

*Addis Ababa*  
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**THE EMERGING MARKET CLEARING PRACTICE IN  
ETHIOPIA  
(THE CASE OF BOUTIQUES IN ARDA SUB-CITY; ADDIS  
ABABA)**

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ID NO. GSR/2000/01

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**Addis Ababa University**  
**School of graduate Studies**

School of Business and Public Administration

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# *Declaration*

*I, Fuad Mustefa declare that this work entitled “The Emerging Market Clearing Practice in Ethiopia: the case of Arada Sub-city; Addis Ababa”, is outcome of my own effort and study, and this study had not been present for a degree on any other university and that all sources of material used for the project have been duly acknowledge.*

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## Abstract

In this paper the Emerging Market Clearing Practice in Ethiopia was investigated in Arada-Subcity: Addis Ababa

Data were obtained via interview, questionnaire and personal observation. The questioner designed for the customers and seller(s) and/or owner(s) separately. 79 questioners were distributed to and collected from the customers and from 18 questioners distributed to seller (s) and/or owner(s) 16 (88.9) were collected. 8 seller (s) and/or owner(s) were interviewed and 20 customers who came to purchase the product on Saturday from 4:00pm to 5:00 pm and 10:00am to 11:00am were fill the questionnaire and interviewed.

The findings of the study indicated that customers perceived the discount rate as erroneous, the actual price and the displayed discount were in consistence, and there was only a slight reeducation in price. Respondents also indicated that the clearance sales increase their sales volume even if the customers are reluctant to purchase on the specified period and this indicates that customer behavior have its own effect on the applied strategy. The main reason of the boutiques for applying clearance sales was to sell the bulky inventory.

# CHAPTER ONE

## Introduction

### 1.1. Background of the study

Nowadays there is a stiff competition in the clothing market, due to globalization and rapid change in fashion and customer preference. The perishability of fashionable clothes leads to short selling period. And in recent years also more and more retail products have been sold on sales and a higher percentage markdown. Clearance sales strategy is currently practiced in our country especially in the boutiques retail stores. The market clearing practice occurs frequently but they are not studied systematically by scholars in Ethiopia. Because of its dynamic nature of price change and customer preference over time, managers face a big problem of how to sell the product to reduce the inventory of unsold items and out dated fashions. In this process, setting appropriate pricing strategy, knowing the preference of customer and managing the available inventory is vital to become profitable in this competitive market.

One reason for the rise of markdown is the growing importance of fashion and product Variety especially in the apparel merchandises; prints, stripes, colors and designs have grown since the mid sixties. The diverse color assortment and the popularity of casual clothing, where fewer well-accepted dressing guide lines exist, have increased uncertainty. In this environment of style and color diversity, the store buyer faces greater uncertainty and makes more pricing mistakes. Increased clearing sales practices are the result of the uncertain environment (Pashigian and Bowen Nov., 1991).

The other issue that could be included in studying market clearing practice is the buyers' behavior, because the buyer perception of low price affects the objective of the retail store manager decision on how to set the price and its impact on future sales. The field of consumer behavior studies, how individuals, groups, and organizations select, buy, use, and dispose goods, services, ideas, or experiences to satisfy their needs and desires. Understanding consumer behavior is not simple, because customers may say one thing but do another. They may not be in touch with their deeper motivations, and they may respond to influences and

change their minds at the last minute. Customers often question the motivation behind price changes. A price cut can be interpreted in different ways: The item is about to be replaced by a new model; the item is faulty and is not selling well; the firm is in financial trouble; the price will come down even further; the quality has been reduced. A price increase, which would normally discourage sales, may carry some positive meanings to customers: The item is "hot" and represents an unusually good value (Kotler and Killer, 2006).

The researcher was motivated to study this topic after observing different advertisings posted on the boutiques in Addis Ababa especially around Piazza. After looking the posted discount rate on different boutiques which says 100% discount which means providing the product for free, due to this reason the researcher is triggered to study this topic.

## **1.2. Statement of the Problem**

Using a single method of marketing strategy is very difficult in the present market condition because, the competition is stiff, the development of new fashions is very fast, the development of new technology and the varying preference of customers makes the marketing activity very difficult. Especially in the closing store perishability and seasonality of fashionable clothes are increased due to different innovation in the design of cloths, the stripes, the color and style.

Currently in our country wearing fashion clothes increase from time to time due to the above mentioned reasons and globalization effect. Due to this uncertain environment the buyers of the product face different problems relating price, the type of product to chose, when to buy the product and other quality related problems. On the other hand, the seller of the product is struggling to survive in these aggressive markets. The problems are vast and increase from time to time, how to set the prices of the products are most important. The emerging clearing sales practice in our country is one strategy to sell unsold items and seasonal products but it needs a critical thinking when one applies this strategy by considering the behavior of customers. Putting a lower price only cannot make effective the boutique. Because a price cut can be interpreted in different ways by the customer: The item is about to be replaced by a

new model; if the item is faulty and is not selling well; the firm is in financial trouble; the price will come down even further; the quality has been reduced (Kotler, 2006).

