

**ST.MARY'S UNIVERSITY**

**BUSINESS FACULTY**

**DEPARTMENT OF MARKETING MANAGEMENT**

**An Assessment of Consumers' Attitude and Perception  
Towards Domestic Drugs**

**By;**

**Redwan Worku**

**JUNE, 2014**

**SMU  
Addis Ababa**

**AN ASSESSMENT OF CONSUMERS' ATTITUDE AND PERCEPTION  
TOWARDS DOMESTIC DRUGS**

**A SENIOR ESSAY SUBMITTED TO DEPARTMENT OF MARKETING  
MANAGEMENT**

**BUSSINESS FACULTY**

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DEGREE OF BACHELOR OF ARTS IN MARKETING MANAGEMENT**

**BY:**

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# Chapter One

## Introduction

### 1.1. Background of Study

According to Solomon et al, (2006:138-145) an attitude is a lasting, general evaluation of people (including oneself), objects, advertisements or issues. Consumers have attitudes towards every product-specific behavior, as well as towards more general consumption-related behaviors. Two people can each have the same attitude towards an object for very different reasons. As a result, it can be helpful for a marketer to know why an attitude is held before attempting to change it. Some attitudes are formed as the result of a need for order, structure or meaning. This need is often present when a person is in an ambiguous situation or is confronted with a new product e.g. 'Bayer wants you to know about pain relievers'. Marketers who are concerned with understanding consumers' attitudes have to contend with complex issue: in decision-making situations, people form attitudes towards objects other than the product itself that can influence their ultimate selections. One additional factor to consider is attitudes towards the act of buying in general. Product itself, are influenced by their evaluations of its advertising.

According to Khan (2006:121) an attitude provides a series of cues to marketers. They predict future purchases, redesign marketing effort and make attitude more favorable. Attitudes indicate knowledge, feelings and intended action for the given stimulus.

As Kotler *et.al* (2005: 273) stated a motivated person is ready to act. How the person acts is influenced by his or her perception of the situation. Perception is the process by which people select, organize and interpret information to form a meaningful picture of the world. People can form different perceptions of the same stimulus because of three perceptual processes: selective attention, selective distortion and selective retention.

Kotler *et.al*. (2005:549) discussed as the most distinctive skill of professional marketers is their ability to create, maintain, Protect and enhance brands of their products. A brand is a name, term, sign, symbol, design or a combination of these, that identifies the maker or seller of the product or service. Consumers view a brand as an important part of a product, and branding can add value to a product. Some products, however, carry no brands. 'Generic' products are unbranded,

plainly packaged, less expensive versions of common. They often offer prices as much as 40 percent lower than those of main brands.

Medicine prices and financing are inescapable factors especially in developing countries where the price of medicine is considered to be one of the most important obstacles to access of essential medicines (WHO, 2004). But rational use of generic drugs can provide substantial savings for patients, healthcare budgets and insurance funds without affecting the quality or the therapeutic effect of the prescribed medicine (Kirking and Ascione, 2001; Thomas and Vitry, 2009). WHO encourages the generic drug trade for both developed countries and particularly for developing ones, as a possible alternative for increasing access to medicines by poor populations (WHO, 1992). Consumers can save up to 90 per cent of the cost of their medication by using generic products (Shafi and Hassali , 2008).

Food and Drug Administration (FDA) allows drug companies to produce a comparable drug and call it by its generic name. The FDA requires a generic drug to be chemically equivalent to the brand name drug from which it was cloned (Linda, 2005). In Ethiopia there are 10 pharmaceutical companies and all of them produce generic drugs. The drugs that are produced from domestic companies as well as imported from other countries distributed by importers and whole sellers. There are 243 total numbers of importers and wholesalers that handle the distribution system and all of them are inspected by Food, Medicine and Health Care Administration and Control Authority of Ethiopia (FMHACA). (FMHACA Proclamation No. 661/2009).

According to the growth and transformation goal among top ten focused area , pharmaceutical industry is one of the focused sector and Ethiopian government have many incentives for investors who have interest of investing in drug manufacturing. But the consumption pattern may be influenced by how consumers perceive the product and the kind of attitude they attaché for domestic and imported drugs. Therefore this research is going to focus on the consumer attitude and perception towards domestically produced drugs and the related issues.

## **1.2. Statement of Problem**

According to khan (2006:121) an attitude provides a series of cues to marketers. They predict future purchases, redesign marketing effort and make attitude more favorable. The consumers'

attitudes have a potential to determine whether to buy the product or not. If consumers have a negative attitude, they are less likely to buy the product and look for other alternatives but if they have a positive attitude they are most likely to show interest to buy the product. Unlike other countries in Ethiopia there is not enough research on the consumers' attitude regarding the domestically produced drug.

According to Samli (2013:38-37) Quality perception comes through three different influences: country of production, country of assembly, and extrinsic attributes of the product in question. Based on the above three reasons the consumers' attitude towards that specific product may be shaped and they hold their perception regarding the specific product. The countries of production have a potential impact on the purchase decision of the specific product because as researches show most consumers relate the product's quality with the country of production. Moreover Huddleston *et al.* (2001), indicates there is a linear relationship between a country's image and consumer perceptions for the quality of goods produced in the country. Consumers may assume that more developed countries produce better quality products. So as we are in a developing country knowing the consumers' perception regarding the domestic products' quality based on the effectiveness is very important for domestic drug companies.

Not only quality perception but also price perception has important messages for marketers. According to Kotler and Keller (2012:387-388) Customers may have a lower price threshold below which prices signal inferior or unacceptable quality, as well as an upper price threshold above which prices are prohibitive and the product appears not worth the money. Understanding how consumers arrive at their perceptions of prices is an important marketing priority. Unfortunately the prices of drugs from domestic drug companies are marketed with much discounted prices compared with the imported ones. A consumer can buy locally produced Pain killer with less than 10 birr but the same drug imported from another country can cost more than 80 birr. This huge price difference may lead consumers to decide on a wrong decision based on the price of domestically produced and imported drugs because many consumers use price as an indicator of quality.

As a marketer, it is crucial to know the consumers' attitude regarding domestically produced drugs as well as what kind of perceptions they attach for price variation and how they judge it for

its effectiveness. Therefore the student researcher is interested to conduct research on the consumers' attitude and perception regarding domestically produced drug.

### **1.3 Research Questions**

This study attempted to assess the attitudes and perceptions of consumers towards domestically produced drugs by giving special emphasis on the following basic research questions:-

1. What kind of attitude consumers do have for domestically produced drugs?
2. How consumers perceive domestically produced drugs' effectiveness?
3. How consumers perceive price variation?

### **1.4 Objective of the Study**

#### **1.4.1 General Objective**

The general objective of this study was to assess the attitude and perception of consumers towards drug products of domestic origin.

#### **1.4.2 Specific Objectives**

The following are the specific objectives that the student researcher was tried to achieve:

- To indicate the attitude of consumers' for domestically produced drugs.
- To identify the perception of consumer for effectiveness of domestically produced drugs.
- To point out the perception of consumer with price variation

### **1.5 Significance of the Study**

The student researcher believes that the study addressed some significant points that help for different parties.

Therefore, it helps for local drug manufacturer to be aware of the consumers' attitude and perception for their products in order to design better marketing mix strategy. Not only the company but also the wholesalers, it provides in input to analyze price related issues. In addition, the study has created a very good opportunity for the student researcher to learn the practical

research process and technique. Further, the study will serve as an input for those who need to conduct an in depth investigation in the area

### **1.6 Delimitation of the Study**

In fact, this research has tried to assess consumers' attitude and perception towards domestic origin drugs in Addis Ababa. Although consumer may get relief from their illness through different traditional ways, the study was focused only the modern drugs that are listed on the standard treatment guideline of Ethiopia. The perception of consumers was studied only in relation to drug's effectiveness and price variation.

The study focused on pharmacists and drug consumers at large. In order to be considered as a sample respondent individuals must previously experience an illness at least once and treated with the modern drugs and during data collection time also with illness and were ready to buy or on consumption of drug.

Although the target populations are all the drug consumers who are found in Addis Ababa, since cost and time difficulty to address the entire consumer, student researcher chose consumers who are found in community pharmacy of Addis Ababa. The study time limit was from March 1, 2014 to April 13, 2014

### **1.7 Definition of Terms**

**Drug:-**is a medicine use for treatment of disease

**Domestically produced Drugs:** - any medicine that is registered in the Ethiopian national drug formulary and produced in Ethiopia

## **1.8 Research Design and Methodology**

### **1.8.1 Research Design**

To accomplish the above objective and to seek answer to the research questions, the student researcher employed a descriptive research method. This research method helps in assessing consumers' attitude and perception towards domestic origin drugs.

### **1.8.2 Population and Sampling Techniques**

In order to gather appropriate information relevant to this study the student researcher took the drug consumers and pharmacists who are found in Addis Ababa are considered as a population of the research study.

Since the numbers of drug consumers in Addis Ababa are tremendous, it was difficult to exactly determine the exact number, the list and the location of the consumers. Due to this reason the appropriate institutions, pharmacy, were selected to get the sample unit.

Regarding the sampling procedure, both probability and non probability sampling method was used. From probability, a simple random technique was used to select the sub- cities and community pharmacies. Due to budget constraints total of five sub-cities (Arada, Addis Ketema, KolfeKeranio, Lideta and Kirkos) were selected from the 10 sub-cities and then from each of these 5 sub-cities, 5 community pharmacies were taken using simple random sampling method. Finally from each pharmacy by using non probability method, 9 consumers were taken for self-administered questionnaire using quota sampling method. Based on the recommendation of Malhotra, (2006:339) a total numbers of 225 qualified consumers were taken as a reliable sample. Additionally a total number of 25 sales pharmacists were interviewed.

