

DETERMINANTS OF FRUIT MARKET PRICING THE CASE OF BANANA
ANDORANGE (IN WOLKITE TOWN)



WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS
DEPARTEMENT OF MARKETING MANAGEMENT
DETERMINANTS OF FRUIT MARKET PRICING THE CASE OF
BANANA ANDORANGE (IN WOLKITE TOWN)

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BY

FIKIRTE HAILU

ADVISOR

ZINABU GIRMA(MA)

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WOLKITE

ETHIOPIA

Endorsement

This research paper has been submitted to Wolkite university, college of business and economics, department of marketing management for the examination with my approval as advisor.

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Name of advisor

signature

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ABSTRACT

This research project was conducted in Wolkite town on determinant of fruit market price in the case of banana. Fruit is economically important commodities there is no study made on fruit market pricing to identifying the key determinant of fruit market pricing in the town. The study focuses mainly to answer the question, what are the main determinants that influence fruit market pricing in the town? The overall objective of the study is to identify the factors influencing fruit market pricing in the study area in order to achieve these objectives the researcher use descriptive techniques to analyze as the collected data Traders obtain market information on fruit supply demand and price from other traders, government and other sources. The majority of fruit retailers in the terminal market are characterized by containershops for trading fruit purchased from wholesalers or farmers. The major findings that the researcher concludes are seasonality of production, nature of banana fruit, labor cost, transportation cost, are the major determinant that affect banana price since fruit is perishable product, Market information is not disseminating in the same way for market participants.

CHAPTER ONE

1. INTRODUCTION

This paper includes the background of the study, statement of the problem, research question, general objective, significance of the study, scope of the study and organization of the study.

1.2. BACKGROUND OF THE STUDY

Banana (*Musa spp.*) is a crop of major economic importance in the world. It is the fourth most important crop of the food market next to rice, wheat, and maize. Increasing market participation among smallholder farmers has a big potential to uplift living standards of poor through increasing production and consumption pattern. Although, smallholder farming made 95% of total crop production in Ethiopia, they are exposed to a marketing bottleneck that hinders benefits from their produce and also market participation in rural households is vital strategy in assuring better income and a key factor to lifting rural households. This research project will be conducted in Wolaita town on determinant of fruit market price in the case of banana. The study focuses mainly what are the main determinants that influence fruit market pricing in the town? The overall objective of the study is to identify the factors influencing fruit market pricing. The major findings that the researcher concludes are seasonality of production, nature of banana fruit, labor cost, transportation cost, are the major determinant that affect banana price.

Pricing is one of the most important factors determining the success of any fruit or encompassing all of the operations and decisions made by producers. These decisions range from identifying the most profitable crop for production to deciding how the product will be delivered to buyers efficiently and economically while maintaining product quality. Pricing does not begin before crops are produced. Instead, pricing activities need to be considered well in after the production takes place (Harper, K. and B. White, Gerald 2005).

Although horticultural crops are important for health and economy the amount and mode of production is still weak in Ethiopia. Horticultural crops can be differentiated as fruit/permanent crops and fruits/short season crops. Accordingly permanent crops are long term crops that occupy the field planted for a long period of time and largely harvested every year and do not have to be replanted for several years after each harvest. These include tree crops, coffee, orange, bananas, papayas, chat, avocados etc...

The trees that yield fruits like orange, mangos, papayas and others are known as fruit trees (CSA, 2001/02). Diversification in to horticultural crops is becoming attractive for many poor farmers around the world. Worldwide production of fruit has grown faster than that of cereal crops, albeit from a much

lower base. According to Mohammed and Greenhalgh (2007), the domestic production and consumption of fruit and vegetables is growing in Ethiopia. Unlike the developed countries; the per capita consumption of vegetables and fruits in the developing world has been reported as only 100g (Messian, 1992 as cited by Idah, Ajisegiri and Yisa, 2007). It is inevitable that fruits and vegetables have a great nutritional value. They are rich in and are important sources of vitamins and minerals. Thus, it is wise to increase intake of fresh produces along with the normal food stuff.

1.3. STATEMENT OF THE PROBLEM

As mentioned by (Kamrul, 2010), the contribution of fruits and vegetables for ensuring food and nutritional security remains very important. But, as reported by (APO, 2006) in many countries on average there is a high proportion of edible food wastes which is between 10 and 40% before it reaches to consumers. However, despite the food shortage reported in many developing countries, heavy losses of fruits and vegetables are reported due to inappropriate handling and distribution practices which lie 5-20% in developed countries and 20-50% in developing countries (Mashav, 2010).

There are different market pricing problems and challenging in fruit market pricing. Among these are storage cost, distance between producer and wholesaler, disease, labor cost, seasonality of production means when we see the demand of fruit market is stable all year round but the production is seasonal, distribution, weather condition, number of wholesaler and retailers, transportation cost, nature of product and other political and economic situation can influence the price of fruit market, marketing information, organized market system from the market side are the main ones. Those factors listed in the above have direct and indirect effect on fruit market. Thus, information's on factors that affect competitiveness of fruit and fruit market pricing are essential for the design of strategy on policy that improve the efficiency of fruit and fruit market pricing system. Fruits are economically important commodities. It is essential that the marketing system of commodities like fruit and fruits operate efficiently (Adugna, 2009).

Therefore, this study will attempt to identify determinants of fruit pricing and the inherent pricing problems of perishable produces especially in handling and distribution of fruits and vegetables in Ethiopian Fruits and Vegetables Marketing S.C the case of wolkite.

