

# Effect of Price and Consumer Choice of Branded Bottled Water: A Survey Study of Institutional Consumers in Kericho County, Kenya

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**Abstract:-** Bottled water is becoming one of the fastest growing markets in the beverage industry globally. Most people perceive bottled water as safe, of better quality and as an alternative to other packaged beverages. This perception has seen an increase in demand for bottled water, a situation which has resulted in cut-throat competition, infiltration of sub-standard and smuggled goods into the market and non-disclosure of water sources, among other challenges. This dilemma is further confounded by lack of clarity on what determines consumer preferences. The purpose of this study was to investigate the effects of price on consumer choice of bottled water amongst institutional in Kericho county. The study adopted a survey design. town, and the target population was 74 institutions with 237 respondents. A sample size of 146 respondents was adopted. Purposive and stratified sampling techniques were used in the study to sample the institutions and respondents respectively. Data was collected using a questionnaire, which was deemed a suitable instrument for the study. The reliability of the study was ascertained by conducting a pilot study in a different County believed to have the same characteristics as the location. Reliability was determined through Cronbach's Alpha method, where reliability score 0.8 was considered ideal. SPSS was utilized to analyse data that was presented using frequency tables, bar charts. Descriptive statistics were used for the analysis of data. The study found that, price had positive significant relationship with consumer choice with mean value of ( $P < 0.05$ ). Further it was found that, consumers are price sensitive when choosing products therefore affecting consumer choice of branded bottled water. The study recommended that manufacturers of bottled water should be more consumer-oriented through conducting consumer survey in order to enable them to set affordable prices to all players in the market. The study further recommends that KEBS and ISO be strictly observed by the market players to avail quality products to the consumers and to curb counterfeit bottled water.

## I. INTRODUCTION

Choice is like a classical illustration of a person walking down the road who hesitates before deciding on which path to take (Saylor, 2009). The consumer choice combines the three aspects: there must be two or more alternatives to choose from, the choice alternatives must arouse certain number of conflicts, and cognitive process that occurs should aim at reducing the conflict. Consumers make their choices based on the brand presentations, based on value of product or services, the expected benefits drawn from the product and also the quality of the products (Growl and Levy, 2008). Consumers are overwhelmed with a vast array of choices in today's retail marketing environment. This is especially because they are exposed to so many items in the market. Consumers make quick decisions based on the needs and the disposable income. The decision the consumers make determines the item they select and eventually buy.

Agwu & Carter, (2014) noted that price is the most flexible and revenue generating marketing mix elements adopted by the firm to increase revenue, this is supported by (Dudu and Agwu 2014) who investigated on effect of pricing strategies on purchase decision of consumer goods and discovered that consumer perception is reflected in the price attached to the product. The role of price, perceived culture, motivation mediated by religious orientation influence consumer buying behaviour (Auf, Saoula and Majid 2018).

Kwanho, Lee and Lichtenstein 2012) have divided price into two parts, which are the perceived price representing individual belief on quality of the product and the objective price that represent actual price. Consumer perception in respect to price varies from one consumer to another. Some may associate high price with high quality of the product and eventually this affects the consumer choice of the product or services. However, the income of the consumer dictates their purchase decision (Abugu & Nwafor 2018)

Financial sector is a competitive segment that has affected profitability of financial institutions. Hence financial organization has adopted pricing strategy in order to retain customers and to increase the choices they make over time (Bett 2019). Shopping products such as appliances require proper pricing strategies to avoid complex decision making addressed the issue of business organization going beyond pricing mechanisms of fixing prices that suits them rather than estimating cost of production for a product to generate profit (Bertini and Gourville 2012).

