



Impact of Pricing on Consumer Buying Behaviours in Cement Industry

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ABSTRACT

In summary the study has unearthed the following according to the objectives and purpose; Product features such as price (affordability), quality and strength play a major role in choosing cement in Malawi. The study also unearthed that most of the consumers prefer Shayona cement due to low prices as compared to cement products from other companies.

In additional, quality and availability of the type of cement influences the consumers' choices when purchasing cement. The research indicated that the following are factors influencing price decisions of Shayona cement products; production cost of cement, distribution costs, close substitutes, competition on the market, quality of product, labour costs amongst others.

The study also unearthed that the majority of the respondents indicated that the quality of Shayona cement influences their decision to purchase Shayona cement products.

The study also revealed that other factors that influence the decision to use Shayona include affordability, convenience and availability of Shayona cement.

The study also exposed that some external environmental factors such as economic, political, legal framework (government legislation), competition, and pattern of population affect price objectives and decision in the cement industry. The study also unearthed that internal factors such as poor planning skills, unrealistic corporate objectives, lack of knowledge and fear of failure play a major role on pricing of cements.

Keywords: **Buying behaviours** is the decision processes and acts of people in buying and using the product in earlier times, Marketers could understand consumers well through daily experience of selling to them

Consumer buying behaviour: According Chartered Institute of Marketing (CIM, 2012) Consumer Buying Behaviour refers to the buying behaviour of final consumers (individuals & households) who buy goods and services for personal consumption.

Buying Process: According to ABE (2013) the buying process is not just "the purchase". The process covers all the stages that buyer goes through when making a purchase. Marketers need to understand the process fully so that we can help the buyer through every stage.

Pricing is defined as the amount of money that a company or a business charges for their products. (Kotler, P, 2006)

Pricing strategies refer to the processes and methodologies businesses use to set prices for their products and services.

1. Introduction

Pricing of products by companies influence buying decision making of consumers. According to literature reviews, in most cases, a price level of a product acts as a signal about a quality of the product to the consumer. Pricing is defined as the amount of money that a company or a business charges for their products. (Kotler, P, 2006)

Pricing strategies refer to the processes and methodologies businesses use to set prices for their products and services. If pricing is how much is charged for various products, then product pricing strategy pertains to is how businesses determine what that amount should be. Product Information on the other hand, refers to any information held by an organisation about the products it produces, buys, sells or distributes. This typically refers to information relating to the selling and or marketing of products via various channels. The study endeavoured to establish the impact that pricing strategies and product information, particularly of Shayona Cement products, has on consumer behaviour and customer satisfaction. The study further sought to compare product choices of consumers in the cement industry of Malawi based on price of commodities offered, to assess other factors that influence the type of cement used by consumers in Malawi, and to determine whether availability of various brands of cement influences user's choice cement from Shayona Cement Limited. Furthermore, the study strived to provide recommendations on branding and pricing strategies that can be implemented to curb pressure from competing brands for Shayona Cement products.

According to Rigges (2008) described pricing as the process of determining and applying prices to goods and services. Price is one of the key elements of marketing mix According to Kotler (2012) marketing mix comprising price, place, promotion and product and three extended Ps of Marketing .

According to ABE, 2013 the term "marketing mix" covers the seven controllable variables of: Product – A set of characteristics which satisfy the requirements of consumers and provide the benefits claimed. Price – Set in accordance with market levels and reflecting the characteristics and quality of the product. Place – Available in multiple outlets and by order from suppliers, providing full coverage of the market area. Promotion – Information provided about the product (characteristics and benefits) including advertisements and point of sale material. People – Technical advice given by manufacturers and outlet staff which is knowledgeable and helpful. Processes – Buying and support processes which are easy to accomplish. Physical evidence – This element of the marketing mix was originally introduced for services, but it is equally relevant to the marketing of physical products.

Price is very important factor in the 7ps because it generates revenue to the company and helps in repeat business to win market share. Prices are usually determined by the balance of supply and demand and are set with certain degrees of confidence that consumers are willing to pay for a product or service rendered (Kotler and Keller, 2006)

Kotler and Keller (2012) defined price as one element of the marketing that produces revenue while others elements produces costs. They further stated that purchase decisions are based on how consumers perceive prices and what they consider as the current actual to be. It is very important to understand how consumers perceive prices when making purchasing decisions.