1.4. RESEARCH QUESTION

1.4.1. Main question

- To address what are the main determinants those influence fruit market pricing in wolkite town?

1.4.2. Sub research question

- What are the main determinants of market pricing of fruit?
- What are the main determinants those influence fruit market pricing in wolkite town?

1.5. RESEARCH OBJECTIVE

1.5.1. THE GENERAL OBJECTIVE

To address what are the main determinants those influence fruit market pricing in wolkite town

1.5.2. The SPECIFIC OBJECTIVE

to address what are the main determinants of market pricing of fruit

to address the main determinants those, influence fruit market pricing in wolkite town?

1.6. SIGNIFICANCE OF THE STUDY

The study may be provide to both researchers and non- researchers such as producers, wholesalers, and retailers related with fruit price.

And also, it will help to change theoretical to practical skill and it is crucial to formulate fruit market pricing strategy and develop the efficiency and effectiveness of fruit market pricing system. These researches expected to have the following result.

To the researcher

- It will help to develop knowledge of the researcher
- It will help to change theoretical to practical skill It will help to develop the way of problem solving

This research can help producers, whole sellers, and retailers when they are interested to use it help to easily identify problems related with fruit price.

To the other researcher;

- It will help to provide as reference who wants to conduct research on similar issues

1.7. SCOPE OF THE STUDY

The study is focus on the fruit type that is banana because mostly this kind of fruit is foundon wolkite due to this the study deal with this. And also, this study will try to deal with the

area of wolkite not far more than the town because of limitation of transportation.

the scope of the study was limit in descriptive type of research. Because the study was focuson the description of purchasing practice fruit in wolkite town , the study was focus on the assessment of pricing practice in wolkite town the scope of the study is limited on the area of assessment of pricing practice of fruit in wolkite town.

1.7. Limitation of the Study

Naturally, problems are inevitable when a person research was limited to some factors:

It is hard to generalize the findings to the total populations.

The limitation of this research is if the researcher uses more of statistical techniques more near to the reality. In addition to these the researcher focus only on one marketing mix or in price not done on other marketing mix.

1.8. Organization of the study

This research paper was incorporating or contains five chapters

Chapter one: The first chapter deals with introduction which includes the background of the study. Statement of problem objectives of the study, research question, significance of the study, scope study

Chapter two: The second chapter was deals with reviews of written materials (literature) which are related with buying decision.

Chapter three: The third chapter was deals with research methodology.

Chapter four: The fourth chapter was deals with data analysis and interpretation.

Chapter five: The five chapters was deals with conclusion and recommendation of the study

CHAPTER TWO

LITERATURE REVIEW

2.1. Concepts and definition

Market can be defined as an area in which one or more sellers of a given products/services and their close substitute exchange and compete patronage of a group of buyers. Originally, the term market stood for the place where a buyers and sellers exchange their goods.

The term market has a variety of meanings. In some cases, the market may mean the place where buying and selling takes place, an area in which a good is selling, a group of people carrying on buying or selling, or the commodity traded, such as the corn. (Larson, 1957)

Price is value that will purchase a finite quantity, weight, or other measure of a good or service. As the consideration given in exchange for transfer of ownership, price forms the essential basis of commercial transactions, it may be fixed by a contract, left to be determined by an agreed upon formula at a future date, or discovered or negotiated during the course of dealings between the parties involved.

Price /Quantity Risks- Due to perishable nature and biological nature of production process there is a difficulty of scheduling the supply of fruit market demand. Fruit subjected to high price and quantity risks with changing consumer demands and production conditions. Unusual production or harvesting weather or a major crop disease can influence badly the marketing system. While food-marketing system demands stable price and supply, a number of marketing arrangements like contract farming provide stability.

Agricultural marketing –defined as the performance of all business activity involved in the flows of food and agricultural products and service from the potential agricultural production until they are in the hand of consumer. It embraces all operations and institutions involved in moving farm products from farm to consumers (Pritchard, 1969) .As expressed by FAO (1986) food and agricultural marketing not only means the movement of agricultural produce from the farm where it is produced to the consumer or manufacturer but also includes the marketing of production supplies to farmers like fertilizer, pesticide, chemicals, machinery, animal feed, tools and equipment's.

2.2. Theoretical Review

According to Reilly (2003), fruits and vegetables which contain most nutritive values lost due to mishandling and inappropriate storage at different temperature requirement. Perishable food composed of high moisture thus make them prone to deteriorate almost immediately unless properly handled. Among several factors which have an effect on produce quality; temperature, controlled humidity, air

circulation and appropriate storage space are the most important conditions to be fulfilled, failure to this, can lead to deterioration or eventual loss. The appropriate knowledge of determinants and subsequent treatment in accordance to each produce may assist to maintain quality produce to the potential consumer. A recent study (Minten B., U. Deb, A. Kabir, D. Laborde, M. Hasanullah and K. Murshed. 2010) found that most of the perishable commodities like fruits and vegetables fail to reach in relatively full quantity to the urban market due to weak and fragmented value-chain, as a result, only a small percentage of the produce arrives at the virtue of consumers. While reviewing theories it is found that fruit and vegetable sector has vital role in farm income enhancement, poverty alleviation, food security, and sustainable agriculture in developing countries (Kamrul, 2010). Khandaker, S., Z. Bakht & G.B. Koowal (2009) argued that for the delivery of quality produce and to enhance benefit from the sector; adequate infrastructure and effective marketing are crucial factors. And to do so appropriate transportation system along with 9 improved product handling are also another important factors that shouldn't to be neglected for the trade of agricultural products in assuring good prices and poverty alleviation. However, the above improvements only will not allow in generating positive outcomes in the absence of better strategic policies which is formulated for the achievement of better results in consideration of perishable products. As it has been recommended by concerned institutions, in addition to infrastructure development; modification of policies for timely sales of produces has significant benefit (World Bank, 2005). Chris & Jacqueline (2012) in their recent studies claim that development of postharvest technologies for fruits and vegetables has not kept equal pace with pre - harvest developments. In most cases that due care is given what, when and how much to produce rather than handling and distribution aspect of the supply chain which doesn't get the same attention often times as it is compared to the pre-harvest activities.

