

# **CURRENT PRICE AND IT EFFECTS ON CONSUMER PURCHASE DECISION IN IKOT EKPENE MAIN MARKET, AKWA IBOM STATE**

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## **ABSTRACT**

The study examines the effects of current price on purchase decision of the consumers in Ikot Ekpene Main Market. A point in time data was collected from the primary source. The population was 141,408 derived from the population census of 2006 and the sample size of 399 determined using Taro Yamane formula. Simple Linear Regression model was adopted to test the two null hypotheses. The findings revealed that current prices of goods and purchase decision of the consumers are statistically significant. This shows that current prices of good affect the purchase decision of the consumers in terms of pre and post purchase decision in Ikot Ekpene Main Market, Akwa Ibom State. This implies that there is an evidence of the existence of a linear relationship between the variables. It is therefore recommended that the current price increased in the market should be controlled and monitored because traders always add additional charges to the price of the product should negatively discourage the consumers purchase decision in the market.

**Keywords:** *Current Price, Purchase decision of the consumers, post purchase decision and pre-purchase decision.*

## **INTRODUCTION**

The deregulation of the downstream sector of the oil industry which resulted in an increase in the price of Premium Motor Spirit from N87 to N145 per litre has pushed the country's inflation rate to an 80-month high of 15.6 per cent (Onuba, 2016). Current prices of commodities have actually increased by over 70 per cent thereby affecting the consumer purchase decision in the market (Vanguard report, 2016).

At the Trade Fair Complex in 2016, it was discovered that the current prices of imported food items, cosmetics and beverages, among others, witnessed over 60 per cent hike from November last year, climaxing in February. The ripple effects of this current price increase automatically triggered price hike by middlemen and retailers and traders thereby affecting the consumers of the product. Current price is the cost that consumers can best purchase at a time, and thus plays an important role in their decision (Ahmed, 2016).

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A businessman who imports fashion wears from China, Hong Kong and India, Mr Chidebere Onyeachonam, told Vanguard news on 16 march, 2016 that the prices of goods have gone up nearly 70 percent of what it used to be late last year and affect purchase decision on the consumers. It is only a few traders who can afford to travel, and they are the ones fixing the current prices of good in the market. The majority don't travel anymore; some products that are in the market were bought at exorbitant prices. Findings at Ikot Ekpene Main Market revealed that prices of food items have gone up geometrically. Specifically, prices of commodities like rice, Gari, Beans, Yam, Wheat and Semovita, among other basic items, have soared beyond the reach of many families since January 2016. A bag of lower grades of rice which sold for N9000 in December, now sells for N24000, while the high-quality grades now sell between N16,000 and 18,000. Also, a big basin of Garri which had sold for N1,500 now sells for N5,000 while one paint bucket of it which was selling for N200 now sells for N700. A five kilogramme and 10 Kilogram of Semovita which was selling for N1,100 and N2, 200 before, now sells for N2,400 and N4,500, respectively, even as the price of a five kilogramme of wheat which previously sold for N900 now goes for N2,000. A five litre of groundnut oil which was selling for N1,700 before is now selling for N2,600, while its 3.8ltr now sells for N2,000, as against former price of N1,600. A bottle of groundnut oil previously sold for N220, now goes for N350, just as a big keg which formerly sold for N6,500, now stands at N10,500. At the aforementioned markets, a 20- litre keg of palm oil that sold for N6,000 is now selling for N8,000, while a bottle which was selling at N200 before, now sells at N500. In addition, a bag of sachet water otherwise known as pure water, which earlier sold for N80 now sells for N130. Perishable food items like yam are not expected to be expensive at this time given that the item is experiencing a glut in various markets, five tubers which previously sold between N1,500 and N2,000, depending on the size, are now being sold between N3,000 and N5,000. The survey also showed that the price hike affected the price of beef one goat leg which formerly sold at N1,500 now goes for N3000 while the neck now sells for N2000 against the former rate of N1000. Perishable items like tomatoes, pepper, pumpkin leaves and spinach, among others, are not left out. For instance, a paint bucket of tomatoes which on normal times sold for N400 now sells for N800. However, this current prices of good affect negatively the consumers purchase decision in the market. The consumers may not buy any product during to the price changes in the market.

The main objective of this study to examine the effects of current price hike on consumer purchase decision in Ikot Ekpene Main Market in Akwa Ibom state and to evaluate the effect of current price on post purchase decision of consumers in Ikot Ekpene Main Market in Akwa Ibom State.

The following null hypotheses are stated below as follows:

H<sub>01</sub>: There is no significant relationship between current price and product purchase decision of consumers in Ikot Ekpene, Akwa Ibom State

H<sub>02</sub>: There is no significant relationship between current price and post purchase decision of consumers in Ikot Ekpene, Akwa Ibom State

This study is significant to the economic sector in Nigeria because it provides additional information that can help improve the current price situation in the country.