### **1.8.3 Types of Data Collected**

To make this study complete and achieve the objectives, the primary data was collected from consumers and pharmacists.

#### **1.8.4 Data Collection Method**

To get first hand information important to the study, questionnaire were prepared and distributed to drug consumers. The questionnaire was designed as open ended and closed ended questions. The sales pharmacists were interviewed.

#### **1.8.5 Data Analysis Techniques**

The quantitative data that collected through closed ended questions were analyzed by descriptive data analysis techniques; in order to summarize the findings through table, chart, frequency and percentage. Responses that were obtained from open ended questions in the questionnaire and interview response were narrated and are used to support the analysis

#### **1.9. Limitation of the Study**

All studies no matter how they are prepared with high consideration, limitation do exist. There were some factors that hindered the study not to be carried out as it was expected from which; some questionnaires were not fully filled, sales pharmacist were not easily accessible for interviewing.

#### **1.10. Organization of the Study**

The study is organized in to four chapters. The first chapter includes background of the study, statement of the problem, objective of the study, significant of the study, delimitation of the study, definition of terms, research design and methodology, limitation of the study and organization of the paper. In the second chapter literate review is reviewed. The third chapter deals with presentation, analysis and interpretation of data. The forth chapter includes summery, conclusion and recommendation. Finally the bibliography and appendix is attached with research paper.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITRATURE**

#### **2.1 Characteristics Affecting Consumer Behaviour**

According to Armstrong and Kotler (2012:135) Consumer purchases are influenced strongly by cultural, social, personal, and psychological characteristics. For the most part, marketers cannot control such factors, but they must take them into account. A person's buying choices are further influenced by four major psychological factors: motivation, perception, learning and attitudes.

##### **2.1.1 Motivation**

According to Noel (2009:90-91) motivation refers to the inner state of arousal that leads people to behave the way they do. It occurs when a need is aroused within the consumer that they have to satisfy. If that need, is not satisfied then the consumer will undergo a certain amount of tension. The greater the need the more intense is the state of tension. This drives the consumer to engage in relevant activity to achieve their goal and satisfy the need. Consumers usually have two types of goal. The first type is a generic goal, something that will fulfill a consumer's need. For instance, if a consumer states that he is sick and he wants to buy a drug, he has stated a generic goal. However, if all of the drugs options open to him he states that he wants a Germany brand anti pain that is a product specific goal. This type of goal is of major concern to marketers since these goals determine the types of products and brands that consumers choose.

##### **2.1.2 Theories of Human Motivation**

As Wong.et.al discussed in their books (2004:269) Psychologists have developed theories of human motivation. Two of the most popular theories are from Sigmund Freud and Abraham Maslow.

###### **2.1.2.1 Freud's Theory of Motivation**

Freud assumes that people are largely unconscious of the real psychological forces shaping their behaviour. He sees the person as growing up and repressing many urges. These urges are never eliminated or under perfect control; they emerge in dreams, in slips of the tongue, in neurotic and



obsessive behaviour or ultimately in psychoses. Thus Freud suggests that a person does not fully understand his or her motivation.

### **2.1.2.2 Maslow's Theory of Motivation**

Abraham Maslow sought to explain why people are driven by particular needs at particular times. Why does one person spend much time and energy on personal safety and another on gaining the esteem of others? Maslow's answer is that human needs are arranged in a hierarchy, from the most pressing to the least pressing. Maslow's hierarchy of needs is arranged as follows in order of importance; they are (1) physiological needs, (2) safety needs, (3) social needs, (4) esteem needs, (5) cognitive needs, (6) aesthetic needs and (7) self-actualization needs. A person tries to satisfy the most important need first. When that important need is satisfied, it will stop being a motivator and the person will then try to satisfy the next most important need.

## **2.2. Perception**

A motivated person is ready to act. How the person acts is influenced by his or her perception of the situation. Two people with the same motivation and in the same situation may act quite differently because they perceive the situation differently. Why do people perceive the same situation differently? All of us learn by the flow of information through our five senses: sight, hearing, smell, touch and taste. However, each of us receives, organizes and interprets this sensory information in an individual way. Thus perception is the process by which people select, organize and interpret information to form a meaningful picture of the world. People can form different perceptions of the same stimulus because of three perceptual processes: selective attention, selective distortion and selective retention. (Saunders.et.al, 2005: 273)

As Stewart.et.al (2000:54) mentioned the selective process help explain why some people are not affected by some advertising. They don't see or remember it. Even if they do, they may dismiss it immediately

### **2.2.1 Selective Attention**

According to Keller and Kotler (2012:162) attention is the allocation of processing capacity to some stimulus. Voluntary attention is something purposeful; involuntary attention is grabbed by someone or something. It's estimated that the average person may be exposed to many

advertisements or brand communications every day. Because we cannot possibly attend to all these, we screen most stimuli out with a process called selective attention. It means that marketers must work hard to attract consumers' notice. The real challenge is to explain which stimuli people will notice. There are some findings:

1. People are more likely to notice stimuli that relate to a current need. A person who is motivated to buy a drug will notice drug advertisements and be less likely to notice other advertisements.

2. People are more likely to notice stimuli they anticipate. You are more likely to notice drugs than any other thing in a pharmacy store because you don't expect the store to carry other than drug.

3. People are more likely to notice stimuli whose deviations are large in relationship to the normal size of the stimuli. You are more likely to notice an advertising offering \$100 off the list price than one offering \$5 off. Though we screen out much, we are influenced by unexpected stimuli, such as sudden offers in the mail, over the phone, or from a salesperson. Marketers may attempt to promote their offers intrusively in order to bypass selective attention filters.

### **2.2.2 Selective Retention**

Based on Armstrong.et.al (2005:274) people will also forget much of what they learn. They tend to retain information that supports their attitudes and beliefs. Because of selective retention, consumers are likely to remember good points made about the product and forget good points made about competing products. Because of selective exposure, distortion and retention, marketers have to work hard to get their messages through. This fact explains why marketers use so much drama and repetition in sending messages to their market. Although some consumers are worried that they will be affected by marketing messages without even knowing it, most marketers worry about whether their offers will be perceived at all.

### **2.2.3 Selective Distortion**

Even noticed stimuli don't always come across in the way the senders intended. Selective distortion is the tendency to interpret information in a way that fits our preconceptions. Consumers will often distort information to be consistent with prior brand and product beliefs

and expectations. For a stark demonstration of the power of consumer brand beliefs, consider that in “blind” taste tests, one group of consumers samples a product without knowing which brand it is, while another group knows. Invariably, the groups have different opinions, despite consuming exactly the same product. When consumers report different opinions of branded and unbranded versions of identical products, it must be the case that their brand and product beliefs, created by whatever means (past experiences, marketing activity for the brand, or the like), have somehow changed their product perceptions. Selective distortion can work to the advantage of marketers with strong brands when consumers distort neutral or ambiguous brand information to make it more positive. (Kotler and Keler, 2012: 162)

The perceptual process is not an easy task; it demands coordination of many interrelated sub groups. According to Solomon.et.al (2006:38) a perceptual process can be broken down into the following stages

- Primitive categorization, in which the basic characteristics of a stimulus are isolated.
- Cue checks, in which the characteristics are analyzed in preparation for the selection of a schema.
- Confirmation checks, in which the schema is selected,; the consumer may decide that a brand falls into his ‘mysterious’ schema.
- Confirmation completions, in which a decision is made as to what the stimulus is: the consumer decides he has made the right choice. Such experiences illustrate the importance of the perceptual process for product positioning. In many cases, consumers use a few basic dimensions to categorize competing products or services, and then evaluate each alternative in terms of its relative standing on these dimensions.

#### **2.2.4 Misinterpretation of Marketing Messages**

The marketers wishing to communicate about their products must be very careful and present their messages so that they are not misinterpreted, but interpreted accurately. A large number of audiences do not understand the real meaning behind the messages. This may also be due to demographic variables or, their casual approach towards the advertisement. Memory is the storage factor which could be of long term or short term. Memory can be activated. The marketers do it by repetition of messages. When buying items, one tries to recall the past experiences with that item. How pleasant it had been. This affects the decision making process. (Khan, 2006: 91)

### **2.2.5 Perception and Marketing Strategies**

According to Noel (2009:92) when we talk of perception and marketing strategy, we direct the 4 Ps for proper exposure, attention, interpretation and action. Thus, the product, its brand name, style, packaging and other features should all be such that a proper image or meaning is perceived by the individual. Price decides the value of goods. A high or a low price may be perceived in different ways. Some may think of a high price as a good quality product from a big company or a prestigious product and brand. Others may think of a high price as a gimmick, whereas, the other lower priced products compare well with the brand in question. Similarly, a low price may be interpreted as a low quality product or, as an opportunity given by the company to make its product popular. The selection of the media is important and it should be correlated with the audience one is trying to reach. We can have different media for rural and urban areas. We may also have different media for younger people, as compared to elder people. Media for men, women, high income, or low income groups may also be different. The advertisements must capture attention and convey meaning. The consumers take an interest in the advertisement when they are in need of the product, not otherwise. Various strategies of capturing the attention of the consumers can be used. A successful advertisement must accomplish 4 basic tasks these are Exposure: It must be exposed to reach the consumer. Attention: Should be able to attract the customer and make him interested in the product. Interpretation: The meaning attached should be consistent with the projected meaning. Memory: Must be stored in the memory so that retrieval is possible.