2.3. Empirical reviews

Sissay, Thierry & Lise (2006) discovered in their research that the production and export of fruit to international market is very minimal. This happened due to significant impact of pre -harvest and post-harvest practice attributes to quality deterioration of Citrus fruit. It was also revealed that among several factors poor harvest practice, improper fruit handling, and lack of subsequent training to workers resulted in lowering the countries' export potential. (Bezabih & Hadera, 2007 as cited in Adugna, 2009) stated that due to their nature perishable produces are exposed to about 25% loss which is resulted from poor storage facilities. According to the study carried out in Nigeria by Idah, Ajisegiri & Yisa (2007), some factors such as the transportation system in place for fruits and vegetables was found to be inadequate. Moreover, problems related to lack of suitable containers, non-availability of vehicles and lack of pre-shipment and pretreatment facilities at the collection centers have

Significant impact on the quality of fruits and vegetables. 10 Abubakari and Rees (2009) found that of several factors rough handling of fruits & vegetables and inappropriate storage temperature of tomatoes resulted to emit ethylene production and affect quality of tomatoes. As a result, it was noted that rough handling of tomatoes resulted in the destruction of the fruit cell wall leading to softening and reduced marketability of the produce. Moreover, high storage temperature resulted in increasing respiration and ethylene production as well as accelerates ripening and weight loss. It was happened because of the conditions (rough handling and high temperature) accelerate the metabolic rate of tomatoes. Thus, they therefore reduce the shelf life of the produce. So, it was recommended by the researchers that tomato fruits need to be transported in shock absorbing vessels and on smooth roads. The fruits should also be kept within the temperature tolerance zone of the produce. We can infer from this experiment result that each produces have their own characteristics and way of handling them as to the type of their respective requirement. Had the same experiment been taken to different produces there would have been several findings. Therefore, further research and continued effort needs to be taken to enhance Etfruits product handling and distribution system further due to its higher support in improvement of produce quality as well as the increasing economic benefits gained from it.

2.4. Market and Growth

It is generally believed that small farm agriculture plays a central role in economic development, both in supplying a significant portion of the domestic food crop supplies and in generating income for low-income families. But on the other hand there are constraints related to access to production resources and markets (Minot, 1986). Markets may provide the incentives to profit maximizing participants to develop new technologies, products, resources of supply, new markets and methods of exploiting them. The role of marketing in development process could be summarized as follows: the marketing system channels the net capital surplus out of agricultural sector which could be used to accentuate the development of industry, infrastructure and social service; it integrates the farming community in to the market economy through communication and exchange; the provision of secured market outlets which encourage producers to increase marketable surplus and diversify production; and marketing becomes and remains as one of the most important economic sub-sector during the whole process of development.

Markets also have an influence on income distribution, food security, and other important development objectives. Despite its importance, as indicated above, marketing is given little attention or credence in the developing countries (Adugna, G. 2009).

CIAT (2004) states that the traditional form of agriculture started to change as communities and nations started to be modernized. Urbanization is fostered by industrialization and this led to increased demand for food for urban dwellers.

More sophisticated arrangement of actors' evolved with the arrangement of farm produce transport,

storage, processing, retailing and wholesaling. As cities expand, food supply system developed in the increasingly longer market chains with clear division according to product type and market segmentation. Markets aggregate demand and supply across actors at different spatial and temporal scales. Well-functioning markets ensure that macro and sectoral policies change the incentives and constraints faced by micro-level decision makers. Macro policy commonly becomes ineffective without market transmission of the signals sent by central governments. Similarly, well-functioning markets underpin important opportunities at the micro level for welfare improvements that aggregate into sustainable macro-level growth. For example, without good access to distant markets that can absorb excess local supply, the adoption of more productive agricultural technologies typically leads to a drop in farm-gate product prices, erasing all or many of the gains to producers from technological change and thereby dampening incentives for farmers to adopt new technologies that can stimulate economic growth. Markets also play a fundamental role in managing risk associated with demand and supply.

2.5. Market Supply and Demand

Agricultural products differ from manufactured goods in terms of supply and demand. Supply is peculiar because of the seasonal biological nature while their demand is relatively stable. but supply is seasonal.

2.5.1. Supply

Market supply refers to the amount actually taken to the markets irrespective of the need for home consumption and other requirements where as the market surplus is the residual with the producer after meeting the requirement of seed, payment in kind and consumption by peasant at source (Wolday, 1994). Marketable surplus is the quantity of produce left out after meeting the farmer's consumption and utilization requirements for kind payments and other obligations with respect to his requirement such as gifts, donation, charity, etc. This marketable surplus shows the quantity available for sale in the market.

