

**INFLUENCE OF PRICE CHANGE ON CONSUMPTION
OF FAST MOVING CONSUMER GOODS: A SURVEY
OF FAST FOOD RESTAURANTS ELDORET, IN UASIN
GISHU COUNTY, KENYA**

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**A Research Project Submitted in partial fulfillment of the requirements for the
award of the Master of Art in Project Planning and Management of
University of Nairobi**

2013

DECLARATION

I declare that this project report is my original work and that it has not been presented to any other university.

.....

Benjamin Ogunyo Andama

REG NO: L50/76692/2012

This project has been submitted for examination with my approval as University supervisor

.....

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DEDICATION

I would like to sincerely dedicate this project to my late wife Sarah Andama , My Ernest Baraka Andama who is a candidate this year for the KCPE, Dan Amani Andama Standard 3 and my little daughter you continue to come through for me in very real ways, through your support, encouragement and exemplify characteristics that I strive to emulate in my own life. Thanks a lot.

ACKNOWLEDGEMENT

First and foremost I thank the Almighty God for giving me strength and favour and life to accomplish this study.

I wish to sincerely acknowledge the assistance given to me by my Supervisor, Julius Koring'ura in writing this project. I am grateful for the hours he put into proof-reading, amending, and correcting errors and putting forward constructive criticisms in the writing of this project.

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ABSTRACT

The study investigated the influence of price change on consumption of fast moving consumer goods, a survey of fast food restaurants Eldoret, Uasin Gishu County, Kenya. This is because price is one of the most flexible of the four elements of the marketing mix. One frequent problem is that businesses are too quick to reduce prices in order to get a sale rather than convincing buyers that their products are worth a higher price. Another common mistake is applying pricing that is too-cost oriented rather than customer-value oriented. These, among others, form the main concern of this study. The specific objectives of the study were to determine the influence of sales oriented pricing on consumption of fast food at fast food restaurants, Eldoret, to identify the influence of competition on pricing at fast food restaurants, Eldoret, to establish the influence of sales promotion on consumption of fast food at fast food restaurants, Eldoret and to assess how the quality of the products affects on consumption of fast food at fast food restaurants. The researcher employed a descriptive research design. This study was carried out at the fast food restaurants Eldoret, Uasin Gishu County. The sample population consisted of 86 employees and 160 current and past customers'. Data collection techniques included questionnaire, participatory observation and interview schedule. The data was organized, presented, analyzed and interpreted using descriptive methods of data analysis. The study concluded that it is clear that the firm sets prices to break-even on the cost of making and marketing a product or setting prices to make a target profit. The organization determines the prices at which it will break-even or make the target profit it is seeking. Based on the findings, the study recommends that there is need to apply or use more than one pricing strategy to increase sales volume in the company. The study further recommends that the hotel should continuously improve the quality of their consumer goods for fair prices as the end result. Suggestions for further research are made on factors determining pricing strategies in organizations are also recommended.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In recent years, the world has experienced a remarkable rise in the prices of vital commodities, including energy and agricultural products. For example, between 2006 and 2008, the average world price for oil rose by 110 percent, rice by 217 percent, wheat by 136 percent, maize by 125 percent, and soybeans by 107 percent. The resulting economic impact on firms, households, and entire economies has renewed attention to the scarcity of natural resources and the best way of managing them in the twenty-first century.

According to Kotler (2004), price is the amount of money charged for a product or service or the sum of the values that consumers exchange for the benefits of having or using the product or service. The right price should meet the objectives of the buyer and seller. If you hit the optimum price, the theory suggests, the customers are happier, your profit is higher, and your bottom line will be healthier. In reality, pricing is far from simple. Setting the optimum price is one of the most difficult decisions managers ever make. Most companies are so bad at it that they leave money on the table. Pricing is about more than setting prices. Pricing represents a strategy to increase sales volume at a profit while incorporating and communicating critical messages about the value the offering delivers to the customer. In general, most organizations fail to use pricing in such a disciplined fashion (Monroe 2003).

The importance of price decision to Marketing Managers is that when a firm's costs are lower than the competitors, low price that can be used to win customers. More so, Price cutting as a way to build or maintain market share is a strategy that has been

used by firms. Consumers rely heavily on price as an indicator of a product's quality, especially when they must make purchase decisions with incomplete information.

Fast food restaurant is one of the leading restaurants in Eldoret. It has many customers within Eldoret town and visitors who use its products (food). Apart from fast food service, it also offers conference rooms for meetings, meeting joints to watch DSTV channels, especially football, and recreation service for customers' children, especially during public holidays. Pricing strategies are used in a way that it matches those of the competitors (other hotel/ restaurants) or better still, a little bit lower than that of the competitors. Pricing is one of the most important ingredients of the marketing mix that any organization should concentrate on to ensure it attracts more customers. The price should not be too high to scare customers away nor too low to lead to losses in an organization. Price plays a major role in determining the consumption of fast food in any hotel in Eldoret town and its environs since it determines its performance.

1.2 Statement of the problem.

Kotler (2004) states that price is the one element in the marketing mix that produces revenue. All other elements represent costs. Price is also one of the most flexible elements of the marketing mix. Unlike product features and channel commitments, price can be changed quickly. At the same time, pricing and price competition is a number one problem facing many marketing executives. Another common mistake is pricing that is too cost oriented rather than customer-value oriented.

There has been a decrease in customers patronizing fast food restaurant due to increased competition from various hotels which have been opened in the same locality, including Cicada Hotel, Hotel Comfy among others that offer the same services and fast food at

low prices like those charged at fast food restaurant, hence making them preferred choices due to different or lower prices charged. More so, there have been price fluctuations among different hotels and restaurants so as to attract more customers. Since quality is difficult to measure in the industry due to their homogeneity, pricing is quite challenging. Most of the fast food restaurants have experienced problems in its pricing since it has sometimes to lower its price to attract and retain customers and sometimes it has to increase the price of its offering to reflect costs. This has led to customers staying on or turning away, depending on the price charged. This has affected the restaurants since it cannot guarantee specific customers. These, among other factors formed the basis of this study, to determine the influence of price changes on consumption of fast moving consumer goods, using the case of fast food restaurants in Eldoret.

1.3 Purpose of the study

The main purpose of this study was to determine the influence of price change on consumption of fast moving consumer goods at fast food restaurants, Eldoret, Uasin Gishu County.

1.4 Research Objectives

The study was guided by the following objectives:

- 1) To determine the influence of sales oriented pricing on consumption of fast food at fast food restaurants, Eldoret.
- 2) To identify the influence of competition on pricing at fast food restaurants, Eldoret.

- 3) To establish the influence of sales promotion on consumption of fast food at fast food restaurants, Eldoret.
- 4) To assess how the quality of the products affects on consumption of fast food at fast food restaurants.

1.5 Research Questions

The questions that the study answered are:

- 1) What is the influence of sales oriented pricing on consumption of fast food at fast food restaurants, Eldoret?
- 2) What is the influence of competition on pricing at fast food restaurants, Eldoret?
- 3) What is the influence of sales promotion on consumption of fast food at fast food restaurants, Eldoret?
- 4) How the quality of the products does affects on consumption of fast food at fast food restaurants?

1.6 Significance of the study

The study is of significance to a number of stakeholders, including the researcher, the University of Nairobi and other institutions of higher learning, as wells as managers and business owners in the fast-moving consumer goods industry.

The findings and recommendations of this study is useful to the management of fast food restaurants as well as other businesses, since it can lead to developing suitable mechanisms of determining prices of products so as to apply an appropriate price increase that does not impact negatively on sales.

The University of Nairobi, being an academic institution has a library where completed studies are kept for reference by students and faculty members are stored. The study will benefit students enabling them to learn more about effects of price on consumption of fast moving goods, that is, the study will contribute to the existing pool of knowledge, useful to all other institutions of higher learning as well.

1.7 Limitation of the study

The study focused on the influence of price changes on consumption of fast moving consumer goods of a firm which may not be the only factors in determining the firm's growth or failure because some factors such as production, technology, financing, and level of skilled labor and sources of suppliers contribute to growth. Some of the sources of information by employees was mainly based on memory status and therefore subject to omission of other important facts. Low response from respondents due to suspicion that useful information could leak to competitors

1.8 Delimitation of the Study

The study focused on influence of price change on consumption of fast moving consumer goods at fast food restaurants, Eldoret. The key respondents were managers, supervisors, employees and the customers. The study was conducted between May to July 2013 in, Eldoret town.