According to Keller and Kotler (2006, companies do their pricing in a variety of ways. In small companies prices are set by their top managers and in large companies prices are set by divisions and product line managers. In large companies top management sets general pricing objectives, policies, and often approve the prices proposed by lower levels of management

According to Keller and Kotler, (2006) effective designing and implementing pricing strategies requires a thorough understanding of consumer pricing psychology and systematic approach to setting, adopting and changing price Factors influencing setting of price policies in companies.

According to MANCOSA(2006) the following are factors which have to be considered in setting prices of particular products: Selecting the price objectives, determining the demand of product, price elasticity of demand estimating costs, analysis of competitors cost , prices and offers, selecting price methods and selecting prices .

According to Keller and Kotler (2006) companies can use the following pricing methods to set prices. Mark up pricing, target –return pricing, perceived value pricing, value pricing, going rate pricing and auction – type pricing

According Chartered Institute of Marketing (2012) companies may set prices of their products through the following pricing strategies, geographical pricing , price discount and allowances, promotional pricing, differentiated pricing, price discrimination which occurs when company sells a product like cement or service at two different or more prices that do not reflect a proportional difference in costs

According to (Keller and Kotler (2006) companies may attract consumers to buy products through use of promotional pricing strategies such as loss leader pricing , special event pricing , cash rebates , low interest financing , longer payment terms , warranties and service contracts , psychological discounts

According to CIM (2012) market leaders can face an aggressive pricing cutting by smaller firms to increases their market share. Leaders can respond through the following ways: reduction of discounts, maintaining price, and add value of the product, reduce the price, increase price and improve quality and launch a low –price fighter line.

On other hand companies may respond to prices by considering the following factors, stage of the product in the life cycle. Its importance in the company's portfolio, competitors intentions, the markets price and sensitivity, the behaviours of costs with the volume, the company's alternative opportunities and others

Kotler and Keller (2006) Prices have both negative and positive impact on consumers buying behaviours. Positives of price changes are increased product purchase by consumers, increased market share of a particular product or service, increased sales volume of the product or service, creates brand loyalty of a product of service, creates good image of the organisation/ company , beating of competitors brands and others . On negatives prices may change brand loyalty, consumers may switch to others products, close substitutes, prices may lower sales of products, reduces market share and others

According to Percy, Rossiter and Elliot (2016) consumers are attracted to promotional discounts and purchases more goods when the products have been promoted which increases profits and win market share and also leads to repeat business.

According to Kurtz and Boon (2006), pricing objectives enhances profitability of the firms. Price promotes sales volumes, increases market share, help to meet competition expectations. Price also promotes image and life styles to consumer

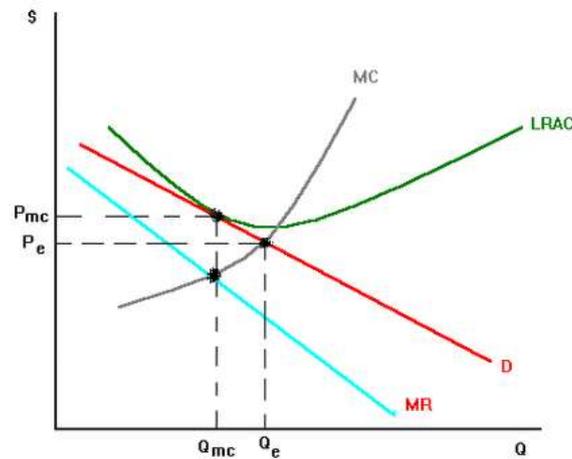
Price determination in the economic theory, according to Kurtz and Boone (2006) profit maximization is determined by the forces of demand and supply of the product.