The marketed surplus shows the quantity actually sold after accounting for losses and retention by the farmers, if any and adding the previous stock left out for sale (Thakur et al., 1997).

2.5.2. Demand

Consumer demand is defined as the various quantities of a particular commodity that an individual consumer is willing and able to buy as the price of that commodity varies, with all other factors that affect demand are held constant (Tomek and Robinson, 1990).

2.6. Properties of fruit products

Being produced both by commercial and smallholder farmers fruit market pricing is influenced by a number of factors that can be attributed to production, product, and market characteristics. Kohl and Uhl (1985) identified these attributes.

Perish ability-as fruit highly perishable, they start to lose their quality right after harvest and continued throughout the process until it is consumed. For this purpose elaborated and extensive marketing channels, facilities and equipment's are vital. This behavior of fruit is exposed the commodity not to be held for long periods and fresh produce from one area is often sent to distant mark Prices may be negotiated while the commodities are en route, and they are frequently diverted from their original destination if a better price can be found. Sellers might have little market power in determining a price. As a result, a great deal of trust and informal agreements are involved in pricing fresh fruits and fruits. There could not always be time to write everything down and negotiate the fine details of a trade. The urgent, informal pricing processes often leads to disputes between buyers and sellers of fresh fruit. Producers are normally price takers and are frequently exposed for cheating by any intermediaries without a firm buyer or price.

Price /Quantity Risks- Due to perishable nature and biological nature of production process there is a difficulty of scheduling the supply of fruit market demand. Fruit subjected to high price and quantity risks with changing consumer demands and production conditions. Unusual production or harvesting weather or a major crop disease can influence badly the marketing system. While food-marketing system demands stable price and supply, a number of marketing arrangements like contract farming provide stability.

Seasonality- fruit have seasonal production directly influencing their marketing in general. Normally they have limited period of harvest and more or less a year round demand. In fact, in some cases the cultural and religious set up of the society also matter demand to be seasonal. This seasonality also worsened by lack of facilities to store. Normally it has limited period of production (harvest) and more or less a year round demand.

Alternative product forms and markets- While different varieties and qualities can be grown for the fresh and processed markets, there could also be often alternative markets. These include form markets (fresh, frozen, dried, canned), time markets (winter, summer), and place markets (different towns, foreign market).

Product bulkiness- Since water is the major components of the product, it makes them bulky and low value per unit that is expensive to transport in fresh form every time. This, therefore, exposed farmers to lose large amount of product in the farm unsold. These listed characteristics of the product require a special complex system of supportive inputs. It demands a regular marketing preparation process like washing, cooling, proper management from the time of harvest until the produce is put on display. It is frequently believed a fruit not only remain attractive to the consumer it must also have a shelf life of few days after having purchased by the consumer (Nonnecke, 1989).According to Clemence and Maria

(1994), three types of vertical marketing systems are distinguished: the administrative (informal collaboration programs developed by one or limited number of firms), contractual system (formalized agreements as a means for achieving control) and the corporate system (channel members at different levels of distribution are owned and operated by one organization). Despite increased attention to market institutions, relatively little institutional research has addressed the role of market intermediaries such as brokers or commission agents, in facilitating exchanges between anonymous trading partners. That is, little institutional analysis has been undertaken on the process by which economic traders find each other in the market (Eleni, 2001) The micro-level realities of agricultural markets in much of the developing world, however, include poor communications and transport infrastructure, limited rule of law, and restricted access to commercial finance, all of which make markets function much less effectively than textbook models typically assume. A long-standing empirical literature documents considerable commodity price variability across space and seasons in developing countries, with various empirical tests of market integration suggesting significant and puzzling forgone arbitrage opportunities, significant entry and mobility barriers, and highly personalized exchange (Barrett and Mutambatsere, 2005). Barrett and Mutambatsere (2005) added also the causes for widespread inefficiencies as incomplete or unclear property rights, imperfect contract monitoring and enforcement, high transactions costs, and binding liquidity constraints.

Such failures often motivate government intervention in markets, although interventions have often done more harm than good, either by distorting incentives or by creating public sector market power. In this part of the study the basic concepts and definition of markets, marketing and marketing system factors affecting market supply, framework for evaluation of marketing system has been discussed.

2.7. Pricing Efficiency

It is concerned with the ability of the marketing system to efficiently allocate scarce resources and coordinate the entire agricultural production and marketing process in accordance with consumer directives. And it can be achieved when the following situations hold good

- ❖ Price differences between partially separated markets do not exceed transportation costs
- ❖ Intra-year price rise is not more than cost of storage.

2.8. PRICING DECISION

Organization producing goods and services need to set the price for their product. Setting the price for an organization's product is one of the most important decisions a manager faces. It is one of the most crucial and difficult decisions a firm's manager has to make. Pricing is a profit planning exercise.

2.9. APPROACHES OF PRICING

Marketing mix also called 4ps is the controllable activities of the organization designed to meet the needs of the chosen target market. This includes price, place (distribution), products and promotion. Among the listed above price very important and serve like as grass to run every business oriented organization.

Pricing is the amount of money charged for product of services or it is the sum of values that consumer exchange for benefits of having or using the product or services. (Kotler and Armstrong,)

Price is the only part of marketing mix that can generate revenue (product, promotion and placement) are about cost. (Kotler and Armstrong,)

Pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors, such as, a fixed amount, quantity break, promotion or sales campaign, specific vendor quote price prevailing on entry, shipment, or invoice date, combination of multiple orders or lines and many others. (Kotler,

Pricing can be approached at three levels, the industry, and market and transaction level.