Bottled water is becoming one of the fastest emergent markets in the beverage industry globally. The fastest growth has been witnessed in the U.S.A., Asia and South America, with U.S.A having the highest number of consumers (The Business Research Company, 2008). Most people perceive bottled water as safe, of better taste and quality compared to other sources such as tap, distilled or boiled (Okoe, 2015). Some consumers also perceive bottled water as a healthy alternative to other beverages such as soft drinks which might contain chemical additives; while others opt for it in their pursuit of food security against the backdrop of food scandals in industrialized countries and waterborne diseases in the developing world (ibid)

In Kenya, bottled water business started in 1992 with few water companies; however, over the years many more companies have emerged. At the moment, some of the leading bottled water companies include: Keringet, Dasani, Grange Park, Kilimanjaro, Passina, Highlands, Aqua mist, Bamboo, Maisha water and Honesty among others. Initially bottled water in Kenya was seen as a symbol of prestige in most work places, hotels and homes but it has now become a health necessity (Massese, 2012). Growth in the water industry in Kenya has also been spurred by constant outbreak of water borne diseases such as dysentery, typhoid, Cholera and bilharzia (Masese, Raburu, Mwasi, & Etiegni, 2012). In their study done at Ghana Korankye, Asante, Asirifi-Danquah and Okyere revealed that, consumer choice is based on family influence, packaging, purity, availability, brand image, taste and advertisement of product (ibid). Findings further reveal that most consumers were found to be loyal to Bon aqua water brand and that Bon aqua had a bigger market share than its competitors because it was perceived to be a superior brand and therefore of higher quality than other brands. However, the study did not focus on perceived quality and consumer choice hence need for the current study.

The foregoing discussion has revealed the driving force behind the growth and need for bottled water spanning over four centuries. While a number of studies have been done in this field, few if any have tried to exhaustively explore the relationship between price and consumer choice of branded bottled in Kenya.

### ➤ *Purpose of the Study*

The purpose of this paper was to investigate the effect of price on consumer choice of branded bottled water among institutional consumers in Kericho County, Kenya.

## II. LITERATURE REVIEW

### ➤ *Price and Consumer Choice*

Price is the value paid by customers to get product or services, broadly price is all what customers gives up so as to gain benefit of using the products or service (Kotler, 2010). Price is the most flexible and revenue generating marketing mix element to the firm, (Agwu & Carter, 2014). Kwanho, Lee and Lichtenstein (2012) have divided price into two parts, that is the perceived price which represent individual belief on quality of the product and the objective price that represent actual price. Consumer perception in respect to price varies from one consumer to another. Some may associate high price with high quality of the product and eventually this affects the consumer choice of the product or services. However, the income of the consumer dictates their purchase decision (Abugu & Nwafor 2018).

Auf, Saoula and Majid (2018) investigated the role of price, perceived culture and motivation and religious orientation in influencing consumer buying behaviour in Malaysia. They used survey questionnaires to collect data and data was analysed by the help of partial least squares and test of hypotheses. They found out that perceived culture, motivation and price had direct relationship with consumer buying behaviour, further price was found to have a significant effect on religious orientation. The mediating role of religious orientation on motivation, price and perceived culture was found to be less important on consumer buying behaviour. The effect of price is investigated in this study to ascertain its significant influence on consumer choice of bottled water.

Bett (2019) researched on pricing strategy and customer satisfaction based on an assessment of loyalty and retention of customer in commercial banks. Financial sector is a competitive segment that has affected profitability of financial institutions. Hence financial organization has adopted pricing strategy in order to retain customers. This study was conducted using multistage sampling techniques on 148 employees of commercial banks in Kericho County. Price was found to have significantly influence on customer loyalty and retention. The pricing strategies was also found to be important to part of market mix component in ensuring that customer are satisfied in commercial banks. It recommended that price strategies should be improve to ensure customer satisfaction and hence customer loyalty and retention. The current study sought to establish the relationship between perceived quality and consumer choice of branded bottled water.

Agwu and Carter (2014) view price as an income generator element compared to other marketing mix elements. Price has value when attached to product Baker (1996) revealed that price is a mechanism that causes the two forces of demand and supply equilibrium. **Ezeudu (2005)** sees price as the exchange value for goods and services. **Lovelock (1996)** suggested price is an element of the marketing mix that generates revenue, the rest of the elements have related expenses. For convenient goods which have small prices paid at once sometimes do not require pricing strategy and this eases purchase decision of the consumer. However, for shopping products such as appliances will require proper pricing strategies to avoid complex decision making.