Secondly, it also provides useful information to sectors of the economy like financial, oil, agricultural and manufacturing sectors, that effective current price mechanism is essential in consumers' purchase decisions.

Lastly, it is also of the opinion of the researchers that this work will serve as a springboard for further research.

The research focuses on the effect of current prices on consumers purchase decision in Ikot Ekpene, Akwa Ibom State and it covers the period of 2016. This was actually the period when the Nigerian market experienced major price changes in the market.

### **Concept of Current Price**

Current price is the amount a customer pays for a product or the sum of the values that consumers exchange for the benefits of having or using a product or service at a particular time (Bearden et al 2004).

Current price is what is given up or sacrificed to obtain a product at a particular time (Patience, 2014).

Current price is the amount charged from purchase a product at a time within a specify period of time either day, week and month even yearly (Isaac, 2016).

Investopedia (2016) defined current price as the price at which goods are currently being sold in the market. They also referred to it as the market value. For example on a stock exchange, the current price of a security is determined by the last amount that was paid by an investor during a trade. The current price does not dictate the next sale price as changes to the supply and demand associated with the security will shift prices accordingly. In other words, current price can also be referred to as the point-in-time rate at which goods and services are exchanged between buyers and sellers, which may be determined

controllable and uncontrollable factors that exert influences on both parties.

### **Concept of Purchase Decision**

According to Schiffman and Kannuk (2007), purchase decision is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. Susilawati and Anunu (2001) asserted that purchase decision is influenced by internal and external factors. The internal factors comprise perception, motivation, learning, attitudes, personalities, self -concept, lifestyle and demographics. The external factors include variables, such as cultural background, subculture, family influence and social factors.

Purchase Decision is the phrase as consumer's decision which envisages a person in the mind who is carefully analysing the features of products, trademarks or services and tries, by using logical methods, to choose a choice that can satisfy the recognised need with the least expenses. (Hawkins et.al, 2007) According to the definition of Schiffman and Kanuk (2007) decision making is a way of choosing between two or more possible options when a person has a choice between purchasing or not, brand A or brand B or allocating time to do A or B. In this situation, it is said the person is in a position to decide.(Lin & Chen , 2009). To make a decision, a consumer goes through five different stages which include: problem identification, search for data collection, alternative assessment, product decision and post purchase behaviour

The American Marketing Association has defined consumer behaviour as the dynamic interaction of affect and cognition, behaviour, and the environment by which human beings conduct the exchange aspects of their lives. Consumer behaviour refers to the actions and decision processes of people who purchase goods and services for personal consumption (James, Roger, Blackwell & Paul, 1990). Purchase decision refers to the mental and emotional processes and the observable behaviour of consumers during searching for, purchasing and post consumption of a product or service. How consumers make decisions to spend their available resources such as money, time and effort on consumption of a product are refers to as purchase decision. Purchase decision is a psychological and cognitive approach that can be applied to find out how consumers make decisions towards shopping and buying behaviour. This means that purchase

decision is the cognitive procedure of making the decision to purchase a particular product among varieties of products and decide to repurchase or not (Safiek & Hayatul, 2009).

Marianne (2002) uses simulated test marketing methodology to examine the consumer purchase interest in organic grapes and price sensitivity. A profile of the target organic food purchaser is identified and consumer perceptions of organic grapes are compared to their perceptions of regular (conventionally grown) grapes. The research uses a survey instrument and a concept exposure that were administered through the use of a personal interview of 342 randomly selected respondents at food stores in May 2001 in San Luis Obispo County, California. Comparisons of nominal and ordinal variables were generated through the use of chi-square tests. The statistical tests used to examine interval and ratio variables are t-tests, one-way analysis of variance, and multivariate analysis of variance.

## **Theories of Price**

Price theory is concerned with explaining economic activity in terms of the creation and transfer of value, which includes the trade of goods and services between different economic agents (Tellis 1986). According to Friedman (1990), it is the explanation of how relative prices are determined and how prices function to coordinate economic activity. According to Nagle and Holden (1995), a market economy is coordinated through the price system. Costs of production ultimately, the cost to a worker of working instead of taking a vacation or of working at one job instead of at another, or the cost of using land or some other resource for one purpose and so being unable to use it for another are reflected in the prices for which goods are sold. The value of goods to those who ultimately consume them is reflected in the prices purchasers are willing to pay at a time. If a good is worth more to a consumer than it costs to produce, it gets produced; if not, it does not.