1. Pricing at the industry level focuses on the overall economics of the industry, including supplier price changes and customer demand changes.
2. Pricing at the market level focuses on the competitive position of the price in comparison to the value differential of the product to that of comparative competing products.
3. Pricing at the transaction level focuses on managing the implementation of discounts away from the reference, or list price, which occur both on and off the invoice or receipt (Garrison, Noreen and Brewer, 2006)

2.10. HOW COMPANIES SET A PRICE FOR THEIR PRODUCT?

Companies' do their pricing is a variety ways. In small companies, prices are often set by the boss. In large companies, pricing is handled by division and product line managers. Even here, top management sets general pricing objectives and policies and often approves the prices proposed by lower levels of management.

2.11. PRICING AS PROFIT MAXIMIZATION

If the companies do not talk each other, then we can set a different price for even customer, if customer talks each other, then one price must be set for all customers and we want that price to maximize total price. This profit, maximization price has to do nothing grow profit per piece of market share. The total profit is merely product of group profit per price time's total sales. Market segmentation can raise profit. If the concern is with growth profit instead of net profit. Therefore it is advisable not to be all things to all people, for we will end up being nothing to everybody. This where market share analysis is important so one can know how to best differentiated a product price from on other product service. to conduct price

has nothing to do with cost. It is what customer pay and they do not pay about cost. The seller aims to maximize profit. Total profit if between price and cost give total sales. It is not and static exercise it is a dynamic process with many variable and strategic planning. Maximizing total profit comes from segmenting market considering economies of scale, learning curve and game theory to model the entire competitive market. (Kotler 15th edition,)

2.11.1. PRICING AS AN INDICATOR OF SERVICE QUALITY

One of the intriguing aspects of pricing is that buyers are likely to use price as an indicator of both service costs and service quality. Price is at ones an attraction variable and repellent. Customers use of price as an indicator of quality depends on several factors, one of which is the other information available to them when services cues to quality are readily accessible. In other situation, however, such as when quality is hard to detect or when quality or price varies a great deal within a class of services, consumers may believe that price is the best indicator of quality. Another factor that increases the dependence on price as a quality indicator is the risk associated with the service purchase. In high risk situations, many of which involve credent consulting. The customer will look to price as a surrogate for quality because customers depend on price as a cue to quality and because price set expectations of quality, service price must be determined carefully, in addition to being chosen to cover casts or Mach competitors, prices must be selected to convey the appropriate quality signal. Pricing to low can lead to in accurate inferences about the quality of the services. Pricing too high can set expectations that may difficult to match in service delivery. While there is no single formula to determine pricing, the following is a general sequence of steps that might be followed for developing the pricing of a new product.

1. Developing marketing strategy: - perform marketing analysis, segmentation, targeting and positioning.
2. Make marketing mix elements:- define the product, distribution, and promotional tactics.
3. Estimate the demand curve: - understand how quantity demanded varies with price.
4. Calculate cost:- include fixed and variable costs associated with the product.
5. Understand environmental factors factors:-evaluate likely competitor actions, understand legal constraints, etc.
6. Set pricing objectives: - for example, profit maximization, revenue maximization or price stabilization (statuessque).
7. Determine pricing:- using information collected in the above steps, select a pricing method, develop the pricing structure and define discounts.

These steps are interrelated and are not necessarily performed in the above order. Nonetheless, the above list serves to present a starting framework.(Kotler and Grow,s)

2.12. MAJOR FACTORS THAT INFLUENCE THE PRICE DECISION

1. COMPETITION

There are two kinds of competitive factors that influence price: -

A. One factor is the competitive effect on demand for the product.

B. The second competitive factor influencing price is the reaction of competitors to any price move the business marketer may make.

2. **COST**- costs set the floor for the price that the company can charge for its product.

3. **DEMAND**- the market demand set the upper limit of the price. Before setting prices, the marketer must understand the relation between price and demand for its product.

4. **PRICING OBJECTIVE**- an important step in pricing strategy is to determine goals and objectives prior to setting price points or levels. Among the many pricings objective that a firm may adopt are pricing to: -

- Maximize profit

Expand and maintain market share etc.

2.13. METHODS OF PRICING SETTING

Companies charge price too low to make profit and too high to produce any demand. To set the specific price level that achieves their pricing objectives, managers may make use of several pricing methods. These methods include: -

- ✓ **Cost-based pricing.** This approach ignores (in theory but not always in practice) what any other seller sets as the price for the same or a similar product, and bases the selling price on its relation to cost. This is similar to cost plus pricing in that it takes costs into account but it will consider other factors such as market conditions when setting prices.
- ✓ **Competitive pricing.** Competitive price, as the name suggests, looks to the seller's competition before setting a price. What are they selling the product for? The seller may then set the same price, knowing this deprives the other seller of the price advantage or, more competitively, may offer to undercut any bona fide offer by a small percentage.
- ✓ **Demand-based pricing.** This approach may be the consequence of either growing demand or diminishing demand. In the first instance, a seller may increase the selling price of something in limited supply. In other instances, a product in high demand maybe no longer manufactured; in response to the increasing scarcity of the product, the seller may raise the selling price. Discount sales, on the other hand, often represent a form of demand-based pricing, where

decreasing demand necessitates moving the seller price lower, perhaps several times, in order to clear inventory.