1.9 Definition of significant terms as used in the study

Fast food: term given to food that can be prepared and served very quickly.

While any meal with low preparation time can be considered

Price Amount of money for which an item is offered or sold.

Pricing strategy Is a method applied to marketers in order to come up with a price that is equal to service offered

Strategy Criteria or basis of doing things

Market skimming – this involves setting prices of a new product to skim maximum revenue layer for segments willing to pay high prices the company makes fewer but more profitable sales.

Market penetration – setting low initial price in order to penetrate the market quickly and run a large market share

1.10 Organization of the study

Chapter one provided the basis of this study. It specifically covered the background of the study, statement of the problem, objectives of the study, research questions, purpose, significance and limitation of the study. Chapter two presented the literature review to identify and examine what has been done by other scholars and researchers and also assist the researcher to limit the problem to define it better. Methodology and procedures and modalities in data collection covers research design, determination and identification of the population sample size, sampling design, sampling procedure, the instruments of data collection, validity and reliability of data collected was presented in chapter three. Chapter four contains the data analysis, presentation and discussion of the findings. The conclusion and recommendations will form the chapter five of this

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The main purpose of this literature review is to identify and examine what has been done by other scholars and researchers in relation to effects of price change on consumption of fast moving consumer goods. This review also assisted the researcher to limit the problem to define it better. A detailed knowledge of what has been done helps the researcher to avoid unnecessary and unintentional duplication of other projects, demonstrates familiarity with the existing body of knowledge from a framework within which the research findings are to be interrupted and finally to overcome limitations of previous studies. This chapter covers previous studies undertaken on the subject of the study by various researchers and scholars across the globe. The main sources of literature were textbooks, publications. Newsletters, thesis and the Internet search engines.

2.2 Literature Related to influence of sales oriented pricing on consumption

According to Kibera (2002), price is the value placed on a good or service by a customer at some point in time. Pricing is a problem when a firm has a set of prices for the first time. This happens when the firm develops or requires a new service. It introduces its regular product into a new geographical area and when it enters bids on new contract work. The firm must decide where to position its quality and price.

Kotler et al (1991) says that, deciding the price of a product is not just a matter of recording production costs, adding the experiences of operating the business and providing a seasonal profit. The following factors are important to consider when setting a price: the products fashion and seasonal appeal, competition and supply and demand

Costs and experiences: the manufacturers and distributors of a product involve many costs and experiences; these include expenditure for product materials, employees' wages, shipping charges, advertising, selling and business taxes.

Individual food choices are influenced by a wide variety of environmental and individual variables. Three main dimensions related to food choices are taste, perceived value (which includes price and portion size) and perceived nutrition. Foods vary along each of these evaluative dimensions. Individuals also vary in terms of the importance placed on each dimension. For example, individuals of lower socioeconomic status may place greater importance on perceived value, whereas those who are mainly concerned about health and nutrition may place greater importance on the nutritional quality of foods. In general, people may possess knowledge about healthful food choices, but when considered in tandem with the choice dimensions of price and taste, they may choose the tastier and cheaper, but less nutritious, food. An important question for public health promotion efforts in the area of healthful food choices is, "Can people be influenced to purchase and consume more healthful foods if the foods are increased in attractiveness through lowering prices?" (Kibera, 2002).

2.2.1 Literature Related to Price discrimination

Price discrimination exists when sales of identical goods or services are transacted at different prices from the same provider. Otherwise, the moment the seller tries to sell the same good at different prices, the buyer at the lower price can arbitrage by selling to the consumer buying at the higher price but with a tiny discount. However, market frictions in oligopolies such as the airlines and even in fully competitive retail or industrial markets allow for a limited degree of differential pricing to different consumers. Price

discrimination also occurs when it costs more to supply one customer than it does another, and yet the supplier charges both the same price (Kotler, 1997).

Price discrimination can also be seen where the requirement that goods be identical is relaxed. For example, so-called "premium products" (including relatively simple products, such as cappuccino compared to regular coffee) have a price differential that is not explained by the cost of production. Some economists have argued that this is a form of price discrimination exercised by providing a means for consumers to reveal their willingness to pay (Kotler, 1997).

2.3 Literature Related to Competition on pricing and consumption

Competition from similar products: marketers are aware of dissimilar goods and services and that customers might choose over their goods and services. Also retailers compete with other retailers or discount stores selling similar items at lower prices. If some retailers charge a higher price for an item and sell for less at discount stores, they must offer customers services usually not offered by a discount store that is credit or gift wrapping (Kibera, 2002).

According to Saxena (2008) the choice of a pricing strategy depends on the following: corporate goals and objectives, consumer characteristic, intensity of inter-firm rivalry and phase of the product life cycle. Corporate objectives affect price decisions. While considering customer characteristics it is important to research whether customers spend time in searching for alternatives. This is because for some customers the cost of this search is high but for others it is low. If the search cost is low for the customer, then he or

she will be shopping for bargains and will look for discount sales. But the same is not true for the first group of customers.

Intensity of inter firm rivalry within an industry also determines the leverage a firm has in pricing its product. Low intensity in competition, at times, results in a monopolistic market, encouraging a firm to produce the product or the brand at premium. But if the intensity of inter-firm rivalry is high, a firm has very little leverage and generally has no alternative but to price at a level which ensures survival. Price strategies also vary across the product life cycle and for the marketer it is important to know where his product is in its life cycle (Saxena, 2006).

The intuition behind the identification of the utility and cost functions comes from the idea that changing the parameters of these functions will change the equilibrium prices of the firms under some market configuration. While there may be more than one combination of parameter values which are consistent with the observed equilibrium prices under some market configurations (monopoly, duopoly with a particular competitor, crowded market, etc), the different sets of parameters will lead to different equilibrium prices in other market conditions.

For example, increasing both the average consumer's base utility for a good and price sensitivity could keep the profit-maximizing price of the good in a monopoly market unchanged. But the changed price sensitivity would lead to an equilibrium where the chain charged a different price in a duopoly market than it would have if both of these parameters had been smaller. While I do not mathematically prove that it is never possible for two sets of parameters to generate the same pricing pattern across market structures, Thomadsen (2001) illustrates that in markets with two firms on a line, each

giving consumers the same levels of base utility, any combinations of changes to base utility, price sensitivity, travel costs, and marginal costs will lead to changes in the equilibrium prices in at least some market structures. The market structures used in this paper have a much richer set of substitution patterns than can be achieved in a linear market.

The geographic arrangement of the outlets is a factor that affects the equilibrium prices that result from competition, although in some market situations the degree of differentiation may have only a small impact on the price that an outlet charges. The identities of the firms and their competitors also determine the degree of market power they command. When there is a large disparity in the relative popularity of two firms (defined as the difference in the base-utility parameters of the utility function), the “more popular” firm will be able to charge a large mark-up, while the “less popular” firm will have less market power. The identities of the firms also determine how much geographic differentiation will affect prices, with the largest effects coming from competition among firms of similar appeal. For example, among department stores a Wal-Mart is likely to discipline the prices of a Target because these firms are of a similar quality, but it will have a smaller effect on the prices of a Macy’s, which sells many of the same items but is of a higher quality. To gain intuition about how both supply and demand effects are identified through the observed prices, note that the price for each outlet is equal to a cost component plus a mark-up. The cost component will not vary in the different competitive environments, while the mark-up, which comes from the demand for the product, will. I demonstrate this by parsing the residual into a price term, a supply term, and a demand term (Saxena, 2008).