Demand refers to the schedule of the amount of the firm's products that customers are willing to buy at different price on the market and Supply refers to total quantity of products available at the market at a certain price. (Harvey J, 2008)

ECONOMIC PERSPECTIVE OF PRICE TO CONSUMERS

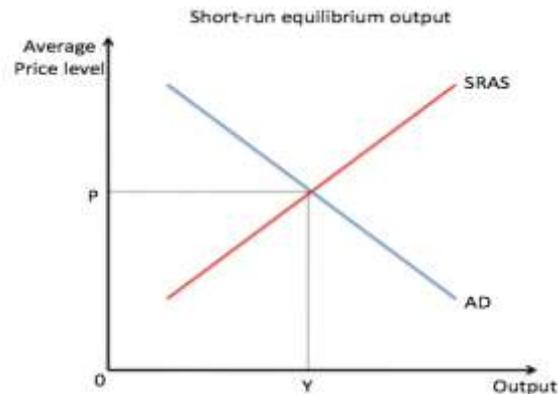
Price is also determined by the market structure such as, Oligopoly, Monopoly, perfect market structure, monopolistic competition

Perfect market structure a market structure in which there are many firms each selling an identical product; there are many buyers, there are no restrictions on entry into the industry; firms in the market have no advantage over new entrants into the market; firms and buyers are well informed about the price of each firm's product and all companies under this are price takers since they have no power to monopolize the prices of the products to customers (Harvey, 2008) Under perfect competition, the firm will produce a higher quantity at a lower price (P_e , Q_e)



The price is determined by interaction of demand and supply.

Market demand and short-run market supply determines the market price and market output. Short-run supply curve is AS and the market demand curve is AD.

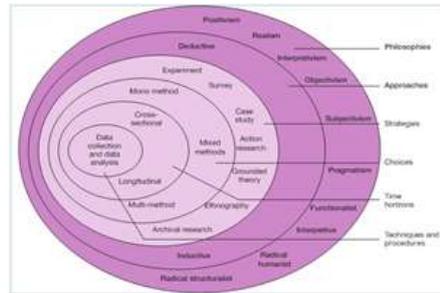


Monopoly is a market structure in which there is one firm which produces a good or service that has no close substitute and in which the firm is protected from competition by a barrier preventing the entry of new firms. Prices are set by the company without considering elements of completion on the market (Harvey, 2008).

2. MAIN BODY

2.1 Introduction

In summary, the researcher used quantitative approach of data collection in the entire study. Specifically the survey method was used in the data collection which was done through administration of questionnaires with key informants in cement sector. The researcher sampled only 105 respondents from the total population of 350 prospective respondents. In this case the research followed positivism philosophy and deductive approach which was guided by research onion below



Saunders, M., Lewis, P. & Thornhill, A.
(2012)

2.2 Pricing Decision of consumers of cement

Several factors affect decision making in terms of pricing of cement. About 48% of the respondents indicated that the price influences the choice of what type of cement they purchase, against 44% who indicated that this does not affect their choice. However, 59 percent of the respondents indicated that their involvement in the pricing process does not influence their acceptance of the price of cement.

Good service provision was reported as a contributing factor for promotion and repurchasing of cement products.

About 78% of the respondents indicated that they tend to spread positive word-of-mouth and make repeat purchases when they have a good relationship with the service provider. This was further emphasized by 70% of the respondents who expressed their interest on price promotions.

Unlike under normal demand and supply processes, most of the respondents indicated that perceived price changes do not dissuade them from purchasing the product.

Table 1: Effect of pricing and product information on choices of Shayona

| | SA | A | NAD | D | SD |
|-------------------------|----|----|-----|----|----|
| Choice of cement | 31 | 16 | 9 | 29 | 15 |
| Price involvement | 12 | 19 | 10 | 33 | 26 |
| Good service promotion | 41 | 37 | 8 | 8 | 6 |
| Price promotions | 53 | 17 | 11 | 12 | 7 |
| Perceived price changes | 51 | 16 | 7 | 10 | 16 |

*SA-Strongly Agree; A-Agree; NAD-Neither agree nor disagree; D-Disagree; SD-Strongly disagree

2.3 Cement type Price

Brand quality is the main attributing factor for consumers purchasing Shayona cement. This was reported by 70 percent of the respondents (table 3). In addition to this, brand loyalty and perceived strength are also the main drivers of consumer choice of the Shayona cement.

As Goodie-Okio (2022) notes, 'customer satisfaction and loyalty does not only boost high profitability, but also minimizes customers switching'. Brand image and recommendations from experts as well as brand awareness and recommendations from family has have minimal influence on the choice of Shayona cement.