- **Cost-plus pricing**- set the price at the production cost plus a certain profit margin. Although this method ensures the price covers production costs it does not take consumer demand or competitive pricing into account which could place the company at a competitive disadvantage.

Value based pricing- bases the price on the effective value to the customer relative to alternative products. This pricing strategy considers the value of the product to consumers rather than the how much it cost to produce it. Value is based on the benefits it provides to the consumer e.g. convenience, wellbeing, reputation or joy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Description of study Area

wolkite town administration is the capital of gurage zone as well as wolkite woreda. It located in the southern nations, nationalities and peoples region; The distance of town from central government or from Addis Ababa is 152km. According to the traditional climate zone classification, as a result of the effect of altitude, the climatic condition of wolkite is classified under kola. July is the coldest month. The dominant types of economics activities that are practiced by the people include commerce, urban agriculture and civil servant.

3.2. Research Approach

This study employed mixed research approach. The researcher was using qualitative method to analyse the information collected from representative of wolkite fruit market pricing, because I cannot express customer preference and motives in numbers so, I use qualitative method. And employed the quantitative approach to compute information that acquired through questionnaires from target population, because when I need to express the data in numbers so, I use quantitative method.

3.3. Research design

Among the types of research design, the researcher was select descriptive type of research design. The reason that I motivate to by this type of research design is my study concerns determinants of fruit market pricing and customer practice that prevail, belief, perspective or attitudes that to hold practices that will be undertaken.

3.4. Sampling procedure

The primary data that was used for this research research was collected mainly from traders in wolkite town. It is already known that the number of fruit and fruit traders vary from time to time. Due to this variation, it is difficult to decide on the sample size. However, 28 sample respondents was be selected randomly from banana traders of the town. The reason taken randomly sampling is there is homogenous type of product and there is similar type of effect of price fluctuation for all traders .so randomly sampling is very important for this type of research.

3.5. Type of data and method of data collection

It is obviously known that data are of two broad types. These are primary data and secondary data. Both primary and secondary data on wide variety of variables are required to meet the objective of this research research. Collecting data for a complete analysis of fruit and fruit marketing at determinant can be virtually impossible task in a situation. Fruit and fruit market pricing is not performed at once,

neither is measured or recorded. To avoid this complexity, combination of qualitative and quantitative approaches will be used to collect data. The primary data will be used for this research research.

3.5.Data analysis and Technique

In order to analysis the data, the researchers were use descriptive analysis methods. These are tabulating and percentage. Responses that were edited and classified have been presented in table and an item basis to conserve space, to facilitate the process of comparison with the help of percentage. Finally, a reasonable explanation of the relations was identified and the final task of interpretation were accomplished after considering the relevant factors.

3.6. Ethical Considerations

At the beginning, a clear and accurate information about the research will be given to the participants of the study and their voluntary participation will be respected. The participants' identity will be protected and all information obtained from the respondents will confidential and no one will have access to the identity of the respondents. Moreover, no information will be modified or changed. Information will be presented as collected and all the secondary data sources will be appreciated in the reference section

CHAPTER FOUR

4.1. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with the results and discussion of study founded. Primary data collected from sampled respondents using structured questionnaire and data collected from secondary sources were analyzed and discussed here. Descriptive analysis was employed to describe the demographic characteristics of sampled respondents, market participants, determinant of fruit market price in wolkite town explained under this section of the study.

4.2 Questionary response rate

In this part the data obtained from the respondents has analyzed using table and percentage total of 28 questionnaires were distributed to respondents and 28 were returned and collected. From 28 questionnaire 20 questionnaire were filled by male and 8 questionnaire were filled by female customers

4.3. Demographic Characteristics

Table 4.1 demographic information of the respondents

No	Age group	Number	Percentage (%)
1	18-25	8	28.57
2	26-35	12	42.86
3	36-45	6	21.43
4	Above 46	2	7.14
	Total	28	100
No	Sex	Number	Percentages (%)
1	Male	20	71.43
2	Female	8	28.57
	Total	28	100
No	Marital status	Number	Percentage (%)
1	Single	8	28.57
2	Married	18	64.29
3	Divorced	2	7.14

	Total	28	100
No	Educational status	Number	Percentage (%)
1	Illiterate	2	7.14
2	Grade 1-10	24	85.7143
3	Some graduates	2	7.14
	Total	28	100

As indicated in the above table the proportion of the sampled respondents, wholesaler and retailers, whose age fell between the age group 18 years to 25 years old, were 28.57%. The majority of the respondents, which accounted for 42.86%, fell in the age of 25 years to 35 years old. The very small proportion of respondents which were 7.14% fell above the age of 46 and the remaining percent of respondents which were 21.43% fell between the ages 35 to 45 years old when we came to sex about the 71.43% of respondents were males were as the remaining 28.57% were females

From survey results of the study show that 64.29% of the respondents were married whereas 28.57% and 7.14% were single and divorced respectively. It indicates that as the family size increase, the involvement of persons in banana markets will increase. When we came to educational status table of the sampled respondents only 7.14% were illiterate whereas the remaining 92.86% of respondents were literate and even half of the respondents (50%) were grade 10 complete and about 7.14% were some graduate traders. This confirms that education enhance traders' knowledge about the market and marketing system of banana.

4.4. Major determinant of Banana Marketing price in wolkite town

Determinant is those factors or forces that can provide an unfavorable response or negative impact to the market participants: producers, wholesalers, retailers, and final consumers. These factors could impair the performance of banana marketers or hinders the marketers from achieving the goals and objectives that have been set earlier, before enter into the business. The main determinant of banana price in study area are: length of distribution channel level, storage facilities, perishability nature labor cost storage cost transportation cost. Seasonality of product production, nature of banana and infrastructure.