2.4 Literature Related to the influence of promotion on consumption

Sales promotion is any initiative undertaken by an organization to promote an increase in sales, usage or trial of a product or service (i.e. initiatives that are not covered by the other elements of the marketing communications or promotions mix). Sales promotions are varied. Often they are original and creative, and hence a comprehensive list of all available techniques is virtually impossible (since original sales promotions are launched daily!). There are three types of sales promotion strategies: *Push*, *Pull*, or a *combination* of the two (Armstrong, 2003)

Push strategy involves convincing trade intermediary channel members to "push" the product through the distribution channels to the ultimate consumer via promotions and sales promotion efforts. The company promotes the product through a reseller who in turn promotes it to yet another reseller or the final consumer. Trade-promotion objectives are to persuade retailers or wholesalers to carry a brand, give a brand shelf space, promote a brand in advertising, and/or push a brand to final consumers. Typical tactics employed in push strategy are: allowances, buy-back guarantees, free trials, contests, specialty advertising items, discounts, displays, and premiums (Armstrong, 2003)

Pull strategy attempts to get consumers to "pull" the product from the manufacturer through the marketing channel. The company focuses its marketing communications efforts on consumers in the hope that it stimulates interest and demand for the product at the end-user level. This strategy is often employed if distributors are reluctant to carry a product because it gets as many consumers as possible to go to retail outlets and request the product, thus pulling it through the channel. Consumer-promotion objectives are to entice consumers to try a new product, lure customers away from competitors' products,

get consumers to "load up" on a mature product, hold & reward loyal customers, and build consumer relationships. Typical tactics employed in pull strategy are: samples, coupons, cash refunds and rebates, premiums, advertising specialties, loyalty programs/patronage rewards, contests, sweepstakes, games, and point-of-purchase (POP) displays (Armstrong, 2003)

Combination strategy: If you pay attention to car dealers' advertising, you will often hear them speak of cash-back offers and dealer incentives. Car dealers often provide a good example of a combination strategy.

According to Paul and James (2007), the promotion function depends partially on the nature of the product. As a general rule, goods that are new and different, technically complex, or expensive require more sales promotion effort. The salesperson plays a key role in providing the consumer with information about such products to reduce the risks involved in purchase and induce. Insurance for example is a complex and technical product that often needs significant amounts of sales promotion in addition many organizational products cannot be resold and the salesperson has a key role to play in finalizing the sale. (James, 2007)

For many companies the salesperson represents the customer main link of the firm. In fact to some the salesperson is the company. Therefore, it is imperative that the company take advantage of this unique link. Through the efforts of the successful salesperson, a company can build relationship with customers that continue long beyond the initial sale. It is the salespersons who serve as the conduit through which information regarding products flaws improvement applications, or new uses can pass from the customer to the

marketing department. Sales promotion provides the push needed to get middlemen to carry new products, increase their amount of goods purchased and devote more effort in merchandising a product or brand.

According to Paul and James (2007), sales promotion is as much an art as it is a science. The word art is used to describe that portion of the selling process that is highly creative in nature and difficult to explain. This does not mean there is little control over the sales promotion element in the promotion mix. It does imply that all other things equal, the trained salesperson can out sell the untrained one. (Paul, 2007)

Before management selects and trains salespeople, it should have understanding of the sales process. Obviously, the sales process will differ according to the sizes of the company, the nature of the product, the market and so forth, but there are some elements common to almost all selling situations that should be understood. The term sales process refers to two basic factors the objectives the salespersons is trying to achieve while engage in selling activities, and the sequence of stages or steps the salesperson should follow in trying to achieve the specific objectives (the relationship building process) (Paul, 2007)

2.5 Literature Related to the influence of quality of the products on consumption.

Order fulfillment and rapid delivery systems are as critical to e-loyalty development as the other factors. A thoughtful logistics system that guarantees a fast delivery after the checkout process contributes to customer satisfaction, which in turn contributes to loyal behavior. In addition to the speed of delivery, the logistics system should allow different ways of delivering products.

Customer service is another crucial area for e-marketers (Helmsley, 2000). Sometimes website designers cannot avoid a certain degree of complexity in the architecture of a website. Therefore, it is necessary to have a thoughtful customer service system. Links to Frequently Asked Questions (FAQs) and links to online representatives are useful in order to assist customers in the selection or buying process. A marketer should not just offer online assistance. In many cases, it is more convenient for customers to call a company. Therefore, the use of a toll free phone number for customers should be considered. A customer who buys something on the Internet has one major disadvantage compared to a customer in real space. Internet customers cannot touch, smell, or experience the good before they buy it. This makes a shopper insecure about buying a product. In order to minimize this insecurity, an e-business should offer brands that are well-known, good product quality, and, of course, guarantees.

2.5.1 Literature on Customer Retention

Customer retention is an imperative in modern business it is a strategy whose objective is to keep a customer and to retain their revenue contribution primarily it aims to prevent customer from defecting to alternative brands most managers know that it costs less to keep an existing customer than acquiring new ones study across a number of industries have revealed that the cost of acquiring a new customer so customer retention makes powerful economic sense <http://www.iclloyalty.com>.

According to Kotler and Armstrong (2004) the new emphasis on retaining and building customer satisfaction is because in the past many companies took their customer for granted. Their customers may not have had many alternative sources of supply or all suppliers were equally deficient in service or the market was growing so fast that the

company did not worry about satisfaction its customers. Today things have clearly changed its quit had to meet all customer needs customer are nowadays smarter more price conscious more demanding less forgiving and are approached by more competitors with equal or better offers the challenges is not to produce satisfied customers several competitors can do this the challenges is produce local customers.

According to Cook (2002) as customer begin to expect a better service their expectation rise furthermore the service experience is transportation in the minds of the customers the customer make the conscious and in conscious comparison between different service experiences irrespective of the industry sector. Many organization however overlook the potential of existing customer to develop there business if the company can develop reappear and multiple business relation with existing customer it is more able to maximize both it sale overlook and resources.

According to Kotler (2000) their two ways to strengthen customer retention one is to erect high switching barriers customer are less including to switch to another supplier when this would involve high capital cost high search cost or less of loyal customer discounts. The better approach is to deliver high customer satisfaction this makes it harder for competitors to overcome switching barriers by simply offering lower prices switching industries . The task of creating story customer loyalty is called relation marketing most services organization customer basis consist of those people who use products or ser vices on more or less frequent basis some customers. For example may only have a relation one with the company at one extreme at the ether customers will use the organization product or services on regular basis.

According to Kook (2002) on average it is estimated to cost five times as much to attract a new customer as it does to keep an old one. Long term relationships with customers are therefore more profitable because the cost of acquiring new customers can be high. Loyal customers tend to spend more and cost less to serve. Satisfied customers are likely to recommend company products and services. Advocates of a company are more likely to pay premium prices to a supplier they know and trust and retain existing customers, preventing competitors from gaining market share.

The key for generating new customers' loyalty is to deliver high customer value. A company must develop a competitive superior value proposition and a superior value delivery system. A company's value proposition is much more than its positioning on the single attribute. It is a statement about the resulting experience customers will have from the offering and their relationship with the supplier. The brand must represent a promise about the resulting experience that customers can expect. Whether the promise is kept depends upon the company's ability to manage its value delivery system. The value delivery system includes all the communication and channel experience the customer will have in the way of obtaining the offering (Kotler, 2000).

The key to customer loyalty is to consistently deliver a level of service that exceeds and even anticipates the customer's expectations and provides an experience that shows care. Customers expect caring value, and the new competitive pricing. This is why companies that are looking forward to thriving in the 21st century are investing in their future by implementing programs that sharpen their customers' focus and build customer loyalty and retention now.

Lehmann, (2005) argued that Even though the optimal mix of marketing programs is unique to each business model, customer retention is often easier and cheaper than customer acquisition, especially in stable markets with low growth rates. An organizational emphasis on customer retention also makes sense when discount rates are low Hence; customer retention has received considerable attention from marketers. In fact, many organizations have considered the management of CLV as equivalent to the management of customer retention, and have ignored the contribution of other sources of CLV.

Research confirms that consumers with higher satisfaction levels and better price perceptions have longer relationships with firms. In a B2B context, suppliers who have long-term relationships with customers are able to achieve significant sales growth and higher profitability through differential reductions in discretionary expenses. However, customer retention and defection are complex processes (Akerlund, 2005).

