and the industries increase in sales volume with increase in demand as a result of decrease in price. However, it can be concluded from this finding that the effect of price on demand of textile fabrics is that consumers demand for textile fabrics has reduced as a result of increase in price of the product, likewise the sales volume of the product has equally reduced. This finding agreed with the interview conducted with the staff of the textile industries studied that the volume of sales for the industries has reduced for the past five years.

4.3.4 Research Question 4

What effect has the cost of production of textiles on the price of textile fabrics?

Table 4.3.4a. Distribution of responses on the adequacy of the price of raw materials.

Category	No.	Percentages
Agree	5	10.00
Disagree	45	90.00
Neutral	-	-
Total	50	100.00

On the issue of whether the price of raw materials used by the textile industries are low, 45 (or 90%) of the management and staff of the textile industries indicated that the price of raw materials were not low (table 4.3.4a).

Table 4.3.4b. Distribution of responses on the effect of raw materials on the price of textile fabrics.

Category	No.	Percentages
Agree	49	98.00
Disagree	1	2.00
Neutral	-	-
Total	50	100.00

From the responses in the table above, 49 (or 98%) of the subjects reported that indeed, the price of raw materials affected the price of the finished products of textile fabrics.

Table 4.3.4c. Distribution of responses on the determination of quantity of textile fabrics to be produced by the price of raw materials.

Category	No.	Percentages
Agree	28	56.00
Disagree	19	38.00
Neutral	3	6.00

In the table (4.3.4c) above, 28 (or 56%) of the respondents agreed that the price of raw materials determined the equantity of textile fabrics to be produced.

Table 4.3.4d. Distribution of responses on the problem of the price of raw materials to the textile industries.

Category	No.	Percentages
Agree	1	2.00
Disagree	49	98.00
Neutral	-	-
Total	50	100.00

Table 4.3.4d above clearly established that 49 (or 98%) of the subjects indicated that the price of raw materials constituted a problem to the textile industries.

Table 4.3.4e. Distribution of responses on the price of textile fabrics based on the cost incurred in producing the product.

Category	No.	Percentages
Agree	46	92.00
Disagree	3	6.00
Neutral	1	2.00
Total	50	100.00

In the table above, 46 (or 92%) of the management and staff of the textile industries indicated their support to the fact that the price of textile fabrics was based on the cost incurred in production.

Table 4.3.4f. Distribution of responses on cost inflation as the major factor that motivated the textile industries into initiating price change.

Category	No.	Percentages
Agree	49	98.00
Disagree	-	-
Neutral	1	2.00
Total	50	100.00

On the issue of whether cost inflation was responsible for price changes, 49 (or 98%) of the management and staff of the textile industries reported that cost inflation was the major factor that

motivated the textile industries into initiating price changes for their products.

It can therefore be inferred from the findings as represented in the tables above that cost of production of textile has an effect on the price of textile fabrics. It can further be seen in table 4.3.4a that the price of raw materials used by these industries are not low, which means that the raw materials are expensive. In any manufacturing organization, the quantity of output depends on the quantity of raw materials purchased for the production. Moreover, the quantity of the raw materials to be purchased also depends on the price at which the raw materials are acquired. Thus the management and staff of the textile industries indicated that the price of raw materials constituted a problem to them because the raw materials are expensive to acquire. This has led to a decrease in the quantity of output.

It was indicated in table 4.3.4e that the price of textile fabrics was based on the cost incurred in production. This means that as a result of the high price of raw materials, the cost of production is increased, and since every organization produces to cover cost and maximize profit, the price of the finished product is increased. This can be seen in table 4.3.4f where 98% of the management and staff of the textile industries indicated that cost inflation

was a major factor that motivated them into initiating price changes. However, an interview conducted with a staff of one of the industries revealed that the company has initiated price changes several times and that these changes were in the area of price increase in order to cover costs. Thus it can be stated that the cost of production of textiles affected the price of the finished products of textile fabrics. This effect is in the area of increase in the price of the finished product of textile fabrics which is caused by increase in cost of production. This finding that price of textile fabrics is based on the cost incurred in production agrees with the opinions of Pride and Ferrell (1985) that a company has to set prices that cover all costs if such a company has to stay in business.

4.4 Testing the Hypotheses

Hypothesis 1

Null Hypothesis: There is no significant difference in the opinions of low income earners and high income earners concerning consumption rate of textile fabrics.

In order to test this hypothesis the t-test for statistical analysis was used. The mean was computed as well as the standard deviation. The hypothesis was tested at 0.05 percent significant level, the T

value was calculated and compared with the critical value of T as contained in the T-table values. This is shown in table 4.4.1.

Table 4.4.1. Effect of Income Level on Consumption of Textile Fabrics.