### **2.3 Learning**

According to Solomon.*et.al* (2006:62) learning refers to a relatively permanent change in behaviour which comes with experience. This experience does not have to affect the learner directly. We can learn vicariously by observing events that affect others. We also learn even when we are not trying to do so. This casual, unintentional acquisition of knowledge is known as incidental learning. Our knowledge about the world is constantly being revised as we are exposed to new stimuli and receive feedback that allows us to modify behaviour in other, similar situations. The concept of learning covers a lot of ground, ranging from a consumer's simple association between a stimulus such as a product and a response to a complex series of cognitive activities. Psychologists who study learning have advanced several theories to explain the

learning process. These range from those focusing on simple stimulus–response associations to perspectives that regard consumers as complex problem-solvers who learn abstract rules and concepts by observing others. Understanding these theories is important to marketers as well, because basic learning principles are at the heart of many consumer purchase decisions.

As Wong *et al.* wrote (2005:274) the practical significance of learning theory for marketers is that they can build up demand for a product by associating it with strong drives, using motivating cues and providing positive reinforcement. A new company can enter the market by appealing to the same drives that competitors appeal to and by providing similar cues, because buyers are more likely to transfer loyalty to similar brands than to dissimilar ones (generalization) Or a new company may design its brand to appeal to a different set of drives and offer strong cue inducements to switch brands (discrimination).

## **2.4 Attitude**

Based on Khan (2006:121) attitude is a learned predisposition to respond in a constant favorable or unfavorable manner, in respect to a given object. Marketers try to bombard consumer with information. These may have positive or negative effects.

Noel described in his book (2009:98) marketers define attitude as a general, lasting evaluation of an attitude object. An attitude object is any person, object, advertisement or issue to which you have an attitude. An attitude endures over time and it must apply to many different situations and not to a momentary event. For instance, if someone feels negatively about wine only when they see teenagers drinking, and feels positively about it on all other occasions, then they would not be described as having a negative attitude towards wine. It is important for marketers to understand how attitudes are formed and how they could be influenced since this could help them influence consumers' decisions.

### **2.4.1 The Tri-Component Model of Attitudes**

Most marketers agree that attitudes have three components: cognitive (what consumers think), affective (what consumers feel) and conative (what consumers do). Consumers decide which adverts to view, which stores to visit, which products they like and what to purchase all based on their attitudes. The thinking component of attitude consists of a consumer's cognitions: their

thoughts and beliefs about the attitude object. The feeling or 'affective' component of a consumer's attitude is evaluative in nature; it captures a consumer's overall assessment of the item in question. This assessment could be favorable or unfavorable. The doing component deals with the likelihood that the consumer will perform an action (that is purchase a product or service). In determining what consumers will do, marketers collect data about the consumer's intention to buy. It must be noted that many factors can impact on whether a consumer eventually acts on their intention; they may not, for example, have the money available. (Noel, 2009:98)

#### **2.4.2 The Functions of Attitudes**

According to Bamossy.et.al (2006:139) Consumers have attitudes towards very product-specific behaviours, as well as towards more general consumption-related behaviours .The functional theory of attitudes was initially developed by the psychologist Daniel Katz to explain how attitudes facilitate social behaviour. According to this pragmatic approach, attitudes exist because they serve a function for the person. That is, they are determined by a person's motives. Consumers who expect that they will need to deal with similar information at a future time will be more likely to start forming attitudes in anticipation of this event. Two people can each have the same attitude towards an object for very different reasons. As a result, it can be helpful for a marketer to know why an attitude is held before attempting to change it. The following are attitude functions as identified by Katz.

**Utilitarian function:** The utilitarian function is related to the basic principles of reward and punishment. Consumers develop some of their attitudes towards products simply on the basis of whether these products provide pleasure or pain. (Askagaard.et.al, 2006:139)

**Ego-defensive function:** Individuals are attracted towards products that give them protection and enhance their image in a society. It protects consumers against internal and external anxieties and environment. Here marketing stimuli and more particularly products become an instrument of the protection process, e.g., visible prestige products, mouthwash, deodorants, perfumes, make an individual more acceptable in a gathering. For instance mouthwashes are used to avoid anxiety producing situations. Creams are used for removing pimples from the face. (Khan, 2006:122)

**Value-expressive function:** Attitudes that perform a value-expressive function express the consumer's central values or self-concept. A person forms a product attitude not because of its objective benefits, but because of what the product says about him or her as a person. Value-expressive attitudes are highly relevant to lifestyle analyses, where consumers cultivate a cluster of activities, interests and opinions to express a particular social identity. (Solomon.*et.al*, 2006:139)

**Knowledge function:** Some attitudes are formed as the result of a need for order, structure or meaning. This need is often present when a person is in an ambiguous situation or is confronted with a new product .An attitude can serve more than one function, but in many cases a particular one will be dominant. By identifying the dominant function a product serves for consumers, marketers can emphasize these benefits in their communications and packaging. (K.Hogg.*et.al*, 2006:139)

### **2.4.3 The ABC Model of Attitudes and Hierarchies of Effects**

Most researchers agree that an attitude has three components: affect behaviour and cognition. Affect refers to the way a consumer feels about an attitude object. Behaviour involves the person's intentions to do something with regard to an attitude object. Cognition refers to the beliefs a consumer has about an attitude object. This model emphasizes the interrelationships between knowing, feeling and doing. Consumers' attitudes towards a product cannot be determined simply by identifying their beliefs about it. (Solomon.*et.al*, 2006:140)

#### **2.4.3.1 Levels of Commitment to an Attitude**

According to Solomon (2006:146) Consumers vary in their commitment to an attitude, and the degree of commitment is related to their level of involvement with the attitude object, as follows.

**Compliance:** At the lowest level of involvement, compliance, an attitude is formed because it helps in gaining rewards or avoiding punishments from others. This attitude is very superficial. It is likely to change when the person's behaviour is no longer monitored by others or when another option becomes available.

**Identification:** A process of identification occurs when attitudes are formed in order for the consumer to be similar to another person or group.

**Internalization:** At a high level of involvement, deep-seated attitudes are internalized and become part of the person's value system. These attitudes are very difficult to change because they are so important to the individual.

As Noel (2009:99) described two groups of variables have been shown to influence the impact of communication on consumer attitudes. First, source credibility and attractiveness is important to changing attitudes. If the information is supplied by someone that the consumer trusts and respects, then the message that they are conveying is far more likely to be given credence. For this reason, many marketing messages are presented by persons with expertise of some sort – such as a dentist extolling the virtues of Colgate toothpaste. As consumers, we must determine how believable the source is. Sources are generally credible when they possess one or more of the following: trustworthiness, expertise and/or status. The second group of variables is related to the message itself. It includes: perceptual aspects of the advertisement such as visual elements or vividness; learning and memory aspects such as repetition; one- versus two-sided arguments, or comparative advertising; and affective aspects such as emotional, sex, humor and fear appeals.

#### **2.4.4 Value Perception versus Quality Perception**

There are two major groups of perceptions motivate the international consumer to develop or modify an attitude, formulate purchase intentions, and finally to make a decision to purchase. These are value perception and quality perception. Quality perception, as Zeithaml (1988) states, is the expressed superiority or excellence of the product. When consumers evaluate the quality of products, they will use extrinsic attributes related to products and intrinsic attributes, which include the salient features of the product, among others such as the reputation, recognition, and superiority (Olson 1977; Zeithaml 1988). Intrinsic attributes are cultivated by country of origin cues and brand recognition, whereas extrinsic attributes are related to product characteristics such as size, appearance or attractiveness, and price. These influences are cultivated by the country of production. These two groups of perceptions are value perception and quality perception. Quality perception comes through three different influences: country of production, country of assembly, and extrinsic attributes of the product in question. Through the reputation of the country, product and brand continue as affective influences. In other words, quality perception does not come first, and the product must be making a powerful impact to be preferred. Of course, the ideal situation would be if value perception and quality perception work



together in the same direction. In such a case, value perceptions and quality perceptions would work jointly and create a synergistic impact. Of course, the same situation could be in the opposite direction. (Samli, 2013:64-65)

According to Huddleston et al. (2001), shows that there is a linear relationship between a country's image and consumer perceptions for the quality of goods produced in the country. Consumers may assume that more developed countries produce better quality products. Also another author suggests that country of origin effects is used as an important cue in forming positive and negative influences of a product's country of manufacture, and hence affecting decisions and purchases (Watson and Wright, 2000).