2.5.2 Literature Related on attracting and Retaining Customers

According to Kotler (2000) the key to building customers relation is to creating to supervise customers value and satisfaction satisfied customers are more likely to be loyal and loyal customers are more likely to give the company a large share of their business. Highly satisfied customer produces several benefits to the company. They stay loyal longer buys more as the company introduce new products and upgrade the existing product talk favorable about the company and its products play list. Attention to competing brand and advertising and are les service to price offer product or service ideate to the company and cost less to serve the new customer because transaction are scrutinized they require less education and are failure with the process

A company's demands come from two groups: new customers and repeat customers. Traditionally, marketers have focused on attracting new customers and creating transactions with them. In today's marketing environment, however, changing demographic, economic, and competitive factors mean that there are fewer new customers to go around. The cost of attracting new customers is rising. Although finding new customers remains very important, the emphasis is shifting toward retaining profitable customers and building lasting relationships with them. Companies have also discovered that losing a customer means not only a single sale but also a lifetime loss of purchase and referrals. Thus, working to keep profitable customers makes good economic sense. The key to customer relations is superior customer value and satisfaction. With this in mind, many companies are going to keep their customers satisfied (Kotler and Armstrong, 2001).

2.6 Literature on Consumption Values

Consumption values refer to subjective beliefs about desirable ways to attain personal values. People achieve personal values (or goals) through actions or activities, such as social interaction, economic exchange, possession, and consumption (Sheth et al. 1991). According to means-end chain models of consumer product knowledge (Peter and Olson 1990), people may have ideas and preferences about various actions that can help them achieve personal values. Therefore, relative to personal values, consumption values are instrumental in nature. For example, owning an elegant house and acquiring a prestigious car are for some people desirable ways of achieving self-fulfillment. Attending football games (especially those of favorite teams) and taking a vacation trip are favorable activities which lead to personal fun and enjoyment. Furthermore, individuals may hold

several personal values by which they direct or evaluate consumption activities. Therefore, the consumption values of these types of activities (or possessions) are sophisticated and do not simply satisfy one single personal value (Shet . 2001).

As we can observe in ourselves or others, consumption activities usually include an assortment of goods and services. For example, "owning an elegant house" requires house owners to acquire many goods and services in addition to the house itself, just as "taking a vacation trip" involves many other related acquisitions. Moreover, in a product constellation for a consumption activity, there may be some properties in common. McCracken (1988) observes that "the consumer goods in any complement are linked by some commonality or unity". From a social interaction perspective, Solomon (2003) maintains that consumers employ product constellations in "setting the stage" for the social roles they play. Product constellations occur, because individuals use entire complements of products to achieve personal values. The products unified in a constellation all carry the same information about individual values. Furthermore, Lai (1994) maintained that consumers may obtain satisfaction holistically from the related consumption activities and the constellation of products in use.

Customer Value and Consumer Values

Many marketing strategists and industrial-organization (I.O.) economists emphasize that creating superior "customer value" is a key element for companies' success (Day 2000). However, what they mean by "customer value" is quite different from the meanings of the "consumer values" we have discussed above. "Value" to marketing strategists means a return for something in an exchange (e.g., the value of the dollar is variable). Therefore, the meaning of "customer value" is a level of return in the product benefits for certain

amount of customer's money (i.e., the price) in a purchase exchange (e.g., to give the buyer good value at the right price). In addition, the concept of customer value has by nature a normative perspective, since it is a fundamental concept underlying the competitive analysis in the field of I.O., based on economic principles and the customer's choice in the market.

2.7 1 Theoretical framework

The study adopted the Microeconomic Theory by Marx in which he said adherents of neoclassical economics, the currently predominant school, employ the theory of marginalize, which holds that the value of any good or service is determined by its marginal utility, the utility of the "last" bought consumption good measured by its price in satisfying a specific consumer's wants. While Marx emphasizes profit maximization, neoclassical economists view the maximization of utility at the individual or societal level as the driving force of the economy. Proponents of the LTV would reply that as capitalism only recognizes demand backed by money - then the price of a good is not simply measured by its usefulness but by the amount of money consumers own - it depends on a pre-existing set of relations of distribution. Consequently the price of an object depends not only on its usefulness but on the amount of money different consumers have - their different effective demands. As marginal utility theory does not take account of the effect of these influences on price, it remains an abstract theory.

In microeconomics, this utility maximization takes place under certain constraints, these are the available amounts of factors of production, for instance, labor (as with Marx profit maximization takes place under the constraint of available production techniques and the wage rate). In fact, the ultimate restriction is time. Households divide their time (24 hours

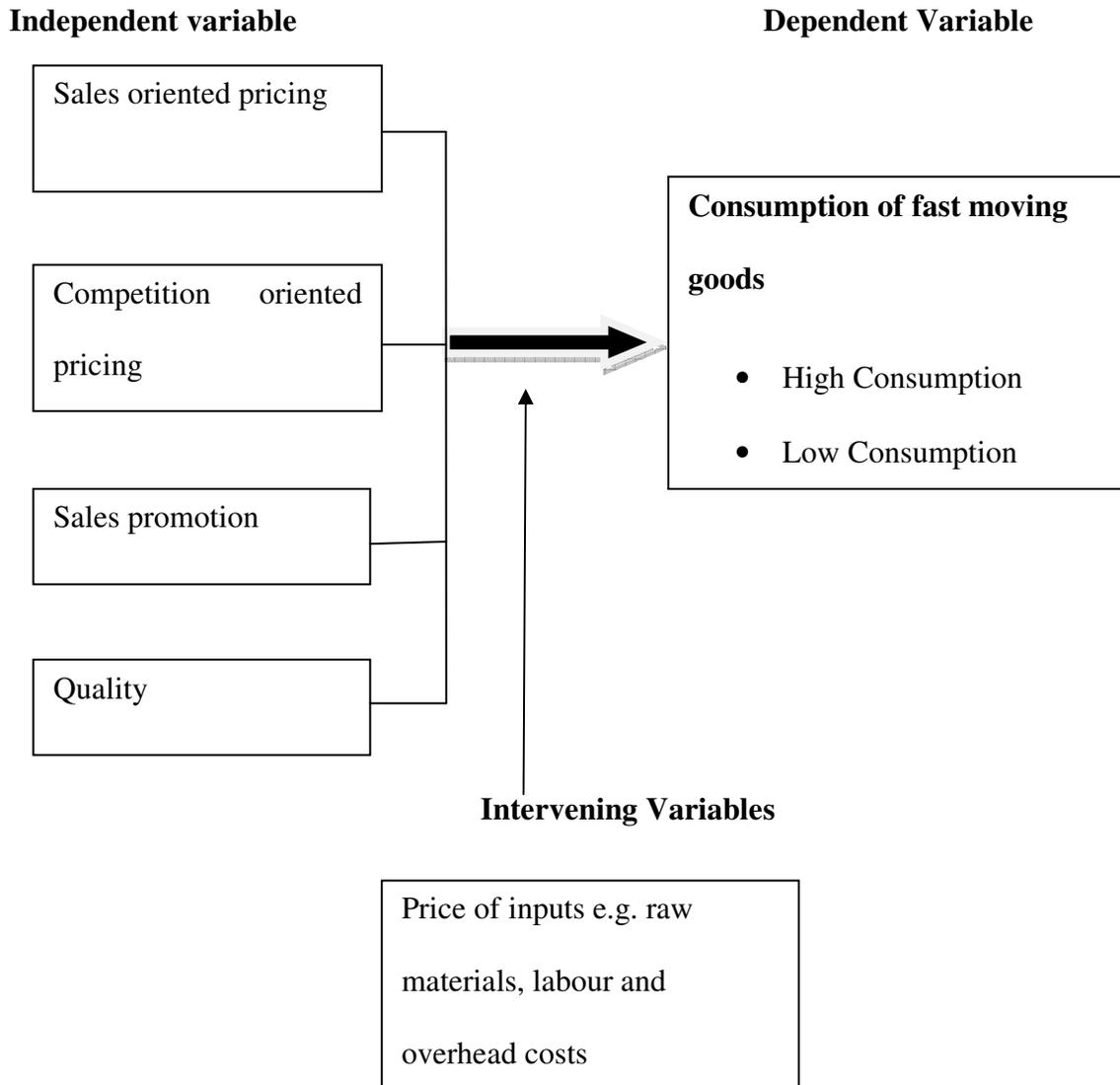
a day) into leisure time and time for work. Time for work is to make money to buy goods for consumption. The household chooses that amount of leisure time and (via working time) that amount of consumption goods which maximizes its utility level.

In other words, if empirically it was found out, that commodities exchange according to their marginally necessary labor inputs, this would confirm marginal theory. It would contradict Marx's theory, because according to Marx these exchange ratios are determined by prices of production, which are generally different from the necessary labor inputs, the labor values. Implicitly, Marx is thus denying, that capitalism is in a state of Pareto optimality.