Based on the data collected from the buyers and seller(s) as well as owner(s) if the owner(s) is not seller, from those boutiques apply clearance sale practice in Arada sub city it was analyzed and interpreted.

Thus, the report answered the following questions:

- What are the major reasons for setting a market clearing price?
- What is the perception of buyers to lower price and product quality?
- Does lower price relate to sales volume?
- Is the price cut real?

### **1.3. Objective of the Study**

The overall objective of the study was to assess the market clearing practice; evaluate the relation of clearing price with sales volume by considering customer perception of lower price and product quality as a moderator. From this general objective the following specific objectives emanate:

- To find out the major reason of selecting the market clearing strategy;
- To understand how they determine the market clearing price;
- To see the relationship between clearance price and sales volume;
- To see the perception of buyers towards clearing price;
- To assess the real application of the clearing price;

### **1.4. Scope and Limitations of the Study**

The scope of the study was limited due to resource constraints (specially, time and financial problems). As a result the target groups are limited to those boutique using clearing practice found in Arada Sub City; not only this but also the respondents are limited by taking time and day interval. And the number of variables used to assess the problem was also limited.

*Limitations* were:

- Unavailability of enough secondary data. Hence the topic is new and not well considered in our country there was a problem of accessing up to date relevant data for the study.
- Internet connection problem to download related material.
- The most challenging problem the researcher face during the study was the respondents' unwillingness to respond and the researcher spent much time on it.
- Resource problem to make the study longitudinal research. In order to study the frequency of clearance sales it takes more time and resource because of this reason the study focus only on those boutiques currently using this pricing strategy and by asking them the frequency of applying this strategy.

#### **1.5. Anticipated Ethical Issue**

- It is somewhat difficult to know the genuineness of the discount, because the seller and /or the owner) may not give the accurate data. But the researcher tried to know this information by using different mechanism: like asking the price of the same product in different boutique, those are found in the same location. And the information will not be given for any one without the authorizations of the boutique owner(s).
- Interviewing the purchasers of the product within the boutique is somewhat not ethical and also they may give a distorted data. To solve this problem the question designed in systematic form and the respondents asked systematically: like asking them after they purchase the product and leave the boutique.

#### **1.6. Significance of the Study**

The finding of the study expected to have the following significance:

- It was a piece of contribution to the current knowledge in market clearing practice and it will be used as a base for different scholars and other interested body for farther investigation, hence this area is not well studied by local scholars.

- The finding and the recommendation of this work will help the customers and the owner in understanding the concept and how to act in applying the different scientific method to become beneficiary by solving their problem.

### **1.7. Organization of the paper**

The paper is organized in to four chapters. The first chapter includes background of the study, statement of the problem, scope and limitation of the study, methodology of the study and significance and limitation of the study. The second chapter deals with the presentation of the related literature. The third chapter includes the presentation, interpretation and analysis of the data. The last chapter is about the conclusion and recommendation of the study.

### **1.8. Research Methodology**

#### **a. Research Strategy**

The study was conducted based on quantitative research method by using survey to show the relationship between different variables; the dependant variable; sales volume, moderating variable, customer buying behavior and the independent variable clearing price. Questionnaire, interview and personal observation and different statistical analysis techniques were used to collect and analyze the data.

Case study research method was used to assess the relationship of the different variables on boutiques applied clearance sales during the study period found in Arada Sub-City.

#### **b. Sources of Data**

In order to see the inter relationship of the specified variables both primary and secondary source of data were used. Secondary data like; journals, books, articles and different websites. The primary data were collected by using questionnaire which were distributed to the customer who made purchase and seller(s) and/or the owner of the (s), interview conducted to the customers and seller(s) and/or the owner and direct observation made by the researcher in order to see the reality of the discount.

### **c. Sample Size Determination, Sampling and Data Collection Techniques**

It is difficult to assess all boutiques which use a market clearing pricing strategy in Addis Ababa, one sub city selected as a representative sample. Those boutiques which applied the market clearing pricing strategy in Arada sub city were the target group being assessed. The seller and the owner(s), if the owner is not the seller of the boutique and the buyers of the product were the respondents for the primary data. The seller (owner) of the product and those buyers who arrived to buy the product on Saturday from 4:00pm to 5:00 pm and 10:00am to 11:00am were interviewed and the actual buyer fill and return the questionnaire at the same date and time. The day was selected intentionally, because during the weekend the numbers of buyer's increased, by expecting that in this time most of the workers have a break and during Sunday almost all of the boutiques are closed so buyers participate in the marketing activity in Saturday. And the time interval selected by expecting that most of the buyers use this time to purchase the product. In the sub city those boutiques which displays a clearance sale notice on their boutique, were assessed.