Oscar Wilde saw a major difference between price and value: "A cynic is a person who knows the price of everything and the value of nothing." An Old Russian proverb says: "There are two fools in every market one asks too little, another asks too much." Charging too little wins the sale but makes little profit. Furthermore, it attracts the wrong customers those who will switch to save a dime. It also attracts competitors who will match or exceed the price cut. And it cheapens the customer's view of the product. Indeed, those who sell for less probably know what their stuff is worth. Charging too much may lose both the sale and the customer. Peter Drucker adds another concern: "The worship of premium prices always creates a market for a competitor." The standard approach to setting a price is to determine the cost and add a markup. But your cost has nothing to do with the customer's view of value. Your cost only helps you to know whether you should be making the product in the first place. After you set the price, don't use the price to make the sale. You use the value to make the sale. As Lee Iacocca observed "When the product is right, you don't have to be a great marketer." Jeff Bezos of Amazon said: "I am not upset with someone who charges 5 percent less. I am concerned with someone who might offer a better experience." So how important is price? Christopher Fay of the Juran Institute said: "In over 70 percent of businesses studied, price scored #1 or #2 as the feature with which customers are least satisfied. Yet among switchers, in no case were more than 10 percent motivated by price!" Globalization, hyper competition, and the Internet are reshaping markets and businesses. All three forces act to increase downward pressure on prices. Globalization leads companies to move their production to cheaper sites and bring products into a country at prices lower than those charged by the domestic vendors. Hyper competition amounts to more companies competing for

the same customer, leading to price cuts. And the Internet allows people to more easily compare prices and move toward the lowest cost offer. The marketing challenge, then, is to find ways to maintain prices and profitability in the face of these macro trends. (Kotler, 2003: 138-139)

## **2.5 What Is a Price?**

According to Armstrong and Kotler (2011:290) in the narrowest sense, price is the amount of money charged for a product or a service. More broadly, price is the sum of all the values that customers give up to gain the benefits of having or using a product or service. Historically, price has been the major factor affecting buyer choice. In recent decades, non price factors have gained increasing importance. However, price still remains one of the most important elements that determine a firm's market share and profitability. Price is the only element in the marketing mix that produces revenue; all other elements represent costs. Price is also one of the most flexible marketing mix elements. Unlike product features and channel commitments, prices can be changed quickly. At the same time, pricing is the number one problem facing many marketing executives, and many companies do not handle pricing well. Some managers view pricing as a big headache, preferring instead to focus on other marketing mix elements. However, smart managers treat pricing as a key strategic tool for creating and capturing customer value. Prices have a direct impact on a firm's bottom line.

### **2.5.1 Consumer Psychology and Pricing**

According to Keller and Kotler (2012:387) many economists traditionally assumed that consumers were "price takers" and accepted prices at "face value" or as given. Marketers, however, recognize that consumers often actively process price information, interpreting it from the context of prior purchasing experience, formal communications (advertising, sales calls, and brochures), informal communications (friends, colleagues, or family members), point-of-purchase or online resources, and other factors. Purchase decisions are based on how consumers perceive prices and what they consider the current actual price to be not on the marketer's stated price. Customers may have a lower price threshold below which prices signal inferior or unacceptable quality, as well as an upper price threshold above which prices are prohibitive and the product appears not worth the money. Even in a recession, however, some companies can command a price premium if their offerings are unique and relevant enough to a large enough

market segment. Understanding how consumers arrive at their perceptions of prices is an important marketing priority. The consumers draw their perception with considering reference prices, price–quality inferences, and price endings.

### **2.5.1.1 Reference Prices**

Although consumers may have fairly good knowledge of price ranges, surprisingly few can accurately recall specific prices. When examining products, however, they often employ reference prices, comparing an observed price to an internal reference price they remember or an external frame of reference such as a posted “regular retail price.” All types of reference prices are possible, and sellers often attempt to manipulate them. For example, a seller can situate its product among expensive competitors to imply that it belongs in the same class. Department stores will display women’s apparel in separate departments differentiated by price; dresses in the more expensive department are assumed to be of better quality. Marketers also encourage reference-price thinking by stating a high manufacturer’s suggested price, indicating that the price was much higher originally, or pointing to a competitor’s high price. When consumers evoke one or more of these frames of reference, their perceived price can vary from the stated price. Research has found that unpleasant surprises when perceived price is lower than the stated price can have a greater impact on purchase likelihood than pleasant surprises. (Keller and Kotler, 2012:387)

### **2.5.1.2 Prestige Price Indicate Quality**

As Stewart et al (2000:370) discussed in their book many consumers use price as an indicator of quality. Image pricing is especially effective with ego-sensitive products such as perfumes, expensive cars, and designer clothing. A \$100 bottle of perfume might contain \$10 worth of scent, but gift givers pay \$100 to communicate their high regard for the receiver. Price and quality perceptions of cars interact. Higher-priced cars are perceived to possess high quality. Higher-quality cars are likewise perceived to be higher priced than they actually are. When information about true quality is available, price becomes a less significant indicator of quality. When this information is not available, price acts as a signal of quality. Some brands adopt exclusivity and scarcity to signify uniqueness and justify premium pricing. Luxury-goods makers of watches, jewelry, perfume, and other products often emphasize exclusivity in their

communication messages and channel strategies. For luxury-goods customers who desire uniqueness, demand may actually increase price, because they then believe fewer other customers can afford the product.

### **2.5.1.3 Price Endings**

Many sellers believe prices should end in an odd number. Price encoding in this fashion is important if there is a mental price break at the higher, rounded price. Another explanation for the popularity of “9” endings is that they suggest a discount or bargain, so if a company wants a high-price image, it should probably avoid the odd-ending tactic. One study showed that demand actually increased one-third when the price of a dress rose from \$34 to \$39 but was unchanged when it rose from \$34 to \$44. Prices that end with 0 and 5 are also popular and are thought to be easier for consumers to process and retrieve from memory.<sup>26</sup> “Sale” signs next to prices spur demand, but only if not overused. Total category sales are highest when some, but not all, items in a category have sale signs; past a certain point, sale signs may cause total category sales to fall. Pricing cues such as sale signs and prices that end in 9 are more influential when consumers’ price knowledge is poor, when they purchase the item infrequently or are new to the category, and when product designs vary over time, prices vary seasonally, or quality or sizes vary across stores. They are less effective the more they are used. Limited availability (for example, “three days only”) also can spur sales among consumers actively shopping for a product.

### **2.5.2 Major Pricing Strategies**

The price the company charges will fall somewhere between one that is too high to produce any demand and one that is too low to produce a profit. Customer perceptions of the product’s value set the ceiling for prices. If customers perceive that the product’s price is greater than its value, they will not buy the product. Product costs set the floor for prices. If the company prices the product below its costs, the company’s profits will suffer. In setting its price between these two extremes, the company must consider several internal and external factors, including competitors’ strategies and prices, the overall marketing strategy and mix, and the nature of the market and demand. There are three major pricing strategies. These are customer value-based pricing, cost based pricing, and competition-based pricing. Like everything else in marketing, good pricing starts with customers and their perceptions of value. When customers buy a

product, they exchange something of value (the price) to get something of value (the benefits of having or using the product). Effective, customer-oriented pricing involves understanding how much value consumers place on the benefits they receive from the product and setting a price that captures this value. (Armstrong and Kotler, 2012:291)

### **2.5.2.1 Cost -Based Pricing**

Cost-based pricing involves setting prices based on the costs for producing, distributing, and selling the product plus a fair rate of return for its effort and risk. A company's costs may be an important element in its pricing strategy. Some companies work to become the "low-cost producers" in their industries. Companies with lower costs can set lower prices that result in smaller margins but greater sales and profits. However, other companies intentionally pay higher costs so that they can claim higher prices and margins. There are different types of cost based pricing. (J.Etzel.et.al, 2004:331)

#### **2.5.2.1.1 Cost-plus pricing**

The simplest pricing method is cost-plus pricing, adding a standard mark-up to the cost of the product. Construction companies, for example, submit job bids by estimating the total project cost and adding a standard mark-up for profit. Lawyers, accountants and other professionals typically price by adding a standard mark-up to their costs. Some sellers tell their customers they will charge cost plus a specified mark-up. (wong.et.al, 2004:681)

#### **2.5.2.1.2 Break-Even Analysis**

Another cost-oriented pricing approach is break-even pricing or a variation called target profit pricing. The firm tries to determine the price at which it will break even or make the target profit it is seeking. Target pricing is used by General Motors, which prices its cars to achieve a 15–20 per cent profit on its investment. This pricing method is also used by public utilities, which are constrained to make a fair return on their investment. Target pricing uses the concept of a break even chart, which shows the total cost and total revenue expected at different sales volume levels. (Armstrong and Kotler, 2012:298)

### **2.5.2.2 Competition-Based Pricing**

Competition-based pricing involves setting prices based on competitors' strategies, costs, prices, and market offerings. Consumers will base their judgments of a product's value on the prices that competitors charge for similar products. In assessing competitors' pricing strategies, the company should ask several questions. First, how does the company's market offering compare with competitors' offerings in terms of customer value? If consumers perceive that the company's product or service provides greater value, the company can charge a higher price. If consumers perceive less value relative to competing products, the company must either charge a lower price or change customer perceptions to justify a higher price. Next, how strong are current competitors, and what are their current pricing strategies? If the company faces a host of smaller competitors charging high prices relative to the value they deliver, it might charge lower prices to drive weaker competitors from the market. If the market is dominated by larger, low-price competitors, the company may decide to target unserved market niches with value-added products at higher prices. (Armstrong and Kotler, 2012:299)

### **2.5.2.3 Customer value-based pricing**

Value-based pricing means that the marketer cannot design a product and marketing program and then set the price. Price is considered along with all other marketing mix variables before the marketing program is set. Although costs are an important consideration in setting prices, cost-based pricing is often product driven. The company designs what it considers to be a good product, adds up the costs of making the product, and sets a price that covers costs plus a target profit. Marketing must then convince buyers that the product's value at that price justifies its purchase. If the price turns out to be too high, the company must settle for lower markups or lower sales, both resulting in disappointing profits. Value-based pricing reverses this process. The company first assesses customer needs and value perceptions. It then sets its target price based on customer perceptions of value. The targeted value and price drive decisions about what costs can be incurred and the resulting product design. As a result, pricing begins with analyzing consumer needs and value perceptions, and the price is set to match perceived value. It's important to remember that "good value" is not the same as "low price." Companies often find it hard to measure the value customers will attach to its product. For example, calculating the cost of ingredients in a meal at a fancy restaurant is relatively easy. But assigning value to other

satisfactions such as taste, environment, relaxation, conversation, and status is very hard. Such value is subjective; it varies both for different consumers and different situations. Still, consumers will use these perceived values to evaluate a product's price, so the company must work to measure them. Sometimes, companies ask consumers how much they would pay for a basic product and for each benefit added to the offer. Or a company might conduct experiments to test the perceived value of different product offers. There are two types of value-based pricing: good-value pricing and value-added pricing. (Kotler.et.al, 2004:683)