2.7.2 Conceptual framework

The study was based on conceptual framework as shown below

Fig 2.1 Conceptual Framework



2.7.2.1 Sales oriented pricing

This entails the marketer to communicate price changes. When an organization uses this approach they will be certain about the price than demand and they do not have to make

frequent adjustments as demand changes. Also prices tend to be similar and competition is minimized.

2.7.2.2 Competition oriented pricing

This is where organizations set their prices in relation to those of competitors. Historically, sellers will ask for the highest price on their products and customers would bargain to an acceptable price but today most organizations set one price for all buyers.

2.7.2.3 Sales promotion

Marketers recognize that customers often actively process price information, interpreting prices in terms of their knowledge from prior purchasing experience, formal communications ;informal communications friends, colleagues and family members and point of purchaser or online resource. Sales-promotion objectives are to persuade retailers or wholesalers to carry a brand, give a brand shelf space, promote a brand in advertising, and/or push a brand to final consumers. Typical tactics employed in push strategy are: allowances, buy-back guarantees, free trials, contests, specialty advertising items, discounts, displays, and premiums

2.7.2.4 Quality

The perception of value is one of the most important elements of pricing. If customers don't think they are getting value for money, you have no pricing power – you can't lift prices to maintain profitability without losing many customers. However, if customers believe they are getting value for money, they will remain loyal despite price increases.

Value is not just a single element (price); it encompasses a range of attributes of your goods and services for which customers are willing to pay

2.8 Summary of Literature Review

From the literature review it is apparent that price needs to be addressed in order to retain and attract customers. More so, price acts as a determinant for effectiveness and performance of any business since it is the basis for any competition. The literature emphasizes the importance of price and its impact on the business and the customers in general.

An organization considers many factors in setting its product price. The factors include, selecting the price objectives, determining demand, estimating cost, selecting pricing methods, analyzing competitors' costs and offers and selecting the final product price.

Based on the above, it is apparent that no studies have been undertaken to determine how fast-moving consumer goods outlets such as Prime Chic Inn set their prices and this is the knowledge gap that this study achieved

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter outlined the methodology and procedures and modalities in data collection. It also covers research design, determination and identification of the population sample size, sampling design, sampling procedure, the instruments of data collection, validity and reliability of data collected.

3.2 Research Design

Research design is an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to research purpose with economy. The study employed descriptive survey research design. According to Koul (1986) the design is efficient in collecting a large amount of information within a short time. It was felt that descriptive survey is the only means through which views, opinions, attitudes and suggestions for improvements regarding to the effects of price change on consumption of fast moving consumer goods at fast food restaurants. This enabled the researcher to understand how one variable under study affected (in this case price changes) or was responsible for changes in another variable (Consumption of fast moving goods). Descriptive research design was chosen because in business research, the cause-effect relationship is less explicit. Cooper and Pamela [2006] pointed out that, the use of descriptive research design enabled the understanding, explanation, prediction and control of any relationship between variables under study.

3.3 Target Population

The study targeted 86 employees as well as 160 past and present customers of fast food restaurants, Eldoret. Oso and Onen (2005), alludes that a description of the target population is important and should stipulate its features. The study targeted: managers, supervisors and employees of Prime Chic Inn, Chicken Grill, Chicken Zone and Queen chic fast food restaurants, Eldoret. This is because they provided information on price and consumption of fast moving goods. Both management and employees provided information on how the price has affected consumption of fast moving goods. The data is shown in the table below:

Table 3.1 Target Population

a) Staff of fast food restaurants

Strata	Prime Chic Inn	Chicken Grill	Chicken Zone	Queen chic
Manager	1	1	1	1
Supervisors	8	5	1	3
Employees	27	14	5	19
Total	36	20	7	23

b) Customers of fast food restaurants

The study also targeted 160 customers of fast food restaurants, of whom 80 were current customers and 80 were former customers.

3.4 Sampling Procedures

Sampling is a procedure of selecting a part of the population on which research was conducted, and which ensures that conclusions from the study are generalized to the entire population. The study used a census sample of the employees of fast food

restaurants. This is 86 in number. The advantage of census sampling technique is that it ensures inclusion of the entire population (hence all of the employees were subjected to the study). Convenience and snowballing sampling techniques was used to select 160 present and former customers of fast food restaurants. Convenience sampling method was used to select the 80 respondents from among the current customers. Convenience sampling is a type of non-probability sampling which involves the sample being drawn from that part of the population which is close at hand; that is, a sample population selected because it is readily available and convenient. It was through meeting the person or including a person in the sample when one meets them through technological means such as the internet or through the phone. Current customers were deemed to be those found within fast food restaurants.

Snowballing method of sample selection was used to obtain the other 80 customers who had stopped patronizing the hotel. This is because the method was useful especially when trying to reach populations that are in-accessible or hard to find. This brought a total of 246 respondents as the sample to be studied and the result was generalized to the whole population.

Malhotra (2001), advises that for marketing research studies, e.g. pricing, the minimum sample should be 200 while the typical range of the sample is 200- 500. These recommendations was used in selecting the sample of 160 customers, 80 current and 80 former customers and the 86 employees of fast food restaurants.

3.5 Research Instruments

3.5.1 Questionnaires

According to Mugenda and Mugenda (1999), each item in the questionnaire was developed to address specific objectives of the study. Questionnaires were used because they are convenient tools where there are a large number of subjects to be handled. They facilitated easy and quick derivation of information.

The questionnaires sought to obtain data on the effects of price change on consumption of fast moving goods (food) at fast food restaurants, Eldoret. All the items in the questionnaire were based on a five-point Likert scale ranging from 1= Strongly Disagree to 5= Strongly Agree. The first part of the instrument contained a statement of the purpose of the study and directions designed to collect biographical data. The second part of the questionnaire consisted of directions and five – point likert scale items for rating the effects of price change on fast food consumption. The items assisted participants to rate the extent to which they agree or disagree.

3.5.2 Interviews

Cohen (2000), proves that an interview is a two person conversation initiated by the interviewer for the specific purpose of obtaining research relevant information, content specified by research objectives of systematic description, prediction or explanation. They added that an interview involve d gathering data through direct verbal interaction between individuals.

The researcher conducted interviews with the managers (owner) and supervisor. The interview was guided by an interview schedule with open-ended questions. The questions were used to elicit unexpected and deeper responses.

The advantage of interviews is that they provide an in –depth data. Interview questions were categorized to address similar objectives of the research. Respondents were taken through the questions by the researcher.

3.6 Validity and Reliability of the study

3.6.1 Validity

According to Mugenda and Mugenda (1999) validity refers to the accuracy and meaningfulness of inferences, which are based on the research results. Validity is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study. The validity therefore has to do with how accurately the data obtained in the study represents the variables of the study. The validity of an instrument was ensured by discussing them with the supervisors, lecturers and colleagues in the department. Advice given by these people helped the researcher determine the validity of the research instruments. Pilot study was also done to ensure that the research instruments detect the kind of responses the researcher intended to get in terms of content and scope. Feedback obtained from the pilot study assisted the researcher in revising and doing corrections on the instrument of data collection to ensure that it covered the objectives of the study.

3.6.2 Reliability

Yin, (2003) defines reliability as the extent to which the research procedure is clear to enable other researchers replicate the study and get similar results. This was developed in consultation with research supervisors and other members of university.

Reliability was determined using pilot test method which involved administering the research instruments

3.7 Procedures of Data Collection

The questionnaires were distributed to the respondents by the researcher with the help of the research assistants by hand delivery to ensure that the questionnaires reach the prospective respondents. Questionnaires were then be collected by the researcher after one week in order to give the respondents enough time to fill the questionnaires effectively and accurately.

On the same day of questionnaire delivery the researcher conducted interviews with the manager and supervisors. This was done after booking an appointment with them in advance so as to have ample time to give their responses.

3.8 Ethical Considerations

It is the policy of the researcher that research work involving human subjects is carried out in accordance with high ethical standards. This research followed the following guidelines:

The respondents' privacy was fully represented. The personal names of the respondents were not included in the questionnaires to enhance more privacy and to protect the rights of the respondents. The researcher did not use intimidating language or force respondents to give response when collecting data from the respondents during interviews.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents a quantitative and qualitative analysis of study findings and discusses the influence of price change on consumption of fast moving consumer goods at fast food restaurants, Eldoret, Uasin Gishu County. It is divided into sections that address data preparation and screening, demographic composition of the study sample, descriptive analysis of the data and discussion of findings.