**Questionnaire:** two types of questionnaire were developed. The first questionnaire distributed to the seller of the product and the owner(s) of the product (if the seller is not the owner). And the second type distributed for those buyers who actually purchased the product with the specified day and time. The questionnaires distributed to the customers were designed using a seven point Likert Scale where almost all the statements were measured on a seven point scale with 1 = strongly Agree; 2 = agree; 3 = slightly agree; 4=neutral (neither agree nor disagree); 5 = slightly disagree; 6=disagree and, 7 = strongly disagree. The questions containing 16 statements which were divided into three based on the interrelationship of questions apart from the background information. A total of 79 questionnaires were distributed to those willing buyers during the specified date and time and the entire amounts were collected. Closed ended questions were developed for the seller and/ or the owner of the boutiques. The researcher searched out 9 boutiques which apply clearance sells in Arada Sub-city during the study period and a total of 18 questionnaires were distributed. Two for each boutique, among the total questionnaire distributed to the boutiques 16 (89%) were successfully completed and returned.

***Interview:*** The buyers who came to buy on the specified day and time and the owner(s) and/or seller(s) were interviewed. 32 and 8 respondents were interviewed from the buyers and seller and/or owner respectively. The respondents were selected randomly.

***Observation:*** The researcher observed the market condition; to know the reality of the discount. Other boutique not applied the discount was observed to comparing the price of similar product at different boutiques and the customer situation during the purchasing period was observed.

#### **d. Method of Data presentation, analysis and interpretations**

The data collected by using interviews and questioners were presented accordingly by using tables, figures, frequency distribution, percentages in order to avoid the redundancy in writing the expressions of tables and figures in this part only same figures and tables were expressed. The presented data were analyzed and interpreted. The interview and observation data were analyzed in combination with the questioner based on their inter relationship; theories were used to strengthen the analysis and interpretations made. And also the mean level was calculated by using SPSS, for generalization purpose mean level below 4 shows agreement, mean level 4 shows neutrality and mean level above 4 shows disagreement.

## CHAPTER TWO

### Review of Related Literature

#### 2.1. Market Clearing Practice

Marketing is a system of integrated business activities designed to develop strategies and plans to the satisfaction of the customer wants. This can widely be understood as the activities that are required to get the product in the most efficient way to the customer. This could lead to the common misconception that marketing means to sell the product by clever ways or sell them anyhow or at the most the art of selling. But actually it is something more than that; it is the art of making the right thing and getting it to the right people in the right way or the most efficient way. ([www.scribed.com](http://www.scribed.com)).

Marketing is a business function that identifies unfulfilled needs and wants, defines and measures their magnitude, it decides which target market its organization should serve and gear everyone in its organizations to serve the customer. ([www.scribed.com](http://www.scribed.com)).

Marketing is everywhere. Formally or informally, people and organizations engage in a vast number of activities that could be called marketing. Good marketing has become an increasingly vital ingredient for business success. And marketing profoundly affects our day-to-day lives. (Kotler and Keller, 2006)

Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value. (Kotler and Keller, 2006)

But making the right decisions is not always easy. Marketing managers must make major decisions such as what features to design into a new product, what prices to offer customers, where to sell products, and how much to spend on advertising or sales. They must also make more detailed decisions such as the exact wording or color for new packaging. Effective marketing mix decision is essential.

### 2.1.1. Marketing Mix Element

Marketing Mix is the method used for executing the important decisions that have been taken. Particular targets are set and the planning to work towards them to attain the target is called the marketing mix. This is comprised of 4 main elements: Product Mix, Price Mix, Distribution Mix and Promotion Mix. Each of these elements is an entire area by itself and comprise of smaller components. ([www.scribd.com](http://www.scribd.com)).

Although many factors affect an organization's marketing strategy, all marketing decision-making can be classified into four strategy elements, sometimes referred to as the marketing mix or the four P's: Product, price, place, and promotion. As each library product or potential product is analyzed and developed for its target customer, it must be viewed with the four P's in mind. ([http:// www.mit.edu/rpindyck/](http://www.mit.edu/rpindyck/)). But for this paper price and promotion only presented

**Price:** is one of the most complex marketing decisions. It plays a number of roles in most marketing strategies: it can be a key component in product image (quality); a powerful sales promotion tool (discounts, coupons); or a versatile element in competition (under pricing). Determining pricing strategy is a delicate task. It requires that you assess customer demand and analyze cost in order to choose a price that will create customer satisfaction and yield a satisfactory level of profit (Markim, 1982 as cited in Kotler and Killer, 2006).