#### **2.5.2.3.1 Good-Value Pricing**

A recent economic event has caused a fundamental shift in consumer attitudes toward price and quality. In response, many companies have changed their pricing approaches to bring them in line with changing economic conditions and consumer price perceptions. More and more, marketers have adopted good-value pricing strategies—offering the right combination of quality and good service at a fair price. In many cases, this has involved introducing less-expensive versions of established, brand-name products. Every car company now offers small, inexpensive models better suited to the strapped consumer's budget. In other cases, good-value pricing has involved redesigning existing brands to offer more quality for a given price or the same quality for less. Some companies even succeed by offering less value but at rock-bottom prices. (Armstrong and Kotler, 2012:292)

#### **2.5.2.3.2 Value-Added Pricing**

Value-based pricing doesn't mean simply charging what customers want to pay or setting low prices to meet competition. Instead, many companies adopt value-added pricing strategies. Rather than cutting prices to match competitors, they attach value-added features and services to differentiate their offers and thus support higher prices. For example, at a time when competing restaurants lowered their prices and screamed "value" in a difficult economy, fast-casual chain Panera Bread has prospered by adding value and charging accordingly. (Armstrong and Kotler, 2012:292)

### **2.5.3 New-Product Pricing Strategies**

Pricing strategies usually change as the product passes through its life cycle. The introductory stage is especially challenging. Companies bringing out a new product face the challenge of setting prices for the first time. They can choose between two broad strategies: market-skimming pricing and market-penetration pricing. (Armstrong and Kotler, 2012:314)

#### **2.5.3.1 Market-Skimming Pricing**

Many companies that invent new products set high initial prices to “skim” revenues layer by layer from the market called market-skimming pricing (or price skimming). When Apple first introduced the iPhone, its initial price was as much as \$599 per phone. Apple skimmed the maximum amount of revenue from the various segments of the market. Market skimming makes sense only under certain conditions. First, the product’s quality and image must support its higher price, and enough buyers must want the product at that price. Second, the costs of producing a smaller volume cannot be so high that they cancel the advantage of charging more. Finally, competitors should not be able to enter the market easily and undercut the high price. (W.Stuart *et.al*, 2003:379)

#### **2.5.3.2 Market-penetration pricing**

Rather than setting a high initial price to skim off small but profitable market segments, some companies use market-penetration pricing. They set a low initial price in order to penetrate the market quickly and deeply – to attract a large number of buyers quickly and win a large market share. The high sales volume results in falling costs, allowing the company to cut its price even further. The high volume results in lower costs that, in turn, allow the discounters to keep prices low. Several conditions favor setting a low price. First, the market must be highly price sensitive, so that a low price produces more market growth. Second, production and distribution costs must fall as sales volume increases. Finally, the low price must help keep out the competition and the penetration pricer must maintain its low-price position– otherwise the price advantage may be only temporary. (Saunders.*et.al*, 2004, 690)



## **2.6 Social criticisms of marketing**

As Kotler.*et.al* (2004:170) highlighted Marketing receives much criticism. Some of this criticism is justified; much is not. Social critics claim that certain marketing practices hurt individual consumers. Consumers, consumer advocates, government agencies and other critics have accused marketing of harming consumers through high prices, deceptive practices, high-pressure selling, shoddy or unsafe products, planned obsolescence and poor service to disadvantaged consumers. Many critics charge that marketing practices raise the cost of goods and cause prices to be higher than they would be under more 'sensible' systems. They point to three factors: high costs of distribution, high advertising and promotion costs and excessive mark-ups. Marketers respond by saying that consumers can usually buy functional versions of products at lower prices. However, they want and are willing to pay more for products that also provide psychological benefits that make them feel wealthy, attractive or special. Brand name products may cost more, but branding gives buyers assurances of consistent quality. Heavy advertising adds to product costs but is needed to inform millions of potential buyers of the availability and merits of a brand. Excessive mark-ups Critics also charge that some companies mark up goods excessively. They point to the drug industry, where a pill costing 10 cents to make may cost the consumer a 4 birr to buy. Marketers respond that most businesses try to deal fairly with consumers because they want repeat business. Most consumer abuses are unintentional. Marketers also stress that consumers often don't understand the reason for high mark-ups. For example, pharmaceutical mark-ups must cover the costs of purchasing, promoting and distributing existing medicines, plus the high research and development costs of formulating and testing new medicines. Marketers are sometimes accused of deceptive practices that lead consumers to believe they will get more value than they actually do.

## **CHAPTER THREE**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

This part of the research paper deals with presentation, analysis and interpretation of the collected data through questionnaire and interview.

The primary data that was used for this research study was collected from two categories of respondents. The first categories were the consumers, addressed by distributing questionnaire and the second groups were the sales pharmacists that are addressed using interview.

225 Questionnaires were distributed to drug consumers who are found in Addis Ababa. Out of 225 copies of questionnaires distributed 197 (87.5%) were filled out and returned. Interview was conducted with 25 selected sales pharmacists.

The data which was gathered through closed ended questions was analyzed and presented in table, graph and the data which was gathered through open ended questions and interviews was narrated to support the findings of the quantitative once.

### 3.1 Analysis of Respondents General Characteristics

**Table 1: General Characteristics of Respondents**

<b>Item No.</b>	<b>Item</b>	<b>Description</b>	<b>No. of respondents</b>	<b>Percentage ( % )</b>
1.	Sex	Male	86	43.7
		Female	111	56.7
		Total	197	100
2	Age	<18	28	14.2
		18-30	120	60.9
		31-43	17	8.6
		44-56	7	3.6
		Missing	25	12.7
		Total	197	100.0
3	Monthly income	<500	45	22.8
		500-1500	39	19.8
		1501-2500	34	17.3
		2501-3500	10	5.1
		>3500	47	23.9
		Missing	22	11.2
		Total	197	100
4	Educational background	Illiterate	14	7.1
		Elementary	48	24.4
		9-12	60	30.5
		Diploma	27	13.7
		Degree and above	48	24.4
		Total	197	100
5.	Profession	Health	9	4.6
		Non-health professionals	73	37.1
		Non professional	115	58.4
		Total	197	100

As it is illustrated in the table 1 in item number 1 in the previous page, out of 197 respondents 86(43.7%) were found to be male and 111(56.3%) of them were found to be females. This implies that more number of females was participated in this research.

In table one item number two in previous page, indicate the age structure of respondents, 28 (14.2%) of the respondent were younger than 18 years old; 120(60.9) were found between the age of 18-30 years old; 17(8.6%) of them found on age range of 31-43; 7(3.6%) of the respondent were older than 44 years old. This tells for the student researcher more than half of the respondents ages were between 18-30 and they can be near for update information.

From table 1 item number 3 in previous page, the high number of respondents 47(23.9%) earn monthly income greater than 3500 and 45(22.8%) of the respondent earn monthly income less than 500, but 83(53.3%) monthly income range between 500 -3500. The student researcher can infer that from research finding most of the research participants monthly income range between 500 and 3500 Ethiopian birr.

On the table one item number 4 in previous page, the educational background implies that the respondent, 14(7.1%) of them are illiterate; 48(24.4%) of them are elementary school; 60(30.5%) of them are in range of 9-12 grade; 27(13.7%) of them are diploma holder and 48(24.4) of them are educational background of degree or above degree. This shows the student researcher includes respondents from all educational background level.

### 3.2 Analysis on Major Findings Directly Related to the Study

The following part covers responses obtained from consumers and sales pharmacists who are essential for the analysis of the stated problem and in order to articulate their responsive interpretation.

**Table: 2 Consumers' Perception about Equal Effectiveness of Domestic Drugs, A.A, 2014**

No.	Statement	Level of agreement	Frequency	Percent (%)
1	Domestically manufactured drug have equal effectiveness as imported drugs.	Strongly agree	25	12.7
		Agree	17	8.6
		Neutral	47	23.9
		Disagree	80	40.6
		Strongly disagree	28	14.2
		Total	197	100.0

According to table two of item 1 consumers were asked to indicate their level of agreement whether domestically manufactured drugs have equal effectiveness as imported drug, 25(12.7%) of them said they strongly agree; 17(8.6%) of them said they agree; 47(23.6%) of them said neutral; 80(40.6%) of them said they disagree and 28(14.2%) of them said they strongly disagree. above result tells for the student researcher that more than half 108(54.8%) are disagree or strongly disagree about the equal effectiveness of domestically manufactured drugs compared to imported once. As Huddleston et al., (2001) states, consumers may assume that more developed countries produce better products. Also it might be due to lack of consumers' awareness regarding to standards of drug manufacturing company or they might have from their prior experience.