4.1.1 Questionnaire Return Rate

The study targeted 160 customers, 80 current and 80 former customers and the 86 employees of Prime Chic Inn, Chicken Grill, Chicken Zone and Queen chic fast food restaurants, Eldoret. From the sample of 246 respondents chosen to participate in the study, a total of 197 questionnaires were returned, representing a 80.1% response rate.

The questionnaires were then checked for missing values where all were found to have been adequately marked. This can be attributed to the high literacy levels of the respondents. The questionnaires data was then coded and entered into the SPSS Version 17 computer programme where it was subjected to further quantitative and qualitative analysis. This operation was done on the data with the aim of reducing the measures into single composite indices for ease of analysis as was done by Oti, Ng'ang'a and Ondieki (2011).

4.2 Demographic characteristics of respondents

The demographic features of the respondents are vital to this study. They provide a base for further analysis of the specific research objectives and their findings using descriptive statistics, tables, frequency and percentages. Demographic analysis is crucial since demographical factors affect respondents' social, economic, political behaviors hence they are useful tools in analysis of research objectives.

4.2.1 Gender of the respondents

The gender of the respondents was sought. This was important as masculinity and femininity affects respondent's perception of issues in relation to the effects of price change on consumption of fast moving consumer goods. It was meant to determine if fast food restaurants accords equal opportunities to both men and women. The results of these items are indicated in table 4.1

Table 4.1: Gender of the respondents

Gender	Employees		Customers	
	Frequency	Percentage	Frequency	Percentage
Male	51	66.67	76	62.5
Female	25	33.33	45	37.5
Total	76	100	121	100

Source: Survey Data, 2013

The results reported that 51 respondents were male employees representing 66.67%, while 25 respondents were female employees representing 33.33%. while on the customers responds 76 respondents were male representing 62.5% while 45 were female respondents representing 37.5%. The gender difference in the organization was not high. This is facilitated by the work environment as most of the job description in the

organization needs active and productive workers. Both genders do play a vital role in the organization as pertains to performance.

4.2.2 Age bracket

The researcher found it important to collect data on the age of the respondents since age plays a critical role in understanding effect of price change on consumption of fast moving consumer goods, to larger extent former employees or customers are more experienced and are likely to relate issues more directly than relatively younger employees or new customers.

Table 4.2: Age of the respondents

Age	Employees		Customers	
	Frequency	Percentage	Frequency	Percentage
20-24	11	14.7	42	34.3
25-29	14	18.6	24	19.6
30-34	17	22.6	17	14.1
35-39	12	16.2	10	8.5
40-44	8	11.1	14	11.8
45-49	7	9.2	7	5.4
50-54	6	7.6	8	6.3
Above 55 years	-	-	-	-
Total	76	100	121	100

Source: Survey Data, 2013

The findings showed that majority 22.6% of the employees respondents are between age of 30-34 years old while majority 34.3% of customers respondents are between 20-24

years old. This indicates that majority of the respondents are above 20 years. This means they are at their prime age and so still have many expectations in life. It will be interesting to see how age factor has affected the objectives of the research. Different age groups think differently hence the query to the management differ. The younger a person is the higher the dreams and expectations

4.2.3 Category of the respondent

The researcher wanted to find out the category in which the respondents belong since it will create an understanding of what they know about effects of price on fast moving consumer goods.

Table 4.3 Category of the respondent

Category	Frequency	Percentages
Employee	76	32.2%
Customer	121	67.8%

Source: Survey Data, 2013

The result showed that 32.2% of the respondents were the organization employees while 67.8% said they were either current or past customers of the organization. Based on the findings its evident that the respondents have been part of the changes in the economic levels and which ultimately has an effect on the price of customers fast moving goods.

4.2.4 Working experience of the respondents

Employees or customers with longer period of service or consumption are more experienced and can explain the relationship between price and consumption of fast moving consumer goods in the organization. The researchers therefore set out to

determine how long the respondents have worked or been in the organization. The findings are presented in the table 4.4

Table 4.4 Working experience of the respondents

Time	Frequency	Percentage	Cumulative Percent
8-10 years	25	32.5%	32.5%
10 and above years	18	23.5%	56.0%
5-7 years	16	21.7%	77.7
Below 1 year	10	13.2%	90.9
2-4 years	7	9.1%	100

Source: Survey Data, 2013

The results from the table indicated that 32.5% or 25 respondents have worked 8-10years. The highest numbers of respondents have a good experience as they have worked or served with the organization for more than 5 years which shows that they are aware of the effects of price on consumption of fast moving consumer goods.

4.2.5 Respondents Level of education

The research sought to establish the level of education qualification of the respondents since it is a very important aspect in any modern organization. Academic qualification determines how efficiently and effectively an employee delivers in the organization

and also helps to verify on customers understanding of their right of price and whether the employees do know what is expected of them by the organization. Findings on the Education qualification have been presented on table 4.5

Table 4.5 Level of education of the respondents

Qualification level	Frequency	Percent	Cumulative Percent
Diploma	68	34.7%	34.7
Degree	56	28.6%	63.3
Masters	52	26.4%	89.7
Certificate	20	10.3%	100

Source: Survey Data, 2013

It was reported that 34.7% or 68 are diploma holders. The result shows that majority of the employees or customers are well educated. This implies that most of the respondents do understand what is expected of them

4.3.1 Influence of sales oriented pricing on consumption of fast food

The researcher was keen to determine how the sales oriented pricing has affected consumption of fast food. The results were tabulated as indicate below.

Table 4.6 Influence of sales oriented pricing on consumption of fast food

Influence	Frequency	Percentage	Cumulative Percent
Sales reduction	77	39.2%	39.2
Retains customers	62	31.4%	70.6
Has led to penetration into supplementary industry	30	15.1%	85.7
Attracted more customers	28	14.3%	100

Source: Survey Data, 2013

From the findings indicated, majority of the respondents as indicated by 39.2% respondents cited that the pricing changes has lead to sales reduction, 31.4% respondents indicated retains customers while 15.1% respondents said it has led to penetration into supplementary industry and 14.3% respondents said it attracted more customers. It is therefore clear that price do affect sales that are high price mean low sales while low prices mean high sales.

4.3.2 Criteria for setting prices

The researcher wanted to find out the criteria used by the firm to determine price of its goods, this was important because Price is determined at that point where demand and supply both are equal to each other. Quantity demanded and quantity supplied change with price. The price which will tend to settle down is one at which demand bought and sold at this equilibrium prices is known as equilibrium output. Market is said to be equilibrium when equilibrium price prevails in the market. The findings were presented in table 4.7

Table 4.7 Criteria used by the firm to determine prices of products

Criteria	Frequency	Percentage	Cumulative Percent
Target profit pricing	91	46.3%	46.3
Break- even analysis	78	39.6%	85.9
Cost- plus pricing	18	9.1%	95
Quality of the product	10	5%	100

Source: Survey Data, 2013

The results showed that 5% said quality of the product, while 46.3% said target profit pricing, 39.6% respondent said break- even analysis and 9.1% respondents said cost- plus pricing. From the findings it's clear that the firm set prices to break even on the cost of making and marketing a product or setting prices to make a target profit. The

organizations try to determine the price at which it will break-even or make the target profit it is seeking.

4.3.3 Influence of sales promotion on consumption of fast food at fast food restaurants

The study wanted to find out the influence of sales promotion on consumption of fast food at fast food restaurants. This will show if the procedure is the most effective.

Table 4.8 Influence of sales promotion on consumption of fast food at fast food restaurants

Influence	Frequency	Percentages	Cumulative Percent
Increases sales	125	63.2%	63.2
Improves the image of the organization	42	21.1%	84.3
Enhances marketing expansion	31	15.7%	93.9

Source: Survey Data, 2013

The data illustrated above indicated that majority 63.2% indicated it increases sales while minority enhance marketing expansion 6.1% said it is done through posters, 9.6% indicated through publicity.