Bertini and Gourville, (2012) addressed the issue of business organization going beyond pricing mechanisms of fixing prices that suits them rather than estimating cost of production for a product to generate profit. Although to some organization still it is not relevant how they sufficiently recognize, harmonize revenue generation and open new avenues. The study had two purposes which are to assess the effect of pricing strategies on the purchase of consumer goods and how the advent of online pricing interferes with consumer choice. This study therefore sought to establish relationship between perceived quality and consumer choice of bottled looking at price as one of the variables.

Legese and Mulugeta, (2018) examined factors affecting brand choice of bottled water, they found out price and packaging were the major factors that significantly affected consumer choice of bottled water. Further they found out that brand availability brand image, brand name, product quality and advertisement positively influenced consumer choice. They recommend that bottled water companies should develop brand equity, provide attractive package and set affordable prices to the consumer. The study however did not consider price as a standalone factor when making choice. It is from this point that the researcher will investigate the effect of price on consumer choice of branded bottled water.

According to Hoch and Banerji (1993) economic recession affects consumer choice, when income of the consumers decreases, they become price conscious and shift their preferences to the low-priced product though from unknown brands. Other consumer's associate low price with low quality products, price is perceived by consumers through advertisement and brand association having influence power on consumer choice. When consumer is not aware of the price they use other cues like packaging, brand name to make purchase decision (Zeithaml, 1998). Historically price has been seen as a major factor affecting consumer choice, the only element generating revenue and most flexible of all others (Kotler and Armstrong, 2010). Price is the second most important marketing mix element after the product. Pricing criteria can easily alter consumer behaviour towards purchasing a particular product. The prices that managers or organisation sets must be based on customer perceptions value because in the end it is the

customer who decides if price is right depending on the value, he /she attaches to the product or service (Hinterhuber, 2008). Customer oriented pricing reveals the value consumers' place on product and the benefit they receive, prices are set in line with the demand in the market and also considering customers' perception of the product to avoid high or low prices for the target market (Farese, Kimbrell and Woloszk, 1991). Therefore, price setting should capture this value.

Dudu and Agwu (2014) investigated on effect of pricing strategies on purchase decision of consumer goods. The study utilized descriptive research design data used was majorly from secondary sources. The results reveal that consumer perception of value is reflected in prices of a firm's products, also it revealed that competitor's prices affect consumer purchase decisions choice. The study recommended that firms should watch competitor's effects on purchase decisions rather than communicate product price value to customer only. Since price generates value and consumer income predicts their purchase decision it interested the researcher to include price as one of the variables in the study to establish how it affects the consumer choice of a product. The study was carried out in Nigeria focusing on effect of internet (online) pricing and purchase decisions. The current study viewed price in line with product choice particularly bottled water brand. It sought to establish the relationship between perceived quality and consumer choice inclusive of price as one of the independent variables.

The price set for the product or services has a very significant effect on how the consumer behaves. If the consumer beliefs that the prices charged by companies are lower than competitors, it could cause a negative perception and major spike in sales. But if the price set is significantly higher than expected, the response can be disappointing. In either case the changes in prices can produce unexpected results when it comes to consumer buying behaviour (Dudu and Agwu 2014). Hiked prices turn off the customers especially if customers have choice of getting the same products at a lower price from your competitors. On the other hand, raising prices could not have any effect at all if the product is of high quality and the demand is high (Kramer, 2019).

#### ➤ *Consumer Choice of Branded Bottled Water*

Choice is like a classical illustration of a person walking down the road who hesitates before deciding on which path to take, (Saylor, 2009). The consumer choice combines the three aspects: there must be two or more choice alternatives to choose from, the choice alternatives must arouse certain number of conflicts, and cognitive process that occurs should aim at reducing the conflict. Consumers make their choices based on the brand presentations, based on value of product or services, the expected benefits drawn from the product and also the quality of the products (Growth and Levy, 2008) However, others make choice under the influence of family, friends, and the social class as well as education level (Okoe 2015). Also, others use cues such as frequency of advertisements, promotions

messages and slogans associated with the brand. However, consumer products are hard to choose from since they are low involving. Consumers use cues like price comparison competitors offering and expectations (Shah and Oppenheimer, 2008).