Pricing is essentially the thing of interest since it generates revenue or income, it has to be done tactfully in order to not disappoint the crowd and yet make a profit. Economists define price as the exchange value of a product or service through the medium of money. Any change of price strikes the customer immediately and makes him curious for the reasons, whether less or more, he gets suspicious. He dislikes the idea of paying extra, and doubts the success of the product if the price falls. Pricing label expresses the value of a product. An exchange of goods can take place only if the buyer and seller agree on a price. The price of any product is likely to vary depending on the condition of the market and demands. Some label their products very high to show that they are of a higher class, and the other products of the same type are forced to quote as high as the others so that the customers value their

products also and don't doubt their product. At the planning and decision making level, much thought has to be given to appropriate pricing. ([www.scribbed.com](http://www.scribbed.com)).

Companies do their pricing in a variety of 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. (Kotler and Keller, 2006).

Pricing a product is one of the most important decisions a seller has to make. As Monroe (1990, as cited in Kotler and Keller, 2006) states, "More and more, today's pricing environment demands better, faster, and more frequent pricing decisions than ever before. It is also forcing companies to take a new look at pricing and its role in an increasingly complex marketing climate.

In setting a product's price, marketers follow a six-step procedure: (1) selecting the pricing objective; (2) determining demand; (3) estimating costs; (4) analyzing competitors' costs, prices, and offers; (5) selecting a pricing method; and (6) selecting the final

### **Step 1: Selecting the Pricing Objective**

A company can pursue any of five major objectives through pricing:

- *Survival*. This is a short-term objective that is appropriate only for companies that are plagued with overcapacity, intense competition, or changing consumer wants. As long as prices cover variable costs and some fixed costs, the company will be able to remain in business.
- *Maximum current profit*. To maximize current profits, companies estimate the demand and costs associated with alternative prices and then choose the price that produces maximum current profit, cash flow, or return on investment. However, by emphasizing current profits, the company may sacrifice long-run performance by ignoring the effects of other marketing-mix variables, competitors' reactions, and legal restraints on price.
- *Maximum market share*. Firms choose this objective because they believe that higher sales volume will lead to lower unit costs and higher long-run profit. With this

*market-penetration pricing*, the firms set the lowest price, assuming the market is price sensitive. This is appropriate when (1) the market is highly price sensitive, so a low price stimulates market growth; (2) production and distribution costs fall with accumulated production experience; and (3) a low price discourages competition.

- *Maximum market skimming*. Many companies favor setting high prices to “skim” the market. This objective makes sense under the following conditions: (1) A sufficient number of buyers have a high current demand; (2) the unit costs of producing a small volume are not so high that they cancel the advantage of charging what the traffic will bear; (3) the high initial price does not attract more competitors to the market; and (4) the high price communicates the image of a superior product.
- *Product-quality leadership*. Companies such as Maytag that aim to be product-quality leaders will offer premium products at premium prices. (Kotler, 2000).

## **Step 2: Determining Demand**

Each price will lead to a different level of demand and, therefore, will have a different impact on a company’s marketing objectives. The relationship between alternative prices and the resulting current demand is captured in a *demand curve*. Normally, demand and price are inversely related: The higher the price, the lower the demand. In the case of prestige goods, however, the demand curve sometimes slopes upward because some consumers take the higher price to signify a better product. Still, if the price is too high, the level of demand may fall. (Kotler, 2000).

### **Price Sensitivity**

The demand curve shows the market’s probable purchase quantity at alternative prices, summing the reactions of many individuals who have different price sensitivities. The first step in estimating demand is to understand what affects price sensitivity. Nagle (sighted in Kotler, 2000) says there is less price sensitivity when:

- The product is more distinctive,
- Buyers are less aware of substitutes,
- Buyers cannot easily compare the quality of substitutes,
- The expenditure is a lower part of buyer’s total income,
- The expenditure is small compared to the total cost of the end product,

- Part of the cost is borne by another party,
- The product is used in conjunction with assets previously bought,
- The product is assumed to have more quality, prestige, or exclusiveness, and
- Buyers cannot store the product.

### **Price Elasticity of Demand**

Marketers need to know how responsive, or elastic, demand would be to a change in price. If demand hardly changes with a small change in price, we say the demand is *inelastic*. If demand changes considerably, demand is *elastic*. Demand is likely to be less elastic when (1) there are few or no substitutes or competitors; (2) buyers do not readily notice the higher price; (3) buyers are slow to change their buying habits and search for lower prices; and (4) buyers think the higher prices are justified by quality differences, normal inflation, and so on. If demand is elastic, sellers will consider lowering the price to produce more total revenue. This makes sense as long as the costs of producing and selling more units do not increase disproportionately. (Kotler, 2000).