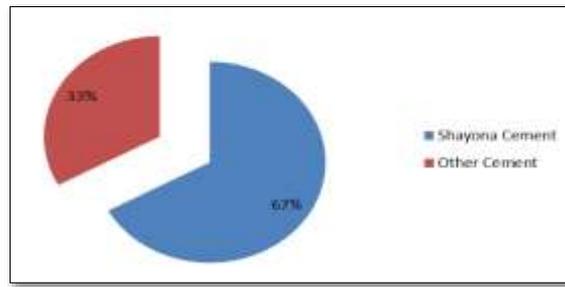
Table 2: Factors influencing type of cement

| | SA | A | NAD | D | SD |
|------------------------|----|----|-----|----|----|
| Perceived strength | 41 | 30 | 13 | 10 | 6 |
| Brand image | 34 | 25 | 14 | 15 | 12 |
| Brand awareness | 35 | 16 | 10 | 27 | 12 |
| Brand loyalty | 41 | 30 | 13 | 10 | 6 |
| Brand quality | 70 | 13 | 4 | 3 | 10 |
| Expert recommendations | 34 | 25 | 14 | 15 | 12 |
| Family recommendations | 35 | 16 | 10 | 27 | 12 |

*SA-Strongly Agree; A-Agree; NAD-Neither agree nor disagree; D-Disagree; SD-Strongly disagree

2.4 Usage of Shayona Cement

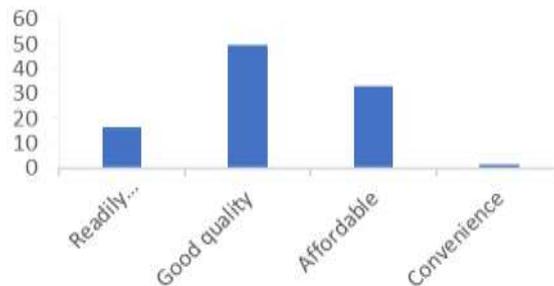
Figure 1 Usage of cement in Malawi



There are many factors that influence consumers’ decision to use Shayona cement. The study unearthed that they majority of population (representing 67%) of Malawian consumers use Shayona cement products due to price affordability, quality and accessibility. 67% of the respondents indicated that they use Shayona cement in their construction work.

The study also unearthed that 33% of Malawian consumers use other cement products especially cement imported from neighbouring countries like Zambia and Tanzania

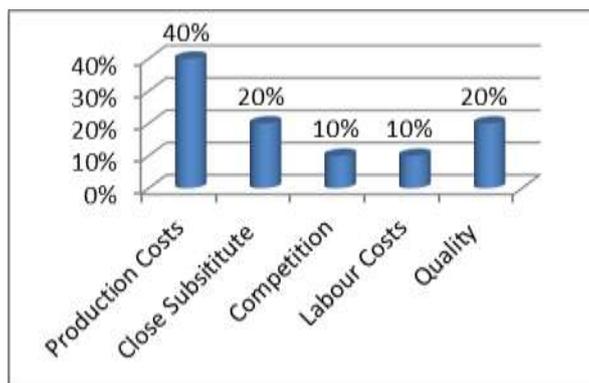
Figure 1: Reasons for using Shayona Cement



Majority of the respondents indicated that the quality of Shayona cement influences their decision to purchase the product. This was reported by 49% of the respondents. Other factors that influence the decision to use Shayona include price affordability and availability of Shayona cement.

Other than Shayona, Dangote and Sinoma are the common types of cement used. As indicated above, 43% and 29% of the respondents not using Shayona cement indicated that they use Dangote and Sinoma cement, respectively. Other types of cement used are supercrete (11%); Duracrete (3%); Njati (3%). On the other hand, 6 percent of the respondents indicated they use Thantwe, which is a product of Shayona cement. This implies that some of the consumers are not fully familiar with Shayona cement products.