4.3.4 Influence of quality of the products on consumption of fast food at fast food restaurants.

The researcher sought to know the how the quality of the products affects on consumption of fast food at fast food restaurants. Many economists assume that customers or “Price taker” and accept price at “face value” or as given. Marketers recognize that customer often actively process price information, interpreting prices in terms of their knowledge from prior purchasing experience, formal communications (advertising, sales calls and brochures) informal communications friends, colleagues and family members and point of purchaser or online resource. The findings were presented in table 4.9

Table 4.9 Influence of quality of the products on consumption at fast food restaurants

Influence	Frequency	Percentages	Cumulative Percent
Complain to the management	125	63.4%	63.4
Take off	54	27.2%	90.6
No change	18	9.4%	100

Source: Survey Data, 2013

The results showed 63.4% said the customer would complain, 27.2% said they will take off while 9.4% said there will be no change.

4.3.5 Factors Affecting Pricing Methods

In business world, certain factors contribute to the final price of a commodity/product or service. The researcher was keen to find out major factors affecting pricing method in the company and the results were tabulated as shown below.

Table 4.10 Factors Affecting Pricing Methods

Factors	Frequency	Percentage	Cumulative Percent
Cost of goods and services	82	41.6%	41.6
Competitors	58	29.4%	71.0
Management decisions	38	19.3%	90.3
Price control agency in the industry	19	9.7%	100

Source: Survey Data, 2013

The results indicate that the major factor affecting or determining pricing method in fast food restaurants is the cost of goods and services as depicted by 41.6% of the respondents, 29.4% of the respondents cited competitors as a factor determining pricing strategy. Some 19.3% of the respondents indicated Management decisions as a factor and the remaining 9.7% of the respondents cited Price control agency in the industry.

4.3.6 Challenges faced by management in managing strategies

The researchers sought establish the challenges faced by management in managing pricing strategies since this will ultimately affect the overall performance of the firm and more so its stability in the future. The findings were presented in table 4.11

Table 4.11 Challenges faced by management in managing strategies

Challenges	Frequency	Percentages	Cumulative Percent
Substitute product price	85	43%	43
High competition	55	28%	71
Reduce inventory cost	24	12%	83
Government policies	18	9%	92
Low sales turnover	16	8%	100

Source: Survey Data, 2013

The results showed that 8% said low sales turnover, 12% said reduced inventory cost, 28% said high competition, 43% said substitute product price and 9% said government policies. It is evident that the firm should look for current economic situation. To endure a price strategy, it is high, it gives the firm a greater degree of advantage but not so when is low. Thus, customer's characteristics play an important role in stocking price strategies.

4.4 Discussions of the findings

4.4.1 To determine the Influence of sales oriented pricing on consumption of fast food

Based on the findings it's clear that price do affect organization uses this approach they will be certain about the price than demand and they do not have to make frequent adjustments sales that are high price mean low sales while low prices mean high sales.

This is because the marketer to communicate price changes. When an as demand changes. Also prices tend to be similar and competition is minimized.

4.4.2 To identify the influence of competition on pricing

Based on the findings on the effect of competition on pricing it showed that organizations set their prices in relation to those of competitors. Historically, sellers will ask for the highest price on their products and customers would bargain to an acceptable price but today most organizations set one price for all buyers. More so, it is evident that the firm should look for current economic situation. To endure a price strategy, it is high, it gives the firm a greater degree of advantage but not so when is low. Thus, customer's characteristics play an important role in stocking price strategies.

In the search for competitive advantage, one of the most important steps to carry out is a customer value analysis. This determines the benefits that customers in a market segment want and how they perceive the relative value of competing offers, including yours.

4.4.3 Influence of sales promotion on consumption of fast food at fast food restaurants

Based on the findings it showed that sales promotion enhances two-way communication. The ability to interact with the receiver allows the sender to determine the impact of the message. Problems in comprehension or objections can be resolved and in- depth discussions of certain selling points can be provided immediately. Some of the qualities that sales promotion must value most include empathy good listening, honesty, dependability, and thoroughness and follow through.

More so sales promotion represents the customer main link of the firm. Moreover, through the efforts of the successful salesperson, a company can build relationship with customers that continue long beyond the initial sale. It is the salespersons who serve as the conduct through which information regarding products flaws improvement applications, or new uses can pass from the customer to the marketing department. Personal selling provides the push needed to get intermediaries to carry new products, increase their amount of goods purchased and devote more effort in merchandising a product or brand.

4.4.4 To assess the influence of quality of the products on consumption at fast food restaurants.

It is clear from the finding that complains always accompanying price changes, this because customers identify complaining as their solution to price changes. Purchase decision one based on how customers perceive prices and what they consider to be the current actual price-not the marketer's stated prices. They may have a lower price threshold below which prices may signal inferior or unacceptable quality as well as an upper price threshold above which prices is prohibitive and seen as not worth the money. Also, Consumers' evaluation of the fairness of a price-changing firm depends on their information. As their information changes, their resistance to price increases should change as well. A firm that knows its customers would obviously time its price increases so they occur when resistance is relatively low

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, a summary of the findings of the study is presented as it related to the specific objectives of the study. Conclusions in relation to the purpose of the study were then made based on these findings. The chapter ends with recommendations to stakeholders on the influence of price change on consumption of fast moving consumer goods a survey of fast food restaurants, Eldoret

5.2 Summary of the study findings

This study sought to establish the influence of price change on consumption of fast moving consumer goods. In order to achieve this endeavor, the study came up with four specific objectives to be pursued as well.

The objectives tackled identified price change namely: sales oriented pricing; competition on pricing; communicate price changes to its customers, customers' reaction toward price changes and how they affected consumption of fast moving consumer goods. A summary of the major findings of this study is presented in the sections that follow.

5.2.1 To determine the influence of sales oriented pricing on consumption of fast food

Based on the findings it's clear that price do affect organization uses this approach they will be certain about the price than demand and they do not have to make frequent adjustments sales that are high price mean low sales while low prices mean high sales.

This is because the marketer to communicate price changes. When an as demand changes. Also prices tend to be similar and competition is minimized.

5.2.2 To identify the influence of competition on pricing

Based on the findings on the effect of competition on pricing it showed that organizations set their prices in relation to those of competitors. Historically, sellers will ask for the highest price on their products and customers would bargain to an acceptable price but today most organizations set one price for all buyers. Moreso, it is evident that the firm should look for current economic situation. To endure a price strategy, it is high, it gives the firm a greater degree of advantage but not so when is low. Thus, customer's characteristics play an important role in stocking price strategies.

5.2.3 Influence of sales promotion on consumption of fast food at fast food restaurants

Based on the findings it showed that sales promotion enhances two-way communication. The ability to interact with the receiver allows the sender to determine the impact of the message. Problems in comprehension or objections can be resolved and in- depth discussions of certain selling points can be provided immediately. Some of the qualities that sales promotion must value most include empathy good listening, honesty, dependability, and thoroughness and follow through.

More so sales promotion represents the customer main link of the firm. Moreover, through the efforts of the successful salesperson, a company can build relationship with customers that continue long beyond the initials sale. It is the salespersons who serve as the conduct through which information regarding products flaws improvement

applications, or new uses can pass from the customer to the marketing department. Personal selling provides the push needed to get intermediaries to carry new products, increase their amount of goods purchased and devote more effort in merchandising a product or brand.