Income Status	No.	Mean	StDev.	SeMean	T	DF	P	T Critic
High income	137	9.09	2.02	0.17	2.08	276	0.038	1.96
Low income	213	9.54	1.89	0.13				

where

No	=	Number of respondents.
StDev	=	Standard Deviation
SeMean	=	Standard Error of the Mean
T	=	Calculated value of T
DF	=	Degree of Freedom
P	=	Probability level
T critical	=	T values as obtained in the table for T values

The calculated value is 2.08 while the critical value is 1.96. It therefore follows that the calculated value of T is greater than the critical value. Thus the null hypothesis is rejected while the research hypothesis is retained. It can therefore be inferred that significant difference exists in the opinions of low income earners and high income earners concerning consumption rate of textile fabrics.

The high income earners indicated that no matter their income level they still maintained their consumption rate of textile fabrics at whatever price the fabric is sold. In other words the demand and consumption of textile fabrics for the high income earners remained inelastic even with increase in price of the product.

Low income earners as the name implied earned less income than the high income earners. Thus they tended to change with changes in the price of the product. Thus when the price of textile fabrics increased they reduced their consumption rate while they increased their consumption rate with a reduction in price. It can therefore be stated that the demand and consumption of textile fabrics by the low income earners is elastic, that is, it changes with changes in price.

Hypothesis 2

Null hypothesis: There is no significant difference in the opinions of males and females concerning the effects of price on consumption rate of textile fabrics.

Table 4.4.2. Effect of price on consumption rate of textile fabrics.

Sex	No.	Mean	StDev	SeMean	T	DF	P	T critical
Male	177	9.32	1.99	0.15	0.45	348	0.65	1.96
Female	173	9.43	1.92	0.15				

where

No	= Number of respondents
StDev	= Standard Deviation
SeMean	= Standard Error of the Mean
T	= Calculated value of T
DF	= Degree of Freedom
P	= Probability level
T critical	= T values as obtained in the table for T values.

This hypothesis was also tested using the t-test for statistical analysis. The mean and standard deviation were computed and the hypothesis tested at 0.05 percent significant level (see table 4.4.2).

The calculated value of T as shown in the table above is 0.45 while the critical value is 1.96. It therefore follows that the calculated value is below the critical value. The null hypothesis is therefore retained while the research hypothesis is rejected. It can therefore be inferred that no significant difference exists in the opinions of males and females concerning the effect of price on consumption rate of textile fabrics.

Therefore the findings revealed that both males and females were of the same opinion that price affects their rate of consumption of textile fabrics. This is because both males and females make use of textile fabrics and both fall within the income level of either low or high. Thus price affects the consumption of the males in the same way as it affects that of the females.

Chapter 5

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this work was to determine the extent to which the textile industries in Kaduna State consider the consumers in setting the price of their products, the pricing policy they adopted, the effect of the pricing policy on the consumers, and whether the consumers' perception of price coincided with the adopted pricing policy of the textile industries.

The problem that led to this study was the complain of the textile manufacturers of the low rate of turn-over of their product and the complaint of the consumers that the price of textile fabrics has increased beyond the reach of the average consumer.

In order to achieve the purpose of this study, some research questions were drawn and some hypotheses were stated in the null form. The research questions were analysed and the null hypotheses tested. The findings from the analyses were summarised as follows:

5.2 Summary of Findings

The findings obtained for this study are summarized as follows:

1. The policies of government affects the price of textile fabrics.
2. Government policy of Value Added Tax (VAT) increases the price of textile fabrics.
3. Government policy of Value Added Tax (VAT) affects the consumers of textile fabrics who are made to pay VAT in form of price of the fabrics.
4. The textile industries do not take the consumers as a major consideration when setting the price of their products.
5. Consumers of textile fabrics increase their rate of consumption when price is reduced.
6. There is a reduction in the demand of textile fabrics as a result of increase in price.
7. There is a reduction in the sales volume of the textile industries due to reduction in demand caused by increase in price.
8. The raw materials used by the textile industries in production are hard to come by and when they do come, they are expensive.

9. The price of raw materials affects the price of the finished products.

10. The price of raw materials constitute a problem to the textile industries as the raw materials available determines the volume of output.

11. The price of textile fabrics is based on the cost incurred in producing the fabrics. Thus the pricing policy adopted by the textile industries is cost-oriented pricing policy.

12. The textile industries have initiated price change several times and the nature of such change is in the area of price increase.

13. Cost-inflation was a major factor that motivated the industries into increasing the price of their products.

14. Consumers' perception of price differed from the pricing policy adopted by the textile industries, thus they reacted by decreasing their demand for textile fabrics.