**Table 3 Consumers' Perception for Better Effectiveness of Domestic Drugs, A.A, 2014**

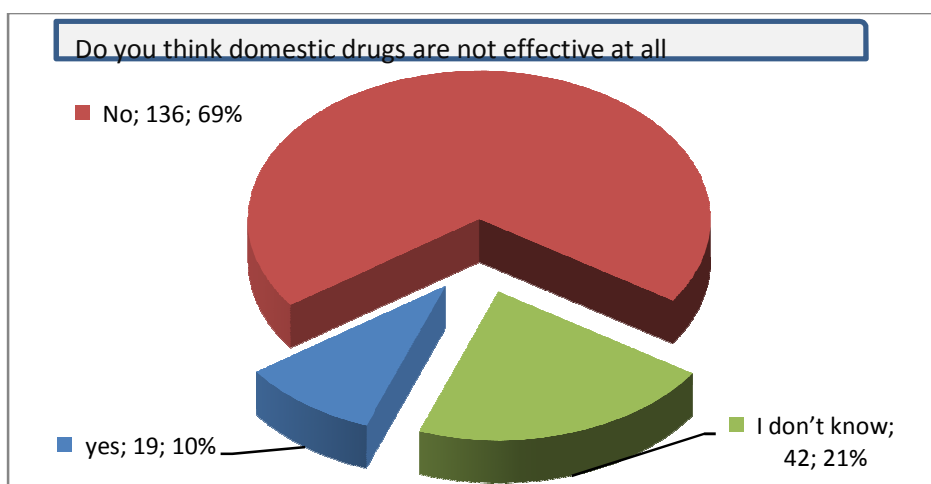
No.	Statement	Level of agreement	Frequency	Percent (%)
2	To what extent do you agree that domestic manufactured drugs have better effectiveness than imported drugs	Strongly agree	6	3.0
		Agree	14	7.1
		Neutral	34	17.3
		Disagree	107	54.3
		Strongly disagree	36	18.3
		Total	197	100.0

As it shown in table 3 in the above, consumers were asked to what extent they agree about the domestic manufactured drugs have better effectiveness than imported drugs, 6(3.0%) of them indicated that they strongly agree, 14(7.1%) said they agree, 34(17.3%) said they are neutral, 107(54.3%) said they disagree and 36(18.3%) said they strongly disagree. Based on data indicated above the student researcher can infer that only 20(10.1%) of the respondent strongly agree or agree about better effectiveness of domestic product. This may be due to that consumers relate countries technological advancement with its quality of product because Huddleston et al. (2001), shows that there is a linear relationship between a country's image and consumer perceptions for the quality of goods produced in the country. Consumers may assume that more developed countries produce better quality products. Also according to Watson and Wright (2000) suggests that country of origin effects is used as an important cue in forming positive and negative influences of a product's country of manufacture, and hence affecting decisions and purchases.

**Table 4 Consumers' Perception about Inferior Effectiveness of Domestic drugs, A.A, 2014**

No.	Statement	Level of agreement	Frequency	Percent (%)
3	Domestically manufactured drugs have lesser effectiveness than imported drugs	Strongly Agree	25	12.7
		Agree	61	31.0
		Neutral	30	15.2
		Disagree	49	24.9
		Strongly Disagree	31	15.7
		Missing Value	1	0.5
		Total	197	100.0

As it is depicted in table 4, consumers were asked to indicate their level of agreement about domestically manufactured drugs lesser effectiveness than imported drugs. From total respondent 25(12.7%) of them strongly agree, 61(31.0%) of them agree, 30(15.2) of them were neutral, regarding to the lesser effectiveness of domestic drugs compared to imported alternatives but 49(24.9%) of them were disagree and 31(15.7) of them were strongly disagree about lesser effectiveness of domestic drugs. Based on the aforementioned data we can deduce that significant number of respondents that is 86(43.7%) of the respondents disagree or strongly disagreed. The student researcher can conclude that more than half of the consumer perceive domestic drug either better or equal effective



**Figure 1 Consumers' Perception on Effectiveness of Domestic Drugs, A.A, 2014**

According to the data indicated in the pie chart in the previous page, respondents were asked to indicate whether domestically produced drugs are not effective at all and 19(10%) of them were perceive as it is not effective at all, 136(69%) of them were don't think as at is no effective at all but 42(21%) of them were faced difficulty on deciding on the topic. Based on the data indicated above the student researcher can infer that majority of the respondents didn't think domestically manufactured drugs are not effective at all but one out of ten consumers perceive as domestic drugs are not effective at all.

Among 197 respondent consumers 19(10%) were perceive that domestically manufactured drugs are not effective at all. The student researcher try to find out the major reasons behind some consumers hold an attitude of domestic drugs as ineffective at all. According to the finding, the majority of respondents' reasons were due to lack of quality and effectiveness of domestic drugs but there are also some respondents who mention insufficient technological advancement and trained human resource.

During interview with the sales pharmacist they were asked about the effectiveness of domestic drug and majority (20 out of 25) of the pharmacist respond that domestic drugs have almost comparable effectiveness, 5 of them as inferior effectiveness that of imported drugs but none of the pharmacist respond as domestic drugs superiority regarding their effectiveness. The pharmacists were asked how their customers' perceive effectiveness of domestic drugs and they replied majority of customers don't trust and buy domestic drugs unless they don't have money.



**Table 5 Consumers' Perception regarding to the Affordability of Domestic drugs, A.A, 2014**

No	Statement	Level of agreement	Frequency	Percent (%)
6	Domestic manufactured drug are more affordable	Strongly agree	58	29.4
		Agree	96	48.7
		Neutral	20	10.2
		Disagree	20	10.2
		Strongly Disagree	3	1.5
		Total	197	100.0

As it presented in the above table 5, out of 197 respondents, 58(29.4%) were strongly agree, 96(48.7%) were agree, the statement domestic manufactured drugs are more affordable, but 20(10.2%) were disagreed and 3(1.5%) were strongly disagreed while 20(10.2%) of them were indifferent. The result signifies that 154(78.1%) of consumer respondents said they have no affordability problem to use the domestic drugs.

**Table 6 Consumers' Perceptions on Domestic drugs are for Poor, A.A, 2014**

No	Statement	Level of agreement	Frequency	Percent (%)
7	Domestic manufactured drugs are only meant for poor people	Strongly agree	9	4.6
		Agree	14	7.1
		Neutral	21	10.7
		Disagree	117	59.4
		Strongly Disagree	36	18.3
		Total	197	100.0

According to findings of table 6, 9(4.6%) respondents point out that they strongly agree, 14 (7.1%) respondents were agreed, 21(10.7%) respondents were neutral, 117(59.4%) respondents disagreed and 36(18.3%) respondents were strongly disagree for the statement domestic drugs are only meant for poor. Based on the aforementioned data the student researcher can infer that majority 153( 77.7%) of the respondents don't perceive as domestic drugs are meant for poor.

**Table 7 Consumers' Perceptions on Domestic Drugs' Side Effect, A.A, 2014**

No	Statement	Level of agreement	Frequency	Percent (%)
8	To what extent do you agree that domestically manufactured drugs have more side effects	Strongly agree	9	4.6
		Agree	33	16.8
		Neutral	42	21.3
		Disagree	88	44.7
		Strongly Disagree	25	12.7
		Total	197	100.0

As it is presented in table 7 the respondent were asked to indicate whether the domestic manufactured drugs have more side effect and 9(4.6%) of them strongly agreed, 33(16.8 %) of them agreed, 42(21.3%)of them neutral, 88(44.7) of them disagreed and 25(12.7%) of them strongly disagreed. This research finding shows that 42(31.4 %) of the respondents' believe that domestic manufactured drugs have more side effect than imported drugs. This may lead consumers to turn their eyes in to imported drugs because according Zeithaml (1988) Perceived quality is defined as a buyers' evaluation of a product's cumulative excellence.

**Table 8: Consumers' Perceptions about the Quality of Domestic Drugs, A.A, 2014**

No	Statement	Level of agreement	Frequency	Percent (%)
9	Domestically manufactured drugs have equal quality as imported drugs	Strongly agree	11	5.6
		Agree	32	16.2
		Neutral	38	19.3
		Disagree	102	51.8
		Strongly Disagree	14	7.1
		Total	197	100.0

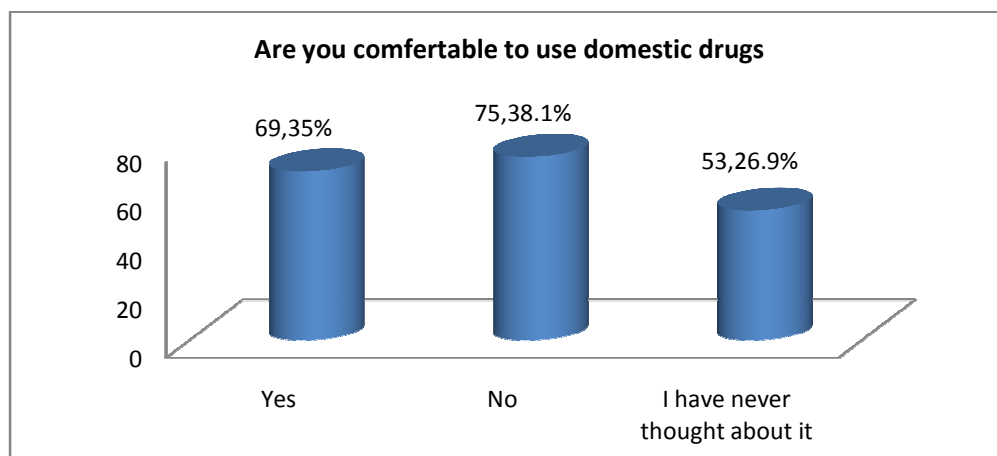
According to table eight in the above page, consumers were asked to indicate their level of agreement about domestically manufactured drugs have equal quality as imported drug. From respondent response shows that 11(5.6%) of them were strongly agreed; 32(16.2%) of them

were agreed; 38(19.3%) of them were neutral; 102(51.8%) of them were disagreed and 14(7.1 %) of them were strongly disagreed. Also the sales pharmacists were asked; how consumers rate the quality of the domestic drug and the pharmacist replied the consumers don't like the domestic drugs starting from the packaging. Based on the above data the student researcher infer that majority of respondents (58.9%) were not comfortable with quality of domestic drugs. This may be from consumers' experience of inferior quality product from local company or from economic development biased. Since according to Huddleston et al. (2001), shows that there is a linear relationship between a country's image and consumer perceptions for the quality of goods produced in the country. Consumers may assume that more developed countries produce better quality products. Another author suggests that country of origin effects is used as an important cue in forming positive and negative influences of a product's country of manufacture, and hence affecting decisions and purchases (Watson and Wright, 2000).