4.5. Respondent response for close- ended question

Table 4.2 Labor cost. Storage cost. Transportation cost respectively

	Do you think labor cost affect banana price?		
1	Yes	18	64.3 %
2	No	10	35.7 %
	Total		100%
Item	Description	Respondents	
		No of responses	Percentage (%)
	In what level labor cost affect banana price?		
1	Very high	-	
2	High	4	22.2%

3	Medium	6	33.34%
	Low	8	44.44%
	Total		100%
No	Description	Respondent	
		No of response	Percentage%
	Do you think storage rent affect banana price?		
	Yes	20	71.42 %
	No	8	28.58 %
	Total	28	100%
Item	Description	Respondents	
		No of responses	Percentage%
4	In what level storage cost affect banana price?		
1	Very high		-
2	High	6	21.43%
3	Medium	10	35.71%
4	Low	12	42.86%
	Total	28	100%
Item	Description	Respondents	
		No of responses	Percentage (%)

	Do you think transportation cost have impact in banana price?		
1	Yes	18	64.3 %
2	No	10	35.7%
	Total	28	100%

As indicated in the above table out of 28 respondent 18(100%) of them were said that the reason to increase banana price labor cost contribute some percent, but 10 respondent says labor cost have no impact on banana price. Based on this information the researcher can conclude that labor cost has impact on banana price when we came to storage cost affect banana price.

Storage is a primary concerned with making products available at the desired time for the consumers or product needs. To balance this and another gap between supply and demand, a well-ventilated, modernized warehouse is needed. The storage of wolkite town traders were small shop-based warehouses that are not as such favorable for banana shelf life as banana are highly deteriorate products. In addition to this storage rent or storage cost is very high. When we see in wolkite town price are mostly settle by wholesaler when wholesaler set price, they consider storage cost by these reason storage cost determines banana price in high portion next to seasonality of production. When we came to transportation cost 18 respondent from 28 say yes transportation cost have impact in banana price it mainly related with season and infrastructure to generalize on winter season its impact is low because there is no rain and there is suitable to transport even if it is rural area without absence of asphalt or road but in summer season it is difficult to transport banana from rural area by the reason of road and in summer season banana production decrease.

Table 4.3. From whom you buy banana

No	Description	Respondent	
		No of response	Percentage%
	From whom you buy banana?		
1	Producer	2	7.142
2	Local collector	6	21.423
3	Wholesalers	20	71.428
4	Retailers		
	Total	28	100%
No	Description	Number of respondents	Percentage%
	Seasonality of production		
1	Very high	24	85.7%
2	High	2	7.14%
3	Medium	2	7.14%
4	Low	-	
	Total	28	100%

From the above table 20 respondent from out of 28 respondent they buy banana from wholesaler .6 respondent says from producer and 2 respondents buy from producer when we came to seasonality of production all respondent says yes inherent characteristics of agricultural products production is that it is seasonal at

the same time as demand is generally continuous throughout the year. Hence, the need for storage is rise, to allows a smooth, and as far as possible, uninterrupted flow of products in to the market. In agriculture, and specifically in LDC, like our country, supply often exceeds demand in the immediate post-harvest period. For much of the reminder of the period before the next harvest, the product can be in short supply and not at all sometimes. by these reason the price of banana is fluctuate when supply increase price decrease when supply decrease price increaseso seasonality of production take large share on determining price of banana in wolkite banana market there is when we see the season banana price decrease is starting from the month November –February when we came to banana price increases starting from the month of May - August in these month banana production is low

Respondent response for open –ended question

1.1. How Nature of the banana affect banana price

as we know banana is the most perishable fruit it does not wait for long period of time so it needs special preservation system when we see wolkite banana traders wait for 6-7 days by covering by newspaper. storing in dry and cold area by ordering in shelf.

1.2. Length of Distribution Channel or distance

The production of banana around the study area is almost very low. I.e., the banana that marketed in wolkite town is mostly from other areas Arbaminch, Shashamanne, and awash those are some far distance from the town and made the price of banana to be high due to transportation cost to assemble this banana from that area to the town.

1.2.1. Distribution channel in wolkite town banana market

This study pointed out the existence of different market participants in the exchange functions between farmers and final consumer. Market participants in the study areas include farmers/producers, farmer traders, wholesalers, retailers and middlemen/commission agents. Wolkite banana marketing was supplied

4000kg/once. From this total of supplies 70% from Arbamich, 20% from Shashamanne, and 10% from Awash were supplied.

Middlemen agents: middlemen are agents who work a commission on behalf of other participants. They specialize in bringing the buyer and sellers together. They enhanced the buying and selling activities between producers and wholesalers without handling any product for sale and disseminate price and other information to market participants. They get their commission on the basis of their agreements whether per box or by the number of sales made.

Wholesalers; wholesalers are someone who buys large quantities of goods and resells to merchants rather than to the ultimate consumers. They are the major actors in the marketing channels. They buy banana from farmers, other wholesalers and commercial farms with a larger volume than any other marketing actors do. They relatively spend their full time in wholesale buying throughout the year in and out of the town.