### **Naive pricing theory**

Naive price theory is grounded on the assumption that price will stay the same. The theory states that the only thing determining tomorrow's price is today's price. Naive price theory is a perfectly natural way of dealing with prices if you do not understand what determines them (Friedman 1990). The use of this theory is least plausible because prices change. Just as it makes very little sense to assume that as a baby grows

older he/she remains the same size, it makes no more sense to assume that the market price of a good remains the same when you change its cost of production, its value to potential purchasers, or both. One must understand the causal relations involved. According to Friedman (1990), although the theory may have errors, the alternative to correct economic theory is not doing without theory (sometimes referred to as just using common sense) but the alternative to correct theory is an incorrect theory.

### **Game pricing theory**

According to Ezeudu (2005), it is a collection of tools for predicting outcomes of a group of interacting agents where an action of a single agent directly affects the payoff of other participating agents. It is the study of multi-persons decision problems (Gibbons 1992). It could also be referred to as a bag of analytical tools designed to help us understand the phenomena that we observe when decision-makers interact (Osborne & Rubinstein 1994). Myerson (1997) defines it as the study of mathematical models of conflict and cooperation between intelligent rational decision-makers.

### **Consumer theory**

Consumer theory is concerned with how a rational consumer would make consumption decisions (Martijn 2011). The consumer theory arises because the consumer's choice sets are assumed to be defined by certain prices and the consumer's income or wealth. There are certain assumptions for this theory. The assumptions as stated by Lichtenstein et al., (1993) can be seen below: The assumption of perfect information is built deeply into the formulation of this choice problem, just as it is in the underlying choice theory (Blythe 2005). Some alternative models treat the consumer as rational but uncertain about the products, for example how a particular food will taste or how well a cleaning product will perform. Some goods may be experience goods which the consumer can best learn about by trying the good. In that case, the consumer might want to buy some now and decide later whether to buy more. That situation would need a different formulation. Similarly, if the agent thinks that high price goods are more likely to perform in a satisfactory way that, too, would suggest quite a different formulation.

### **Research Methodology**

The study used a survey research design, regression and e-view statistical software package to analysis the data collected from the respondents. The reason for using survey research design is that data needed for this study is a point in time data and for using regression is to ascertain the cause and effect relationship between the dependent variable and independent variables. Data used for this study was primary data. A questionnaire was designed on a five-point Likert scale to retrieve information from the respondent. A simple statistical model was designed. The population study is the entire population of Ikot Ekpene which according to the 2006 population census is 141,408 people. We used Taro Yamane formula to derive the sample size 398.97 or 399 calculated below

$$n = \frac{N}{1 + N(e)^2}$$

where:

n= Sample size

N=Population size

e= sample error (assuming 5%)

1= constant.

$$n = \frac{141,408}{1 + 141,408(0.05)^2}$$

$$n = \frac{141,408}{1 + 141,408(0.0025)}$$

$$n = \frac{141,408}{1 + 353.52}$$

$$n = \frac{141,408}{354.52}$$

$$n = 398.87 \text{ or } 399$$

399 questionnaires were administered to the consumers that purchase in Ikot Ekpene Main Market in Akwa Ibom State. The questionnaire was administered randomly and this was done based on chance. This implies that consumers received the copy of the questionnaire by chance and this give an opportunity for the respondents to be selected.

The regression model is stated below:

$$CP = \alpha + \beta_1 PDC + \beta_2 PSPD + \mu \dots \dots \dots 1$$

Where CP =current price of goods and services in the market, PDC = Product purchase decision of the consumers and PSPD= post purchase decision of the consumers,  $\alpha$  is the intercept or constant and  $\beta_1$  coefficient and E is the error terms.

## Analysis of Return Rate

**Table 1**

Responses	Questionnaires Administered	Questionnaires not Returned	Questionnaire Returned	Percentage (%)
Male	182	24	158	47.87
Female	211	39	172	52.12
Total	393	63	330	100

**Source: Field Survey, (2016)**

The table shows that 47.87% of the respondents are male that filled and returned the copies of their questionnaire and 52.12% of the respondents are female that filled and returned the copies of their questionnaire.