Price elasticity depends on the magnitude and direction of the contemplated price change. It may be negligible with a small price change and substantial with a large price change; it may differ for a price cut versus a price increase. Finally, long run price elasticity may differ from short-run elasticity. Buyers may continue to buy from their current supplier after a price increase because they do not notice the increase, or the increase is small, or they are distracted by other concerns, or they find that choosing a new supplier takes time. But they may eventually switch suppliers. The distinction between short-run and long-run elasticity means that sellers will not know the total effect of a price change until time passes. (Kotler, 2000).

### **Step 3: Estimating Costs**

While demand sets a ceiling on the price the company can charge for its product, costs set the floor. Every company should charge a price that covers its cost of producing, distributing, and selling the product and provides a fair return for its effort and risk.

## **Types of Costs and Levels of Production**

A company's costs take two forms—fixed and variable. *Fixed costs* (also known as *overhead*) are costs that do not vary with production or sales revenue, such as payments for rent, heat, interest, salaries, and other bills that must be paid regardless of output. (Kotler, 2000).

### **Step 4: Analyzing Competitors' Costs, Prices, and Offers**

Within the range of possible prices determined by market demand and company costs, the firm must take into account its competitors' costs, prices, and possible price reactions. If the firm's offer is similar to a major competitor's offer, then the firm will have to price close to the competitor or lose sales. If the firm's offer is inferior, it will not be able to charge more than the competitor charges. If the firm's offer is superior, it can charge more than does the competitor—remembering, however, that competitors might change their prices in response at any time. (Kotler, 2000).

### **Step 5: Selecting a Pricing Method**

The three Cs—the customers' demand schedule, the cost function, and competitors' prices—are major considerations in setting price. First, costs set a floor to the price. Second, competitors' prices and the price of substitutes provide an orienting point. Third, customers' assessment of unique product features establishes the ceiling price. Companies must therefore select a pricing method that includes one or more of these considerations. (Kotler, 2000).

### **Step 6: Selecting the Final Price**

The previous pricing methods narrow the range from which the company selects its final price. In selecting that price, the company must consider additional factors: psychological pricing, the influence of other marketing-mix elements on price, company pricing policies, and the impact of price on other parties. (Kotler, 2000).

### **Initiating Price Cuts**

Several circumstances might lead a firm to cut prices. One is *excess plant capacity*: If the firm needs additional business but cannot generate it through increased sales effort or other measures, it may initiate a price cut. In doing so, however, the company risks triggering a price war. Another circumstance is a *declining market share*, which may prompt the firm to cut prices as a way of regaining share. In addition, companies sometimes initiate price cuts in a *drive to dominate the market through lower costs*. Either the company starts with lower costs than those of its competitors or it initiates price cuts in the hope of gaining market share and lower costs. When considering price-cutting, marketers need to be aware of three possible traps: (1) Customers may assume that lower-priced products have lower quality; (2) a low price buys market share but not market loyalty because the same customers will shift to any lower-price firm; and (3) higher-priced competitors may cut their prices and still have longer staying power because of deeper cash reserves. (Kotler, 2000). Among the difference pricing strategy used by different sealers clearance sales is the emerging technique in our country.

### **2.2. Clearance Sales:**

Clearance sale is an attempt to move merchandise at a price (significantly) below its original price (Lazear, 1986). "Clearance market down dollars," which equals the revenue that would be generated at regular price minus the actual dollar obtained from market down items. Given the thin margin of most retailers, the effectiveness of clearance markdown policies can make the difference between a profitable and unprofitable season (Smith and Achabal, 1998). Information about market down in the retail store since in the mid twenties shows the frequency of market down offered by department store was relatively stable over four decades from 1925-1965 pricing practices to change in the last sixties as more product especially apparel product sold at a price cut. (Pashigian 1988). Among other reasons that explain this phenomenon is the growing importance of fashion and product variety. Another important phenomenon in the fashion industry is the "perishability" of the products. Even though products do not perish at the end of the season, stores usually liquidate the inventory and do not store merchandise for the next season. Among several reasons for this behavior are rapid changes in fashion and high inventory costs (Bitran and Mondschein, 1997). From the above definitions clearance sales implies that sealing of products at lower price than before due to

different reasons among this, the growing importance of fashion, high cost of inventory and the variety of product.

Discount pricing has become the *modus operandi* of a surprising number of companies offering both products and services. Some product categories tend to self-destruct by always being on sale. Salespeople, in particular, are quick to give discounts in order to close a sale. But word can get around fast that the company's list price is "soft," and discounting becomes the norm. The discounts undermine the value perceptions of the offerings. Some companies in an overcapacity situation are tempted to give discounts or even begin to supply a retailer with a store brand version of their product at a deep discount. Because the store brand is priced lower, however, it may start making inroads on the manufacturer's brand. Manufacturers should stop to consider the implications of supplying products at a discount to retailers because they may end up losing long-run profits in an effort to meet short-run volume goals.