**Table 9: Consumers' Perceptions Regarding to Quality control of domestic drugs, A.A, 2014**

No	Statement	Level of agreement	Frequency	Percent (%)
10	What do you think about the regular quality check for domestically manufactured drugs from regulatory body?	very good	15	7.6
		good	62	31.5
		medium	66	33.5
		weak	43	21.8
		very weak	11	5.6
		Total	197	100.0

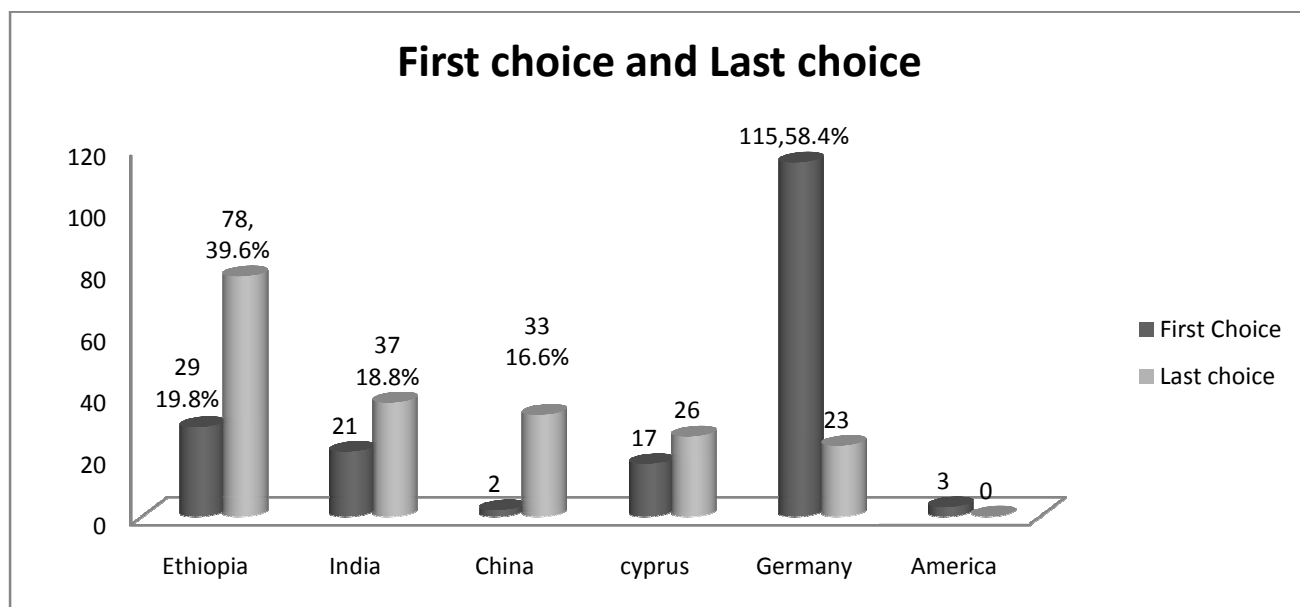
As it is presented in table nine, the respondent were asked to rate regular quality control for domestic drugs and 15(7.6%) were rated as very good, 62(31.5%) were rated as good, 66(33.5%) were rated as medium, 43(21.8%) were rated as weak and 11(5.6%) were rated as very weak. The student researcher can understand more than quarter (27.4%) of respondents have problem related to quality control.



**Figure 2 Consumers Comfortably to Use Domestic Drugs, A.A, 2014**

As of chart 2 in above page presented, consumers were asked to weather they are comfortable to use domestic drugs or not and 69(35%) of them are comfortable, 75(38.1%) not comfortable but 53 (26.9%) of them never thought about It. More number of consumers was not comfortable to use domestically manufactured drugs.

75 out of 197 respondent were not comfortable to use domestically produced drugs, their major reason for not to use domestic drug were, perception of as compromised quality, lack effectiveness, have more side effect and not recommend by health professional to use it were the major reasons according to decreasing order. From the above data the student researcher can infer that the major reasons behind not comfortable to use domestic drugs were related to problems of quality, effectiveness, side effect, and lack of recommendation by health professionals.



**Figure 3 Consumers' Drug Selection Based on Country of Production, A.A, 2014**

The above figure 10, shows respondents' choice when they buy a drug, most of the respondent 115(58.4%) choose Germany origin as first choice but only some individuals (19.8%) set their first choice Ethiopian origin drug.

To triangulate the consumers selection with their response, the pharmacists were interviewed how frequent the consumer ask domestic drug and how often the sales pharmacist give for consumers as first choice. Most of the pharmacist respond, majority number of consumers don't know what kind of alternative is available in market and they take mostly what the pharmacists give them but if they know it is from local company or from India origin they don't like it and they seek other alternative. But there are some consumers who have awareness about the possible alternative brand and they ask you by naming the specific country rather than the brand. Unlike to other group of drug majority of the consumers need to take domestic produced paracrtamol. 17 out of 25 pharmacists replied they don't give their consumers domestically manufactured drugs as first choice because consumers don't like it.

Respondents' were asked the reason why they put their selected brand as their first choice, because they perceive as they have better effective than other, it is quality, minimum side effect, immediately effective, to encourage domestic company and its cheapness were respondents major concern according to decreasing frequency. The major reason given why respondent put as

Ethiopian products' first choice were to support domestic product followed by its cheapness. According to the above finding the student researcher can understand that consumers have no confidence on quality of domestically produced drugs.

As it is shown in the graph figure 3 in the previous page, consumers last choice brand drugs from total, 78(39.6%) prefer from Ethiopia, 37(18.8%) from India, 33(16.6%) from China, 26(13.2%) from Cyprus and 23(11.7%) from Germany.

Respondent were asked the reason why they put their selected brand as their last choice and replied as because they believe it has lesser effectiveness, have no other alternative, lack quality, due to cost were respondents reason according to decreasing frequency. The major reasons given why respondent put as Ethiopian products for last choices were due to compromised quality and cost related. From the finding the reason why consumers put Ethiopian origin drugs as last choice was quality related concern.

**Table 10 Consumers, Perception of Price with Effectiveness, A.A, 2014**

No	Statement	Level of agreement	Frequency	Percent (%)
17	When the price of the drug increases the effectiveness will also increase.	Strongly agree	17	8.6
		Agree	35	17.8
		Neutral	34	17.3
		Disagree	79	40.1
		Strongly Disagree	32	16.2
		Total	197	100.0
18	Low priced drugs have equal effectiveness as expensive ones.	Strongly agree	23	11.7
		Agree	33	16.8
		Neutral	57	28.9
		Disagree	64	32.5
		Strongly Disagree	20	10.2
		Total	197	100.0

Table 10 in the previous page item 17, shows the response for the statement ‘‘ when the price of the drug increases the effectiveness will also increase’’ from total respondents 17(8.6%) of them were strongly agreed, 35(17.8%) of them agreed, 34(17.3%) neutral, 79(40.1%) were disagreed and 32(16.2%) of them were strongly disagreed. The above research finding tells more than half (56.3%) of the respondents did not perceive direct relationship existence of price with effectiveness.

In the same table item 18 in the previous page, response for statement, ‘‘low priced drug have equal effectiveness as expensive ones’’, it shows 23(11.7%) of consumers were strongly agreed, 33(16.8%) consumers were agreed, 57(28.9%) consumers were neutral, 64(32.5%) consumers were disagreed whereas 20(10.2%) were strongly disagreed. The result shows only 56(28.5%) strongly agreed or agreed the existence of similar effectiveness on low and high priced drug. The student researcher can infer from the above result, that majority of the consumers did not perceive the price direct relationship with effectiveness. But, 26.4% of consumers perceive direct relationship. In addition only near to quarter consumers perceive expensive and cheap drugs have similar effectiveness. This may be from that consumers perceive that prestige price as quality indicator According to Noel (2009:92) some may think of a high price as a good quality product from a big company or a prestigious product and brand

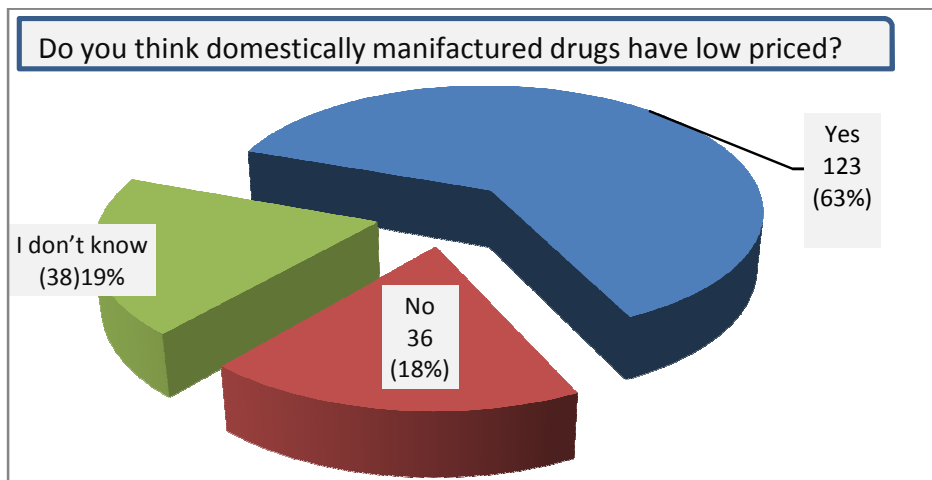
**Table 11: Consumers’ Perception of Price Relationship, A.A, 2014**

No	Statement	Level of agreement	Frequency	Percent (%)
19	Price does not have relationship with the drug’s effectiveness.	Strongly agree	55	27.9
		Agree	49	24.9
		Neutral	32	16.2
		Disagree	43	21.8
		Strongly Disagree	18	9.1
		Total	197	100.0

According to table 11 the consumers were asked to indicate their level of agreement for the statement ‘‘price do not have relationship with the effectiveness ’’, and from total respondents 55(27.9%) were strongly agreed, 49(24.9%) agreed, 32(16.2%) were neutral, 43(21.8%)

disagreed and 18(9.1%) are strongly disagreed. Based on the result the student researcher can infer that 61(30.9%) consumers perceive price relationship with its effectiveness.