Figure 3 Factors influencing price decisions on cement



The study unearthed that production costs affect the prices of cements in the industry, close substitute of Shayona cements, competition, labour costs and quality cements . 40% of the respondents indicated that production costs affects prices, 20% of respondents indicated that close substitute affects price decision and 10% of the respondents indicated that labour costs and competition affects the price decision

2.5 PRODUCT CHOICE AND PRICE

Consumers purchase Shayona products due to price with the highest percentage of 47, followed by recommendations which are based on prices and consumer loyalty of 35% also affects consumers and customer satisfaction has 34%. This clearly demonstrate that price of products like cements determines consumer choices to purchase

Table 3 : Product choice and price

| | SA | A | NAD | D | SD |
|--------------------------------|----|----|-----|----|----|
| Purchase Shayona due to price | 47 | 22 | 11 | 11 | 9 |
| Recommendations based on price | 42 | 27 | 12 | 13 | 6 |
| Satisfaction based on price | 34 | 27 | 14 | 18 | 7 |
| Loyalty based on price | 35 | 34 | 12 | 11 | 8 |

*SA-Strongly Agree; A-Agree; NAD-Neither agree nor disagree; D-Disagree; SD-Strongly disagree

2.6 AVAILABILITY OF VARIOUS BRANDS OF CEMENT AND USERS' CHOICE

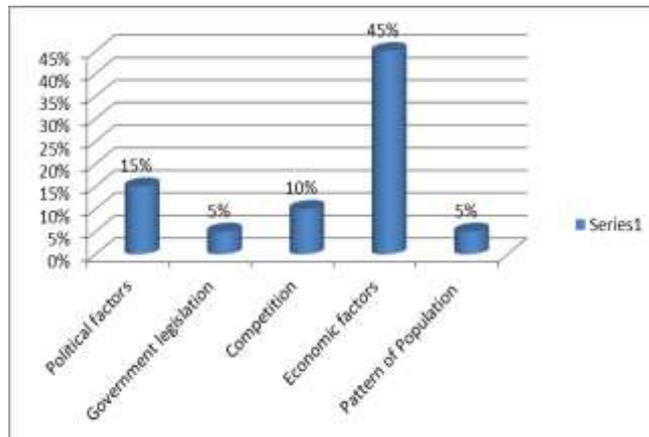
Results has shown that comparison with other brands by consumers has a highest percentage of 45, and 39 percentage of the population are more satisfied with Shayona products compared to others ,followed with best choice and loyalty which all have the same percentages and consumers are not conflicted when making decision as compared to other brands.

Table 4 Choice of other cement brands

| | SA | A | NAD | D | SD |
|---|----|----|-----|----|----|
| Comparison with other brands | 45 | 29 | 11 | 8 | 7 |
| Conflicted decision as compared to other brands | 31 | 40 | 13 | 15 | 1 |
| More satisfied with shayona as compared to others | 39 | 26 | 12 | 15 | 8 |
| Best choice as compared to others | 39 | 22 | 16 | 15 | 8 |
| More loyal as compared to others | 39 | 27 | 12 | 16 | 6 |

*SA-Strongly Agree; A-Agree; NAD-Neither agree nor disagree; D-Disagree; SD-Strongly disagree

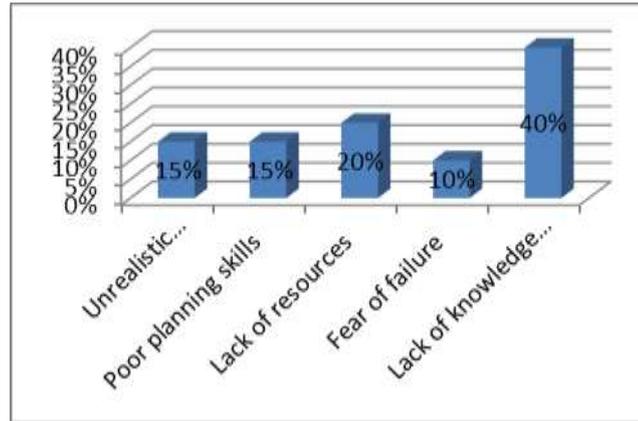
Figure 5: Environmental factors affecting cement price objectives – External factors



The study exposed that 45% of respondents indicated that cement price objectives are influenced heavily by economic factors and cement companies respond to the economic changes to effect the prices, 15% of the respondents indicated that political influence affect the price changes of cement, 10% of the respondents fully described that competition play a big role on pricing objectives and 5% of the total respondents indicated that government legislation and pattern of population influence price objectives.