Retailers; retailers are person that sells commodity to the end users, ultimate consumers. The majority of retailers in the terminal market are characterized by small storing shops for trading fruit purchased from wholesalers or farmers. The major buyers of retailer were the final consumers, hotels, and restaurant

CHAPTER FIVE CONCLUSION AND RECOMMENDATION

5.1. Summary finding

Out of 28 respondent 18(100%) of them were said that the reason to increase banana price labor cost contribute some percent, but 10 respondent says labor cost have no impact on banana price. Based on this information the researcher can conclude that labor cost has impact on banana price when we came to storage cost affect banana price.

20 respondents from out of 28 respondent they buy banana from wholesaler .6 respondent says from producer and 2 respondents buy from producer when we came to seasonality of production all respondent says yes inherent characteristics of agricultural products production is that it is seasonal at the same time as demand is generally continuous throughout the year.

5.2. Conclusions

This research started to understand determinant of banana market pricing in wolkite town. Banana marketing in wolkite town is supplied from different banana producing areas; mostly from Arbaminch, Awash and Shashamane and Adama town

- The majority of the banana traders in wolkite town were proactive age which fell between 25 to 35 years. This encourages the success of banana marketing in study area.
- The majority of banana traders in study area were educated, even most of them are grade ten complete and some graduate levels. This confirms that education enhance traders knowledge about the market and marketing system of banana.
- The major determinant of banana marketing in wolkite town is: storage facilities, length of distribution channel level, seasonality of product production, and nature of banana fruit.
- From the major determinant of fruit market price in wolkite town seasonality of production take the largest share other than another determinant.
- Most of the time wolkite towns traders keep banana from perishability by covering by newspaper and by ordering in shelf so there is no modernized technology to preserve banana from perishability.

5.3. RECOMMENDATIONS

Based on the results and discussions of this study the following recommendations were made.

- ✓ The government should encourage banana research in order to get new species and new technology that could give production throughout the year.
- ✓ Wolkite agricultural office should have to encourage, motivate, the society to engage in production of banana to overcome the length of channel distributions.
- ✓ The traders, mostly retailers, of banana in wolkite town are concentrated in specific area, around the bus station of the town. It is advisable if they distributed in the town to all direction to satisfy the whole respondents of the town.
- ✓ The storage facilities of wolkite town traders were small shop-based warehouses that are not as such favorable for banana shelf life as banana are highly deteriorate products, and easily lose their values.
- ✓ It is also advisable for them to have a modernized, well ventilated, warehouse for their products to make products to have long shelf life
- ✓ As a marketer the researcher recommend for perishability nature of banana product to create effective logistics network to make product available in time.
- ✓ Marketing implication for seasonality product is to establish processing technology .these processing technology increase the durability of banana and it balance demand and supply.

5.4 Suggestion for Future Study

The present study investigated the role determinant of fruit market pricing the case of banana and orange

Based on the findings of the study the researcher recommends the following for further investigation

- The study area of the current study is in Wolkite Town, the coverage of which is limited in its scope. Further research needs to be done to identify the challenge of retail business the outside Wolkite Town and exploring it in the context of less urban and rural areas of the country as to have a clear and holistic understanding of the role of awareness in retail business in Ethiopia.

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APPENDIX
WOLKITEUNIVERSITY
COLLEGE OF BUSINESS
AND ECONOMICS
DEPARTMENT OF MARKETING
MANAGEMENT

Questionnaire to be filled by retailer and wholesaler of banana market in Wolkite town **Dear**

Respondents

First of all I will like to extend my sincere gratitude for helping me by filling this questionnaire. The purpose of this questionnaire is to gather data that helps for conducting a study on the Determinant of fruit market pricing in case of banana and orange in Wolkite town. All information you provide here after will be used at most confidentiality as part of overall response, therefore please feel free to provide your valuable response that will make this research project successful. The data obtained will be used only for academic purpose.

Thank you in advance for your precious time and effort.

Instructions: - 1. No need to write your name

2. Please put “√” in the box for closed ended questions

3. Please write your opinion freely for open ended questions.

RESEARCH QUESTIONNAIRE FOR WHOLESALER

PART ONE: Personal Information

1. Sex Male Female

2. Age 18-25 years 26-40 years 41-55 years above
55 years

3. Marital status

Married

Unmarried divorced

4. Educational level 10th grade completed

12th grade completed

Certificate Diploma Degree

above degree

1. Do you think labor cost affect banana price? A. YES B. NO

2. If your answer is yes for question number 1 in what level it affect A. Very high.

B. high C, medium D, low

3. Do you think storage rent affect banana price A. YES B. NO

other specify.....

4. If your answer is yes for question number 3 in what level it affect? A. very high B high

. C. medium D. low. Other specify.....

5. Do you think storage rent affect banana price? A. yes B.

other specify.....

6. If say yes for question number 5 in what level it affect? A. Very high

. B. high C, medium D, low other specify.....

7. Do you think seasonality of fruit production affect fruit banana price? A. YES

B. NO

8. If your answer is yes in what level seasonality affect price?? A. very high B

high. C. medium D. low. Other specify

9. For whom do you buy banana or who are your suppliers? A. Local collector B.

Wholesaler C. Retailer D. Consumer D. Other specify.....

10. Naturally banana is the most perishable ~~how to~~ preserve for long period of time

11. . Who set the price? A. Seller B. Buyer C. Both seller and buyer

D. other specify

12. Why banana price is increased?

13. Why banana price is decreased?

14. .In which season banana the supply of is high?

15. In which season banana supply is low _____

16. . What do you think about the factors that make banana price fluctuate?