During interview period with pharmacist, price related questions were asked specifically how the consumers react to wards cheap and expensive drug alternatives and 18 out of 25 pharmacist replied ‘‘when they provide alternative for their customers cheap and expensive drugs more number of consumers prefer expensive one, if they have no economic problem but if the consumers have economic problem they need further information from professionals regarding to their difference and decide based on information they got. But 7 pharmacists replied they did not observe any major difference. Therefore based on the above data student researcher can infer significant number of consumers associate price with its effectiveness. As Stewart *et al.*, (2000) discussed in their book many consumers use price as an indicator of quality. But when information about true quality is available, price becomes a less significant indicator of quality. When this information is not available, price acts as a signal of quality.



**Figure 4 Consumers' Response on Price of Domestic Drugs, A.A, 2014**

From figure 4 result the respondent were asked their response for the statement ‘‘Do you think domestically manufactured drugs have low price? And consumers replied 123(63%) of them replied yes, 36(18%) of them replied no while 38(19%) of them replied as they don't know whether the price is expensive or not. The above result tells for student researcher price more than half of consumers perceive as domestic drugs are cheap.



When the consumer were asked in the previous question 17, 18 and 19 on the price perception, 26.4 % of consumer assume when the price increase the effectiveness increased as the same time 42.7 % of consumer don't agree with low priced drug's effectiveness as expensive one and 30.9 % consumer believe price have relationship with its price but 62.4 % of consumer understand as domestic drugs are cheap. Since consumer have negative attitude about low priced drug and more than half of the consumers most probably have distorted perception for domestic drug due to only pricing related problem. As Stewart *et al.*, (2000) discussed in their book many consumers use price as an indicator of quality.

The consumer were asked what they perceive when the price of a drug is expensive and cheap, they forwarded their reasons. When the price increases they perceive as quality and effectiveness increase, the active ingredients increase that of low priced one. Some respondent understood the price variation is due to marketing related costs and that don't have any relationship its effectiveness. The reverse is true for cheap drug

The consumer were asked about the major difference between domestic produced drug and imported one, they mentioned price, quality, immediate effectiveness, packaging, easiness to use , side effect, colure and flavor are the major reasons forwarded from respondents as major difference. From consumers' response some of them put packaging and price as major difference between domestic drug and imported drugs. From the above finding student researcher can infer that consumers perceive marketing related differences like packaging and the pricing strategy.

A good package draws the consumer in and encourages product choice. In effect, they can act as 'five-second commercials' for the product ( kotler and keller,2012:346) .

## Chapter Four

### Summary, Conclusions and Recommendations

This part of the research paper incorporates summary, conclusion and recommendation of what has been studied so far.

#### 4.1 Summaries of the Major Findings

- Out of 225 copies of questionnaires distributed 197 (87.5%) were filled out and returned. Out of total respondent the research has addressed slightly bigger number of female and also the age structure shows the more number of respondents were categorized in the age range of 18-30; the majority respondent income range between 500 to 3500 and with educational background from all level.
- From the response, 108(54.4%) of them strongly disagreed or disagreed about the equal effectiveness of domestic products.
- From 197 respondents, 143 (72.6%) are strongly disagreed or disagreed about the better effectiveness of domestic drugs.
- From total 197 respondents 86(43.7%) strongly disagreed or disagreed that the domestic drugs have lesser effectiveness compared to other.
- From total 197 responses, 19(10%) consumers perceive domestic drugs are not effective at all. The majority of respondents' reasons why they think as if domestic drugs are not effective at all were due to lack of quality and effectiveness of domestic drugs.
- Out of 100 % respondents 78.1% of consumers were strongly agreed or agreed that domestic drugs are affordable.
- 23 (11.7 %) of the respondent are strongly agreed or agreed to domestic drugs are only meant for poor.
- Regarding to the side effect of domestic drug 42(31.4 %) of the respondents' believe that domestic manufactured drugs have more side effect than imported drugs.
- When consumers were asked the quality of domestic drugs, result shows that majority 58.9% of them don't agree the equal quality of domestic produced drugs but only few of them.

- When the consumers grade the strength of regular quality control for domestic drugs, 15(7.6%) as very good, 62(31.5%) as good, 66(33.5%) medium, 43(21.8%) as weak and 11(5.6%) as very weak based on their assumption.
- 75 out of 197 respondent were not comfortable to use domestically produced drugs, their major reason for not to use domestic drug were, they thought as compromised quality, lack effectiveness, have more side effect that of imported drugs.
- Out of 197, most of the respondent 115(58.4%) choose Germany origin as first choice but 78 (39.6%) prefer from Ethiopia, 37(18.8%) from India, 33(16.6%) from China, 26(13.2%) from Cyprus and 23(11.7%) from Germany as their last choice when they buy drug.
- 17(8.6%) strongly agree, 35(17.8%) agree, 34(17.3%) neutral, 79(40.1%) disagree and 32(16.2%) are strongly disagree for the statement “When the price of the drug increases the effectiveness will also increase”.
- From all respondent 23(11.7%) strongly agree, 33(16.8%) agree, for low priced drug have equal effectiveness as expensive one but 57(28.9%) neutral, 64(32.5%) disagree and 20(10.2%).
- Out of 197 respondent 61(30.9%) consumers believe that there is relationship price with its effectiveness.
- The consumers were asked about the price of domestic drug and the replied 123(62.4%) as cheap, but not the rest.

## 4.2 Conclusions

Depending on the findings discussed in previous page the following conclusions are drawn.

- Findings of the research portray that majority consumers have no affordability problem regarding to domestic drugs but some of the respondent perceive as domestic drug are only meant for poor. This shows that some consumers hold attitudes of locally produced drugs are designed only for poor. Therefore when consumers' purchasing power increased most probably will not buy the domestic drug.
- In addition, significant numbers of respondents perceive when the prices of drug increase effectiveness also increase. In addition to this some consumers perceive cheap drugs are not effective as expensive one. The research indicates that significant consumers assume domestic drugs are cheap and as if they are designed for poor with lower quality. This shows that domestic drug companies might have a gap in pricing strategy or in communication strategy.
- In line with research findings near to one third of the respondents' believe that domestic manufactured drugs have more side effect than imported drugs. In addition majorities of the respondent disagree or strongly disagree about the comparative quality of domestic drugs. There are also more than quarter respondent who have fear of related to regular quality control of domestic drugs.
- Majority of consumers were not comfortable to use domestically produced drugs and their major reason for not to use domestic drug were due to compromised quality, lack effectiveness, side effect and not recommend by health professional to use it were in decreasing order. All the above reasons can be possible hindrances for consumer not to use domestic drugs unless better effort is done to minimize consumers' perception gap between domestic and foreign drugs. In line to this research finding consumers have negative attitude regarding to the effectiveness, price and quality.

- Findings of the research tell that more than half of the respondents understand as if there is effectiveness difference between domestic and imported drugs also majority respondents strongly disagreed or disagreed about better effectiveness of domestic products but majority of respondent agreed about the inferior effectiveness of domestic drugs while few of the respondent holds an attitude of domestic produced drugs are not effective at all. These indicate that the consumers have over all negative attitudes about the effectiveness of domestic drugs and they perceive as domestic drugs have lesser effectiveness compared to imported drugs.

### **4.3 Recommendations**

Based on the major research findings that have been discussed so far the following points are recommended by the student researcher.

- All domestic drug companies coordinated effort is needed to build their brand in minds of consumers since the research indicates that the consumers have over all negative attitudes about the effectiveness of domestic drugs and they perceive as domestic drugs have lesser effectiveness compared to imported drugs.
- The consumers lack of confidence might be due to serotype or based on facts, therefore the concerned body need to assure the efficacy of the domestic drugs and need to assure the public to build consumers confidence.
- Research finding shows there is miss interpretation of pricing marketing mix. Therefore companies need to evaluate their pricing strategy and the way they communicate it.
- Since there are significant number of consumers who have doughty about the quality and regular quality control of domestic drugs, the drug regulatory body need to strengthen its capacity and disclose the information for the public what they do regarding the regulatory aspect of domestic drugs.

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**Appendices**

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## **List of Abbreviation and Acronyms**

**A.A = Addis Ababa**

**FDA= Food and Drug Administration**

**FMHACA= Food, Medicine and Health Care Administration and Control Authority**

**WHO = World Health Organization**