According to Kottler (2010), buying process involves many players who have different roles. They include; initiators, users, the influencers, deciders, buyers, who have the authority to buy product from selected suppliers and the last role is played by gatekeepers who may hinder buying process. Saylor (2009) states that, there are six stages buying process that consumer goes through before making choice. The consumer behavior involves; need recognition of need or services and takes a step to fill in the need (Bruner 1988) marketers should note customers' needs and take action to meet those needs. Consumer searches the information from internal and external sources. Then consumer evaluates information and perception he/she has on brand image to get desirable characteristics of a product, this leads to 'evoked set'. That is the set of brands that has the probability of being chosen by consumer among the alternatives (Van Rollin and Thorpe, 2001).

Consumers then evaluates among alternatives brand available as they narrow down their choices (Agwu and Carter, 2014). Evaluation criteria are based on some features that consumer thinks are important to him such as price, color, size. Once the evaluation is complete consumer picks or chooses brand that seems most appropriate and proceed to actual purchase itself. Marketing professionals use informative advertisement to convince the customers on the benefit of the products (Bearden *et al.*, 2004). Consumer depends on the information on the product features and his previous selection of the brand. For example, a consumer committed to the idea of buying a stereo of a well-known brand could change his decision if he has unpleasant experience with sellers in the store. While a promotion in a supermarket for bottled water brand could tip the scale for this brand in the consumer's mind who was hesitating between three brands of his evoked set.

The consumer in the post-purchase stage, questions his decision, on whether the satisfaction expected has been attained by the product (Bertini and Goreville, 2012). When product has

not met the expectation consumer suffers post-purchase dissonance where he regrets purchase decisions, on most occasions he spreads word of mouth to others about the experience. If the product has broad satisfaction to the consumer, he will minimize stages of information such an alternative evaluation for the next purchase in order to buy the same brand which may produce customer loyalty. A satisfied customer is very likely to become a loyal and regular of a brand especially for low level involvement- fast moving consumer goods or consumer packed good (Saylor 2009).

### III. RESEARCH METHODOLOGY

A survey research design was used where all institutional consumers of bottled water in Kericho town were targeted. The target population in the study included selected institutional consumers of bottled in Kericho town. The researcher used purposive sampling technique and stratified sampling to sample the institutions and respondents, respectively. The number of institutions was 74 and 237 consumers, to arrive at sample size formula proposed by Krejcie (1970) was used hence sample of 146 respondents. Primary data was suitable for this study and was collected using questionnaires. Descriptive statistical analysis was conducted using means and standard. Linear regression models were considered appropriate as an inferential tool that established the relationship between the independent variable and the dependent variable.

### IV. FINDINGS AND DISCUSSION

In response to price and consumer choice in table 1 majority of the respondents 73(54.0%) agreed that price consumers are sensitive to pricing methods which to some extent affect their choices. Apparently, 41(30.4%) of the respondents disagreed that pricing methods affect choice of bottled water while 21(15.6%) were neutral in their response. Hence it was concluded that consumers were sensitive to pricing methods when making choice of bottled water with mean value of 3.319. The findings concur with Legese & Mulugeta, 2018; Angasa & Kinoti (2013) who found that pricing methods affect consumer choice of bottled water with a mean value of 0.94. Thus, price significantly relates with consumer choice of product or service.

**Table 1: Price and Consumer Choice**

Price	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean
Consumers are sensitive to pricing method used and it affect their choice of bottled water	38, 28.1%	35, 25.9%	21, 15.6%	21, 15.6%	20, 14.8%	3.319
The consumer income determines the type of bottled water	T22, 16.3%	54, 40.0%	29, 21.5%	12, 8.9%	18, 13.3%	3.370
The pricing policy has affected my consumption of bottled water.	I18, 13.3%	37, 27.4%	42, 31.1%	20, 14.8%	18, 13.3%	3.370
Price strategy used affects what kind of bottle water	14, 10.4%	31, 23.0%	47, 34.8%	37, 27.4%	6, 3.7%	3.126
Price affects consumer attitude of bottle water.	31, 23.0%	57, 42.2%	27, 20.0%	15, 11.1%	5, 3.7%	3.874
Price is important to the consumer in choosing bottled water	39, 28.9%	32, 23.7%	35, 25.9%	17, 12.6%	12, 8.9%	3.511