15. Competitors' price affects the price of textile fabrics.

16. It was found that significant difference exists in the opinions of low income earners and high income earners concerning consumption rate of textile fabrics.

17. It was found that no significant difference

exists in the opinions of males and females concerning the effect of price on consumption rate of textile fabrics.

5.3 Conclusions

Based on the findings of this study, the following conclusions were made:

1. That the pricing policy adopted by the textile industries in Kaduna State is cost-oriented pricing policy.
2. Government policy of Value Added Tax (VAT) affects the price of textile fabrics by increasing the price of the fabrics.
3. The policy of Value Added Tax (VAT) also affects the consumers of textile fabrics who are made to pay VAT in the form of high price of the fabrics.
4. Since the consumer is always at the receiving end, the buying behaviour of the textile consumer is influenced by the policy of cost-oriented pricing and the policy of Value Added Tax. In this case, the consumer is forced to reduce the rate of purchase and consumption of textile fabrics.

5.4 Recommendations

In light of the conclusions drawn from this study, the following recommendations are offered:

1. Government should review those policies that affected textile industries particularly the policy of Value Added Tax (VAT).

2. The textile industries should take the consumers into consideration more often when setting prices because the consumers are the king pin in the whole scheme of things.

3. The textile industries should make use of local raw materials so as to reduce production costs.

4. The textile industries should reduce the price of their products to be within the reach of most consumers who cannot afford the foreign products.

5. The textile industries should reduce the price of textile fabrics so as to encourage consumers demand for their products.

6. Further studies should be carried out on effect of price on consumer buying behaviour in other parts of the country.

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APPENDIX I

Dept. of Vocational & Tech.
Education,
Ahmadu Bello University,
Zaria.

Date:_ _ _ _ _ _ _ _ _ _ _ _

Dear Respondent,

I am a Postgraduate student in the above Department and institution. I am carrying out a study on the Effects of Pricing Policies on the Buying Behaviour of Consumers of Textile Fabrics in Kaduna State.

I will be grateful if you will be kind enough to complete the following questions. All information provided will be treated with strict confidence and will be used only for academic purposes.

Your cooperation in responding to the questions will be highly appreciated.

Thank you.

Yours faithfully,

Kanu Judith A. (Mrs.)

	SA	A	D	SD	N
8. The increase in demand of textile product is as a result of good pricing.					
9. The increase in sales volumes of textile fabrics is as a result of good pricing.					
10. The presence of competitors affect the price of textile fabrics.					
11. Consumers' perception of price coincide with the declared pricing policy adopted by the textile companies.					
12. The textile companies have initiated price change several times.					
13. The nature of such change is in the area of price increase.					
14. Cost inflation is the major factor that motivated textile industries into initiating the price change.					
15. The consumers' reaction to the price change is inelastic.					
16. Your company takes consumers into consideration when setting price					
17. The policy of government affects the price of textile fabrics.					
18. The government policy of VAT (Value Added Tax) has contributed to the increase in the price of textile fabrics.					
19. The effect of this policy falls on the consumers of the product.					

EFFECT OF PRICING POLICY ON CONSUMER BUYING BEHAVIOUR

Sex: Male ( ) Female ( )

Age: Under 15 yrs ( ) (b) 15-25 years ( )

(c) 25-35 yrs( ) (d) Over 35 yrs ( )

Marital Status: Married ( ) (b) Single ( )

(c) Divorced ( ) (d) Widowed( )

Occupation: _____

To each of the statements that follows, indicate how far you agree with it by ticking (✓) of the following responses:

SA = Strongly Agree
A = Agree
D = Disagree
SD = Strongly Disagree
N = Neutral

		SA	A	D	SD	N
1.	Textile fabrics are important aspects of man's daily living					
2.	Price is an important motivator in the purchase of textile fabrics.					
3.	Price plays a decisive role in the determination of rate of purchase of the consumers					
4.	The current price of textile fabrics has hindered the purchase of most consumers.					
5.	The consumption rate of consumers remain the same no matter the price of the product					

	SA	A	D	SD	N
6. Consumers of textile fabrics increase their consumption when price is reduced.					
7. Price is the major cause of the behaviour of consumer towards a product.					
8. Consumers increase their rate of consumption when their income level increases.					
9. Consumers change their choice of textile fabrics when their income changes.					
10. Textile manufacturers consider the consumers before setting prices.					