5.2.4 To assess the influence of quality of the products on consumption at fast food restaurants.

It is clear from the finding that complains always accompany price changes, this because customers identify complaining as their solution to price changes. Purchase decision one based on how customers perceive prices and what they consider to be the current actual price-not the marketer's stated prices. They may have a lower price threshold below which prices may signal inferior or unacceptable quality as well as an upper price threshold above which prices is prohibitive and seen as not worth the money. Also, Consumers' evaluation of the fairness of a price-changing firm depends on their information. As their information changes, their resistance to price increases should change as well. A firm that knows its customers would obviously time its price increases so they occur when resistance is relatively low

5.3 Conclusions

Based on the findings of this study of determining the influence of price change on consumption of fast moving consumer goods, the researcher made the following conclusions:

1. Price does affect sales: a high price means low sales, while low prices mean high sales

2. The firm sets prices to break even on the cost of making and marketing a product or set prices to make a target profit. The organization determines the price at which it will break-even or make the target profit it is seeking.
3. The organization uses a number of techniques to communicate price changes to its customers.
4. From the data collected, it was evident sales promotion does affect product marketing. This implied that sales promotion indeed does increase the sale of a company. In addition, it implies that sales promotion enhances open and honest communication, which is a key organization building block for developing successful relationships.
5. From the data collected, it was evident that sales promotion represents the customer main link of the firm. Moreover, through the efforts of the successful salesperson, a company can build relationship with customers that continue long beyond the initial sale.
6. Quality of products can be viewed as a strategic means to gain competitive advantage in the market place for example most organizations include service representatives as part of their sales team to ensure that customer concerns with present products are addressed and remedied at the same time new business is being solicited. Some of the strategies adopted

Purchase decisions are based on how customers perceive prices and what they consider to be the current actual price-not the marketer's stated prices. They may have a lower price

threshold below which prices may signal inferior or unacceptable quality as well as an upper price threshold above which prices is prohibitive and seen as not worth the money

5.4 Recommendations

Based on the findings and conclusions of the study the researcher felt that the following recommendations are necessary to improve the influence of price change on consumption of fast moving consumer goods:

1. The restaurant management should apply or use more than one pricing strategy to increase sales volume in the company. The hotel should continuously improve their consumer goods consumption for using fair prices.
2. On the influence of competition on pricing the study recommends that the Fast food restaurants management should monitor its competitors' price changes to enable it come up with more effective and appropriate pricing. Also, management should look for current economic situation. To endure a price strategy, it is high, it gives the firm a greater degree of advantage but not so when is low. Thus, customer's characteristics play an important role in stocking price strategies. In the search for competitive advantage, one of the most important steps to carry out is a customer value analysis. This determines the benefits that customers in a market segment want and how they perceive the relative value of competing offers, including yours.
3. On the influence of sales promotion on consumption of fast food at fast food restaurants the organization needs to benchmark on the best competitors practices to retain its competitive status and in order to win other markets. Again, communicating this through customer newsletters, letters from the chief

executive, and publicity activities, can generate important benefits to the overall marketing and sales campaign.

4. Based on the findings on the influence of quality of the products on consumption at fast food restaurants. the study recommends to the management that Prices should not be changed regularly as this will affect consumption of products (food). This is because Consumers' evaluation of the fairness of a price-changing firm depends on their information. As their information changes, their resistance to price increases should change as well. A firm that knows its customers would obviously time its price increases so they occur when resistance is relatively low
5. From the findings, the researcher recommends that: there is need for the organizational employees to talk about any issues that arises among them. In the past it has been a habit in many management situations to not talk to the employees. Management has relied upon others at lower management levels to get the message across. This gives the impression that you do not care about for you or the business. In this situation, they may just come to the workplace, do as little as is required, collect their pay and go home. There will be no interest. It is necessary to talk to employees, about themselves, their lives and what is going on in work from their point of view

5.5 Suggestion for further research

A study of this magnitude cannot be exhaustive in covering the area of investigation. More research can be undertaken in related areas. The following suggestions for further research are made.

1. Further study should be carried out on factors determining pricing strategies in organizations.
2. Further study should be carried out to establish the impact of pricing strategy on organizational profitability

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APPENDICES

APPENDIX: 1

QUESTIONNAIRE (EMPLOYEES/ MANAGEMENT)

I am a student at University of Nairobi undertaking a Master degree of Arts in Project Planning Management. I am carrying out a research on: **INFLUENCE OF PRICE CHANGE ON CONSUMPTION OF FAST MOVING CONSUMER GOODS: A** survey of fast food restaurants, Eldoret. I will be grateful if you provide the information sought by the questionnaire provided. The response you give will be treated with utmost confidentiality and will be only for the purpose of this study

INSTRUCTIONS

- a. Please answer all questions (if possible).
- b. Where questions require written answers make them brief.

Section A: Background information

1. What is your gender? (please tick one)

a. Male

b. Female

2. Indicate your age bracket (with a tick)

Between 20-24 years	Between 25-29 years	Between 30-34 years	Between 35-39 years	Between 40-44 years	Between 45-49 years	Between 50-54 years	55 years and above

3. What is your position at the restaurant?

Employee

Manager

4. For how long have you have worked at restaurant?

a. less than 1 year

b. between 2-4 years

c. Between 5-7 years

d. Between 8-10 years

e. Above 10 years

5. Indicate your education level

a. Certificate

b. Diploma

c. Degree

d. Masters

SECTION B: (EMPLOYEES/ MANAGEMENT)

SALES ORIENTED PRICING

6 (i) What is the influence of sales oriented pricing on consumption of fast food at fast food restaurants, Eldoret?

- Sales reduction
- Retains customers
- Attracted more customers
- Has led to penetration into supplementary industry
- Any other (specify)

6 (ii) What are the criteria for setting prices at fast food restaurants?

- Break- even analysis
- Cost-plus pricing
- Target profit pricing
- Quality of the product/item or service

SALES PROMOTION

7. What is the influence of sales promotion on consumption of fast food at fast food restaurants?

- Increases sales
- Improves the image of the organization
- Enhances marketing expansion

QUALITY

8. What is the influence of quality of the products on consumption of fast food at fast food restaurants?

Complain to the management

Take off

No change

Any other (specify).....

COMPETITION

9. What are factors determine pricing method adopted in fast food restaurants?

Cost of providing services

Competitors

Management decisions

Price control agency in the industry

11. What challenges does fast food restaurants encounter in managing pricing strategies?

Competition from restaurants

High taxes

Negative perception by the customer

Location

APPENDIX 1I

QUESTIONNAIRE (CURRENT AND PAST CUSTOMERS)

I am a student at University of Nairobi undertaking a Master degree of Arts in Project Planning Management. I am carrying out a research on: **INFLUENCE OF PRICE CHANGE ON CONSUMPTION OF FAST MOVING CONSUMER GOODS: A Survey of fast food restaurants, Eldoret.** I will be grateful if you provide the information sought by the questionnaire provided. The response you give will be treated with utmost confidentiality and will be only for the purpose of this study

INSTRUCTIONS

- a. Please respond to all the items.
- b. Where items require written response let give a brief explanation.
- c. place a tick () on the response you have chosen from the choice given

Section A: Background information

1. What is your gender (please tick one)

a. Male

b. Female

2. Indicate your age bracket.

Between 20-24 years	Between 25-29 years	Between 30-34 years	Between 35-39 years	Between 40-44 years	Between 45-49 years	Between 50-54 years	55 years and above

3. Indicate where you belong

Past Customer

Current Customer

4. Select the number of years you have been served at the restaurants?

a. less than 1 year

b. between 2-4 years

c. Between 5-7 years

d. Between 8-10 years

e. Above 10 years

5. Indicate your education level?

a. Certificate

b. Diploma

c. Degree

d. Masters

SECTION B: (CURRENT AND PAST CUSTOMERS)

SALES ORIENTED PRICING

6 (i) What is the influence of sales oriented pricing on consumption of fast food at fast food restaurants, Eldoret?

- Sales reduction
- Retains customers
- Attracted more customers
- Has led to penetration into supplementary industry
- Any other (specify)

6(ii) What are the criteria for setting prices at fast food restaurants?

- Break- even analysis
- Cost-plus pricing
- Target profit pricing
- Quality of the product/item or service

SALES PROMOTION

7. What is the influence of sales promotion on consumption of fast food at fast food restaurants?

- Increases sales
- Improves the image of the organization
- Enhances marketing expansion

QUALITY

8. What is the influence of quality of the products on consumption of fast food at fast food restaurants?

Complain to the management

Take off

No change

Any other (specify).....

COMPETITION

9 What are factors determine pricing method adopted in fast food restaurants?

Cost of providing services

Competitors

Management decisions

Price control agency in the industry

9. What challenges does fast food restaurants encounter in managing pricing strategies?

Competition from restaurants

High taxes

Negative perception by the customer

Location

APPENDIX III

INTERVIEW SCHEDULE FOR MANAGEMENT

1) What is the influence of sales oriented pricing on consumption of fast food at fast food restaurants, Eldoret?

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2) What is the influence of competition on pricing at fast food restaurants, Eldoret?

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3) What is the influence of sales promotion on consumption of fast food at fast food restaurants, Eldoret?

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4) How the quality of the products does affects on consumption of fast food at fast food restaurants?

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