Sales management needs to monitor the proportion of customers who are receiving discounts, the average discount, and the particular salespeople who are over relying on discounting. Higher levels of management should conduct a net price analysis to arrive at the "real price" of their offering. (Kotler and Killer, 2006).

Response to a clearance sale was found to be a function of two primary factors the degree to which a consumer personally committed to the discount sales alternative and changes in the difficulty of making a decision due to limitation of buying options (Rajagopal, 2008). Consumers response of the clearance sells, both in terms of decision satisfaction level and observed store loyalty behavior, are strongly affected by the variability of price sensitivity, attractiveness of product, store loyalty and perceived value on available brands. Clearance sales affect consumers' decision experience to some extent, but not their consumption experience (Rajagopal, 2008).

The final price is a marketing decision. The ultimate price that is set may be to cover expenses only; a reasonable fee based on the demographics of the community or the corporation; a fee high enough to generate sufficient revenue to make up the difference between donations or grants and total expenses; or a fee commensurate with the perceived value of the product

being offered. Marketers often refer to these pricing approaches as average-cost pricing, target rare-of-return pricing and breakeven-analysis pricing.

**Marketing communication:** Today, marketing communications are increasingly seen as an interactive dialogue between the company and its customers. To make the sale to customers, marketers must work hard and work smart. Companies must ask not only "How can we reach our customers?" but also, "How can our customers reach us?" Thanks to technological breakthroughs, people can now communicate through traditional media (newspapers, magazines, radio, telephone, television, billboards), as well as through computers, fax machines, cellular phones, pagers, and wireless appliances. By decreasing communications costs, the new technologies have encouraged more companies to move from mass communication to more targeted communications and one-to-one dialogue. But companies are also using their sales force to provide a human touch to their marketing. (Kotler and Killer, 2006). Among the different communication tools advertising and sales promotion are presented in the following parts.

**Advertising** is any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.<sup>15</sup> Advertisers include not only business firms but also museums, charitable organizations, and government agencies that direct messages to target publics. Ads are a cost-effective way to disseminate messages, whether to build brand preference for Intel computer chips or to educate people about the dangers of drugs. In developing an advertising program, successful firms start by identifying the target market and buyer motives. Then they can make five critical decisions, known as the five Ms: *Mission*: What are the advertising objectives? *Money*: How much can be spent? *Message*: What message should be sent? *Media*: What media should be used? *Measurement*: How should the results be evaluated? These decisions are summarized in. (Kotler, 2000).

**Sales promotion**, a key ingredient in many marketing campaigns, consists of a diverse collection of incentive tools, mostly short term, designed to stimulate trial, or quicker or greater purchase, of particular products or services by consumers or the trade. Whereas advertising offers a *reason* to buy, sales promotion offers an *incentive* to buy. Sales promotion

includes tools for *consumer promotion* (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations); trade *promotion* (prices off, advertising and display allowances, and free goods), and *business and sales force promotion* (trade shows and conventions, contests for sales reps, and specialty advertising). (Kotler, 2000). In order to have effective pricing decision identifying the target customer of the product is essential.

### **Market Segmentation**

Market segmentation is about describing and dividing groups of people. People with different characteristics may want the same product in somewhat different forms and for different reasons. Therefore, marketers divide people into groups based on certain relevant characteristics, and then adjust elements of their marketing mix to meet the specific needs of each group. ([www.campus.udartton.edu](http://www.campus.udartton.edu)).

A market segment consists of a group of customers who share a similar set of needs and wants. The marketer does not create the segments; the marketer's task is to identify the segments and decide which one(s) to target. Segment marketing offers key benefits over mass marketing. The company can presumably better design, price, disclose and deliver the product or service to satisfy the target market. The company also can fine-tune the marketing program and activities to better reflect competitors' marketing. (Kotler and Killer, 2006).

Why Segment Markets? When marketers segment product markets and select targets, they hope to increase the efficiency and profitability with which they serve their customers. By excluding groups of people who are less likely to buy a firm's brand, the firm has additional resources to direct toward groups with a greater potential to become customers. Effective segmentation allows marketers to increase the return on their investments by reducing wasted efforts or in some cases lowering overall marketing expenditures. Indeed, segmentation is so effective at helping businesses more wisely spend their resources that some business historians consider segmentation to be the single most valuable tool marketing has to offer the economy and our society. ([www.campus.udartton.edu](http://www.campus.udartton.edu)).