EDUCATIONAL AND PSYCHOLOGICAL MEASUREMENT

(Table for Determining Sample Size from a Given Population)

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	143	1400	302
25	24	250	152	1500	306
30	28	200	155	1000	310
35	32	270	150	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	220	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	400	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	301
110	86	550	226	7000	304
120	92	600	234	8000	367
130	97	630	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1400	285	100000	384

APPENDIX III

FIGURES ACCORDING TO STATES

No.	State Name	Male	Female	Total
1.	Abia	1,108,357	1,189,621	2,297,978
2.	Adamawa	1,084,824	1,039,225	2,124,049
3.	Akwa Ibom	1,162,430	1,197,306	2,359,736
4.	Anambra	1,374,801	1,393,102	2,767,903
5.	Bauchi	2,202,962	2,091,451	4,294,413
6.	Benue	1,385,402	1,394,996	2,780,398
7.	Borno	1,327,311	1,269,278	2,596,589
8.	Cross Rivers	945,270	920,334	1,865,604
9.	Delta	1,273,208	1,296,973	2,570,181
10.	Edo	1,082,718	1,077,130	2,159,848
11.	Enugu	1,482,245	1,679,050	3,161,295
12.	Imo	1,178,031	1,307,468	2,485,499
13.	Jigawa	1,419,726	1,410,203	2,829,929
14.	Kaduna	2,059,382	1,909,870	3,969,252
15.	Kano	2,858,724	2,773,316	5,632,040
16.	Katsina	1,944,218	1,934,126	3,878,344
17.	Kebbi	1,024,334	1,037,892	2,062,226
18.	Kogi	1,055,964	1,043,082	2,099,046
19.	Kwara	790,921	775,548	1,566,469
20.	Lagos	2,999,528	2,686,253	5,685,781
21.	Niger	1,290,720	1,191,647	2,482,367
22.	Ogun	1,144,907	1,193,663	2,338,570
23.	Ondo	1,958,928	1,925,557	3,884,485
24.	Osun	1,079,424	1,123,592	2,203,016
25.	Oyo	1,745,720	1,743,069	3,488,789
26.	Plateau	1,645,730	1,637,974	3,283,704
27.	Rivers	2,079,583	1,904,274	3,983,857
28.	Sokoto	2,158,111	2,234,280	4,392,391
29.	Taraba	754,754	725,836	1,480,590
30.	Yobe	719,763	691,718	1,411,481
31.	Abuja (FCT)	206,535	172,136	378,671
Country Totals		44,544,531	13,969,970	88,514,501

Source: Tell, March 30, 1992, p.13.

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APPENDIX V

INTERVIEW SCHEDULE

1. What type of textile fabric do you produce?
2. What products constitute your basic raw materials?
3. Are the raw materials easily available?
4. Do you think the price of raw materials affect the price of your finished products? If yes, what are the effects?
5. What are your pricing objectives?
6. What factors influence price setting in your company?
7. What department plays a major role in determining the price of your products?
8. Has your company ever initiated price change? If yes, what was the cause of the price change?
9. Was the price change in the area of price increase or decrease?
10. What was the consumers reaction to your product as a result of this change?
11. What are your sales volume for the past five years?

APPENDIX VI

THE PILOT STUDY

To ensure the reliability of the questionnaire for textile workers and consumers, a pilot study was conducted in Supertex Ltd. Kaduna, for textile workers and Zaria for the consumers. Five textile workers were used while ten textile consumers were included in the study. The calculated reliability coefficient for the textile workers questionnaire was 0.986 while that of the consumers was 0.989 using Spearman correlation for ranked data and the Spearman Brown formular ,(Pegeu and Yate, 1968:65). This was determined by the Split-half method of dividing the questionnaire into two halfs (agree and disagree). The Spearman Brown Formular represented by $\frac{2r}{1+r}$, where r is the measured correlation between the two halves of the test, was used to determine the reliability coefficient. These reliability figures suggests that the two questionnaire are reliable and valid.

Item analysis was also conducted on each of the two questionnaires using the mean method. From the analysis the mean was found to fall between 4.6 which is the highest and 2.1 which is the lowest mean from the responses of the textile consumers. Thus the analysis showed that 7 out of the 10 items contained in the questionnaire for the textile consumers

representing 70% were adequate while 3 representing 30% were rejected.

In that of the textile workers, the mean was found to fall between 4.3 and 3.7. Thus 18 out of the 19 items contained in the questionnaire representing 90% were adequate while one item representing 10% was rejected.

APPENDIX VII

DATA ANALYSIS TECHNIQUE

$$t = \frac{M_1 - M_2}{\sqrt{\frac{(N_1 S_1^2 + N_2 S_2^2)(N_1 + N_2)}{(N_1 + N_2 - 2)(N_1 N_2)}}}$$

where,

M_1 = Mean of first group

M_2 = Mean of the second group

N_1 = Number in the first group

N_2 = Number in the second group

S_1 = Standard deviation of the values in the first group

S_2 = Standard deviation of the values in the second group.

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