## Data Presentation

Table 2:

Items	A	SA	UD	D	SD
Do you consider post-purchase decision after purchasing products in 2016 when compared with previous 5 years?	159\48.18	65\19.69	11\3.33	39\11.81	56\16.96
Do you consider pre-purchase decision before purchasing products in 2016 when compared with previous 5 years?	103\31.21	122\36.96	12\3.63	40\12.12	53\16.06
There are continue changes in current prices of goods and services in the market in 2016 when compared with previous 5 years?	114\34.54	132\40.00	10\3.03	38\11.51	36\10.90

**Source:** Field survey, 2016

## TEST OF HYPOTHESIS 1



Dependent Variable: PDC  
 Method: Least Squares  
 Date: 08/14/16 Time: 15:54  
 Sample: 1 330  
 Included observations: 330

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.142276	0.050489	2.817948	0.0051
CP	1.028445	0.019379	53.07019	0.0000
R-squared	0.895689	Mean dependent var	2.448485	
Adjusted R-squared	0.895371	S.D. dependent var	1.443594	
S.E. of regression	0.466951	Akaike info criterion	1.320856	
Sum squared resid	71.51811	Schwarz criterion	1.343881	
Log likelihood	-215.9413	Hannan-Quinn criter.	1.330041	
F-statistic	2816.445	Durbin-Watson stat	0.115087	
Prob(F-statistic)	0.000000			

**Source: Data output using E-view, 2016**

1% level of significance, 5% level of significance and 10% level of significance

From the regression result, current prices of goods in Ikot Ekpene in Akwa Ibom coefficient is positive and significant in achieving pre-product purchase decision of consumers. The p-value of 0.00 is less than the t-statistic value of 53.07 and the standard error value of 0.01 is less than the t-statistic value. The coefficient of determination ( $r^2$ ) of 0.89 indicates that about 89% of the variation in the pre-products purchase decision of the consumers in Ikot Ekpene Main Market can be explained by current prices of goods. The remaining 11% can be explained by other related factors not noted in the regression model. The f-statistic value of 2816.445 is significant at a p-value of 0.00. This implies that there is a significant relationship between current prices of good and pre-product purchase decision of the consumers.

Dependent Variable: PSPD  
 Method: Least Squares  
 Date: 08/14/16 Time: 15:53  
 Sample: 1 330  
 Included observations: 330

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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C	-0.121712	0.066864	-1.820292	0.0696
CP	1.078601	0.025664	42.02774	0.0000
R-squared	0.843387	Mean dependent var	2.296970	
Adjusted R-squared	0.842909	S.D. dependent var	1.560236	
S.E. of regression	0.618395	Akaike info criterion	1.882662	
Sum squared resid	125.4311	Schwarz criterion	1.905687	
Log likelihood	-308.6393	Hannan-Quinn criter.	1.891847	
F-statistic	1766.331	Durbin-Watson stat	0.068990	
Prob(F-statistic)	0.000000			

**Source: Data output using E-view, 2016**

1% level of significance, 5% level of significance and 10% level of significance

From the regression result, current prices of goods in Ikot Ekpene in Akwa Ibom coefficient is positive and significant in achieving post purchase decision of consumers. The p-value of 0.00 is less than the t-statistic value of 42.02 and the standard error value of 0.02 is less than the t-statistic value. The coefficient of determination ( $r^2$ ) of 0.84 indicates that about 84% of the variation in post products purchase decision of the consumers in Ikot Ekpene Main Market can be explained by current prices of goods. The remaining 16% can be explained by other related factors not noted in the regression model. The f-statistic value of 1766.331 is significant at a p-value of 0.00. This implies that there is a significant relationship between current prices of good and post product purchase decision of the consumers.

**Discussion of Findings**

From the above analysis, current prices of goods and purchase decision of the consumers are significant. This shows that current prices of good affect the purchase decision of the consumers in terms of pre and post purchase decision in Ikot Ekpene Main Market, Akwa Ibom State. The finding is in tandem with the no finding in the literature. The study is consistent with The consumer theory which states that consumer's choice are assumed to be defined by certain prices and the consumer's income or wealth.

**Conclusions and Recommendations**

This study concludes that current prices of goods and purchase decision of the consumers are statistically significant. This shows that current prices of good affect the purchase decision of the consumers in terms of pre and post purchase decision in Ikot Ekpene Main Market, Akwa Ibom State. This implies that there is an evidence of the existence of a linear relationship between the variables. It is therefore recommended that the current price increased in the market should be controlled and monitored because traders always add additional charges to the price of the product should negatively discourage the consumers purchase decision in the market.

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## Questionnaire

You are required to answer the following question by ticking on the option provided. Note the following: where SA = Strongly Agreed (4), A = Agreed (3), UND = Undecided (2) D= Disagreed() and SD = Strongly Disagreed(0)

Questions	0	1	2	3	4
Do you consider post-purchase decision after purchasing products in 2016 when compared with the last 5 years?					
Do you consider pre-purchase decision before purchasing products in 2016 when compared with the last 5 years?					
There are frequent changes in current prices of goods and services in					

the market in 2016 when compared with the last 5 years					
Has your level of cognitive dissonance or dissatisfaction increased as a result of frequent changes in current price?					
Do you consider price as your single most important element in consumer purchase decision ?					