Target marketing requires marketers to take three major steps: (1) Identify and profile distinct groups of buyers who might require separate products or marketing mixes (market segmentation); (2) select one or more market segments to enter (market targeting); and (3) establish and communicate the products' key distinctive benefits in the market (market positioning). This chapter focuses on the first two steps; the following chapter will discuss positioning strategy.

### **2.3. Customer Buying Behavior as A Moderator**

The aim of marketing is to meet and satisfy target customers and wants better than competitors. Consumer behavior is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. Studying consumers provides clues for improving or introducing products or services, setting prices, devising channels, crafting messages, and developing other marketing activities. Marketers are always looking for emerging trends that suggest new marketing opportunities. Consumer's buying behavior is influenced by cultural, social, personal, and psychological factors. (Kotler, 2000).

#### **Cultural Factors Influencing Buyer Behavior:**

Culture, subculture, and social class are particularly important influences on consumer buying behavior.

- *Culture* is the most fundamental determinant of a person's wants and behavior.
- *Subculture*. Each culture consists of smaller subcultures that provide more specific identification and socialization for their members. Subcultures include nationalities, religions, racial groups, and geographic regions. Many subcultures make up important market segments, leading marketers to tailor products and marketing programs to their needs.
- *Social class*. **Social classes** are relatively homogeneous and enduring divisions in a society. They are hierarchically ordered and their members share similar values, interests, and behavior

### **Social Factors Influencing Buyer Behavior**

In addition to cultural factors, a consumer's behavior is influenced by such social factors as reference groups, family, and social roles and statuses.

- Reference groups: consist of all of the groups that have a direct (face-to-face) or indirect influence on a person's attitudes or behavior
- Family: the family is the most important consumer-buying organization in society, and it has been researched extensively. The *family of orientation* consists of one's parents and siblings. From parents, a person acquires an orientation toward religion, politics, and economics as well as a sense of personal ambition, self-worth, and love. A more direct influence on the everyday buying behavior of adults is the *family of procreation*—namely, one's spouse and children.
- Roles and Statuses: A person participates in many groups, such as family, clubs, or organizations. The person's position in each group can be defined in terms of role and status. A *role* consists of the activities that a person is expected to perform. Each role carries a *status*. A Supreme Court justice has more status than a sales manager, and a sales manager has more status than an administrative assistant. In general, people choose products that communicate their role and status in society. (Kotler, 2000).

### **Personal Factors Influencing Buyer Behavior**

Cultural and social factors are just two of the four major factors that influence consumer buying behavior. The third factor is personal characteristics, including the buyer's age, stage in the life cycle, occupation, economic circumstances, lifestyle, personality, and self-concept.

- Age and Stage in the Life Cycle: People buy different goods and services over a lifetime. They eat baby food in the early years, most foods in the growing and mature years, and special diets in the later years. Taste in clothes, furniture, and recreation is also age-related, which is why smart marketers are attentive to the influence of age. Similarly, consumption is shaped by the *family life cycle*. The traditional family life cycle covers stages in adult lives, starting with independence from parents and continuing into marriage, child-rearing, empty-nest years,

retirement, and later life. Marketers often choose a specific group from this traditional life-cycle as their target market.

- **Occupation and Economic Circumstances:** Occupation also influences a person's consumption pattern. A blue-collar worker will buy work clothes and lunchboxes, while a company president will buy expensive suits and a country club membership. For this reason, marketers should identify the occupational groups that are more interested in their products and services, and consider specializing their products for certain occupations.
- **Lifestyle** People from the same subculture, social class, and occupation may actually lead quite different lifestyles. A lifestyle is the person's pattern of living in the world as expressed in activities, interests, and opinions. Lifestyle portrays the "whole person" interacting with his or her environment.
- **Personality and Self-Concept** Each person has a distinct personality that influences buying behavior. Personality refers to the distinguishing psychological characteristics that lead to relatively consistent and enduring responses to environment. Personality is usually described in terms of such traits as self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability. (Kotler, 2000).

### **Psychological Factors Influencing Buyer Behavior**

Psychological factors are the fourth major influence on consumer buying behavior (in addition to cultural, social, and personal factors). In general, a person's buying choices are influenced by the psychological factors of motivation, perception, learning, beliefs, and attitudes.

- **Motivation:** A person has many needs at any given time. Some needs are *biogenic*; they arise from physiological states of tension such as hunger, thirst, discomfort. Other needs are *psychogenic*; they arise from psychological states of tension such as the need for recognition, esteem, or belonging. A need becomes a motive when it is aroused to a sufficient level of intensity. A *motive* is a need that is sufficiently pressing to drive the person to act.