Source: Research Data (2023)

It was found that consumer income determines the type of bottled water choice where 76(56.3%), of the respondents agreed while, 29(21.5%) of the respondents disagreed and 30(22.2%) remained neutral. This implies that consumer income determines the type of bottled water they choose to some extent with mean value of 3.370. Njeru 2016; Abugu & Nwafor, (2018) concurs with the current study results that affordability affects the choice of bottled water where 72% agreed against 8% who disagreed. Also, the findings respondents rate on price was the highest among other factors investigated representing 58% with mean value of 3.78 as per Abugu. Further they opined that increase in price alters consumer choice of bottled water. Conclusively Hoch and Banerji (1993) argue that economic ability affects consumer choice, since low income of the consumer can easily alter the choice of the product based on the price. Therefore, price has significant relationship with consumer choice  $p= 3.370$ .

A significant number 55(40.7%) of respondents agreed that pricing policy had effect on consumption of bottled water while those who disagreed were 38(28.1%) the rest of the respondents were neutral 42(31.1%). The pricing policy somewhat affected consumption of bottled water with mean value of 3.370). the findings agree with Bett, (2019) who found that pricing policy influence choice based on the type of services being offered and as well affected consumer retention with mean value of 3.757, though pricing policies may differ in the water industry.

The study further found that price strategy affects choice of bottled water purchased where 45(33.4%) of the respondents and 47(34.8%) of the respondent disagreed while 43(31.1%) of the respondents were neutral. Price strategy significantly influence the kind of bottled water consumed by the customers with mean value of 3.126. The findings aver with Bett (2019) who found that, price strategies were considered to increase customer satisfaction with mean value of 4.493. The results further revealed that differentiation through price enhance customer retention Bett, (2019). Even though Bett (2019) research was based on banking sector which is service industry, there exists a link between customer satisfaction and consumer choice of bottled water. According to the results 88(65.2%) agreed, 27(20.0%) neutral and 20(14.8%) disagreed that price affects consumer attitude of bottled water. This indicated that price affects consumer attitude of bottled water with mean value of 3.874.

In response to the importance of price when choosing bottled water, it was found that price is crucial where 71(52.6%) of respondents agreed, and 35(25.9%) of respondents disagreed while 29(21.5%) remained neutral. Thus, price was found to be the highest factor in choice of branded bottled water c with mean value of 3.511. The findings concur with Legese & Mulugeta (2018) who found that price was the highest determinant of consumer choice of branded bottled water among other variables investigated. Price based on brand perceived quality research done by Perera & Dissanayake, (2013) agree with the current findings with a mean value of 3.32 hence positively influenced purchasing decision.

**Table 2 Consumption of bottled water of high price and perceived to be of low quality**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	81	60.0	60.0	60.0
	No	54	40.0	40.0	100.0
	Total	135	100.0	100.0	

Source: Research Data (2023)

Table 2 investigated if the consumer had ever consumed bottled water of high price which they perceive to be of low quality. The results indicated that majority, that is 81(60.0%) of the respondents have had the experience and (40.0%) have not. The reason given by many has the contributor of consumption of high-priced bottled water with low quality was presence of counterfeit products in the market. This implies that product policies must be emphasized to avoid presence of counterfeit products.

## V. CONCLUSIONS AND RECOMMENDATIONS

The study found that price significantly influenced consumer choice of bottled water. Consumers are sensitive to pricing methods used when making choice on the type of bottled water the take, also consumer income determines the type of water they choose among the available brands. Further pricing strategies as well affect the consumer choice and attitude towards specific bottled water influence choice and consequently it was found that price is very important in influencing the consumer choice of bottled water. Therefore, price has significant relationship with consumer choice.

Since consumers are sensitive to price, and their income determine the choice. Therefore, the study recommends bottled water companies to consider setting affordable prices for all players in the market while making the bottled water products. Further, the study recommends that companies should observe Kenya Bureau of Standards (KEBS) and International Standardization of Organization (ISO) to strictly to ensure quality production of bottled water to avoid presence of counterfeit bottled water in the market.

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