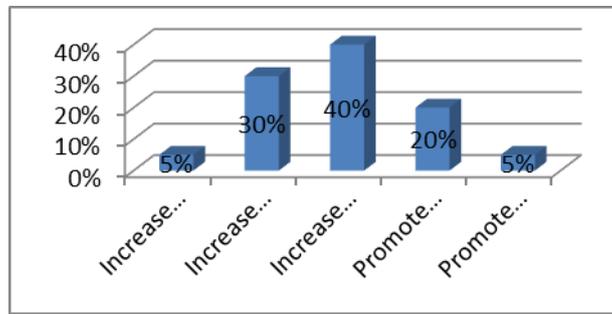
Therefore, the study unearthed that mostly cement pricing objectives are influenced by economic factors such as inflation, recession and hyperinflation

Figure 6 Internal Factors Affecting Pricing Decisions



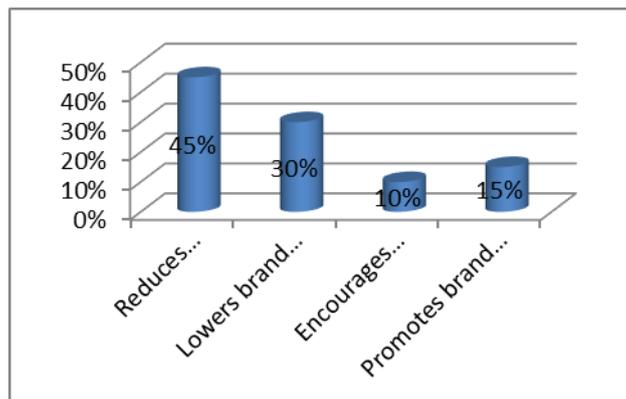
The study revealed that lack of knowledge of consumers influence price objectives, representing 40%, lack of resources representing 20% poor planning representing 15% , unrealistic objectives representing 15% and fear of failure representing 10%. Therefore, the majority of responded indicated that lack of knowledge is critical on price objectives in the cement companies.

Figure 7 Impact of price to markers in cement Industry



The study unearthed that price increases profitability representing 40% of respondents, increased sales volume representing 30% of respondents; promote product quality representing 20% of the total respondents and 5% of respondents indicated that price increases market share and promote efficiency and effectiveness.

Figure 8: Impact of price to consumers in cement industry



The study exposed that price has significant impact on consumers and customers of cement products. The majority, 45% of respondents clearly indicated that price reduces purchasing power /decisions, followed by 30% of respondents indicated that price lowers brand loyalty on a negative note, 15% indicated that price promotes brand loyalty of consumers and 10% of respondents indicated that price encourages quality –orientation. This shows that on a negative note prices reduces purchasing power and on positive prices promotes brand loyalty to consumers.

3. CONCLUSIONS

Objective 1: To assess factors that influence the type of cement used by consumers in Malawi.

In conclusion, according to the study price (affordability) and strength of the product play a major role in consumer choice for cement in Malawi. In addition to the foregoing, quality and availability of the type of cement influence the consumers' choices when purchasing cement. The research report also indicated that the following are factors influencing price decisions of Shayona cement products; production cost of cement, distribution costs, close substitutes, competition on the market, quality of product and labour costs amongst others. The study also unearthed that most of the consumers prefer Shayona cement due to low prices as compared to other companies,

Objective 2: To examine the impact of pricing on consumer buying behaviours in cement industry.

The study revealed that price impacted negatively and positively on consumers and some of the impacts are reduces purchasing power parity, lowers brand loyalty, promotes brand loyalty of consumers and price encourages quality –orientation.

The study also unearthed that the majority of the respondents indicated that the quality of Shayona cement influences their decision to purchase Shayona cement products. Other factors that influence the decision to use Shayona include affordability, convenience and availability of Shayona cement.

Objective 3: Assess environmental factors affecting price objectives in cement Industry

The study also exposed that some external environmental factors such as economic, political, legal framework (government legislation), competition, and pattern of population affect price objectives and decision in the cement industry.

The study unearthed that internal factors such as poor planning skills, unrealistic corporate objectives, lack of knowledge and fear of failure play a major role on pricing of cements. The study exposed that price has significant impact on consumers and customers of cement products.

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