- **Perception:** A motivated person is ready to act, yet how that person actually acts is influenced by his or her perception of the situation. **Perception** is the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world. Perception depends not only on physical stimuli, but also on the stimuli's relation to the surrounding field and on conditions within the individual. The key word is *individual*. Individuals can have different perceptions of the same object because of three perceptual processes: selective attention, selective distortion, and selective retention.
- **Learning:** When people act, they learn. **Learning** involves changes in an individual's behavior that arise from experience. Theorists believe that learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement. A *drive* is a strong internal stimulus that impels action. *Cues* are minor stimuli that determine when, where, and how a person responds.
- **Beliefs and Attitudes:** Through doing and learning, people acquire beliefs and attitudes that, in turn, influence buying behavior. A **belief** is a descriptive thought that a person holds about something. Beliefs may be based on knowledge, opinion, or faith, and they may or may not carry an emotional charge. Of course, manufacturers are very interested in the beliefs that people have about their products and services. These beliefs make up product and brand images, and people act on their images. (Kotler, 2001).

In order to have good marketing mix decision understanding the behavior of the customer is essential. Thus far, lower price helps to increase the sells volume of those boutiques. The perceptions of the customer towards the clearance price and quality of the product have a significant impact on their sales. Because a price cut can be interpreted in different ways by the customer: The item is about to be replaced by a new model; the item is faulty and is not selling well; the firm is in financial trouble; the price will come down even further; the quality has been reduced (Kotler and Killer, 2006). The theory shows that even at a lower price the buyer may not prefer to purchase the product.

## CHAPTER THREE

### Data Presentation Analysis and Interpretation

#### 3.2. Data presentation

The data collected from the customer and the seller and /or the owner were presented separately. In the first part the data collected from the boutique owner(s) and/or seller(s) were presented. First background information of the respondent was presented. The background information includes sex, age, educational background; work experience and the past trend of boutiques. This information had impact on the assignment/determination of discount price; customer handling and other marketing activities.

#### 3.1.1. Age, Sex and Educational Background

*Table 1 demographic characteristics of respondent*

Sex	Male	Female	Total						
Frequency	12	4	16						
Percentage	75	25	100						
Age	below 20	20-25	25-30	30-35	35-40	40-45	45-50	50-55	total
Frequency	1	2	3	4	2	3	1	-	16
Percentage (%)	6.25	12.5	18.75	25	12.5	18.75	6.25	-	100
Educational background	Less than grade 10	Grade 10 completed	Grade 12 completed	Certificate	Diploma	Degree	Masters degree	Doctor	
Frequency	1	2	2	2	4	3	1	1	16
Percentage (%)	6.25	12.5	12.5	12.5	25	18.75	6.25	6.25	100

### 3.1.2. Experience on The Business

Table 2 Years of experience on the business

Item	For how many years you operate in this business?	Frequency	Percentage
A	Above 20 years	-	-
B	From 15-20 years	2	12.5
C	From 10-15 years	5	31.25
D	From 5-10 years	4	25
E	From 1-5 years	4	25
F	Below one year	1	6.25
Total		16	100

### 3.1.21. Past Sales Trend of The Boutiques

Table 3 the boutiques trend in selling

Item	What was your boutiques past trend in selling?	Frequency	Percentage
A	Highly profitable	2	12.5
B	Profitable	7	43.75
C	Not that much	3	18.75
D	No profit no loss	3	18.75
E	No profit	1	6.25
Total		16	100

As shown in the above table 43.75% of the response implies the boutiques a positive trend in profitable; 18.75% not that much; 18.75% breakeven level; 12.5% highly profitable and 6.25%.

### 3.1.22. Past Experience in Clearance Sales

*Table 4 past experiences in clearance sells*

Items	Do you apply clearance sells strategy before this time?	Frequency	Percentage
A	Yes	14	87.5
B	No	2	12.5
Total		16	100
Items	If your answer is yes how many times in a year?		
A	Once	8	57.14
B	Twice	3	21.43
C	Three times	3	21.43
D	For times		
E	Other		
Total		14	100

### 3.1.23. Past Target Customers

*Table 5 Target customer of the boutique before they apply clearance sales strategy*

Items	Before you apply clearance sales strategy, which income group of buyers you expect as a target customer?	Frequency	Percentage
A	Higher		
B	Medium	2	12.5
C	Lower	1	6.25
D	I don't know	13	81.25
Total		16	100

### 3.1.24. Discount Rate

Table 6 Discount rate setter of the boutiques

Item	Who set the discount rate?	Frequency	Percentage
A	The owner of the boutiques	15	95.75
B	The seller of the boutique		
C	Outside consultant		
D	By developing a committee containing all the above parties	1	6.25
E	Other		
Total		16	100

What do you mean by replacing existing product by the new product?

- Purchasing new but similar product
- Purchasing similar product by adding some fashion product

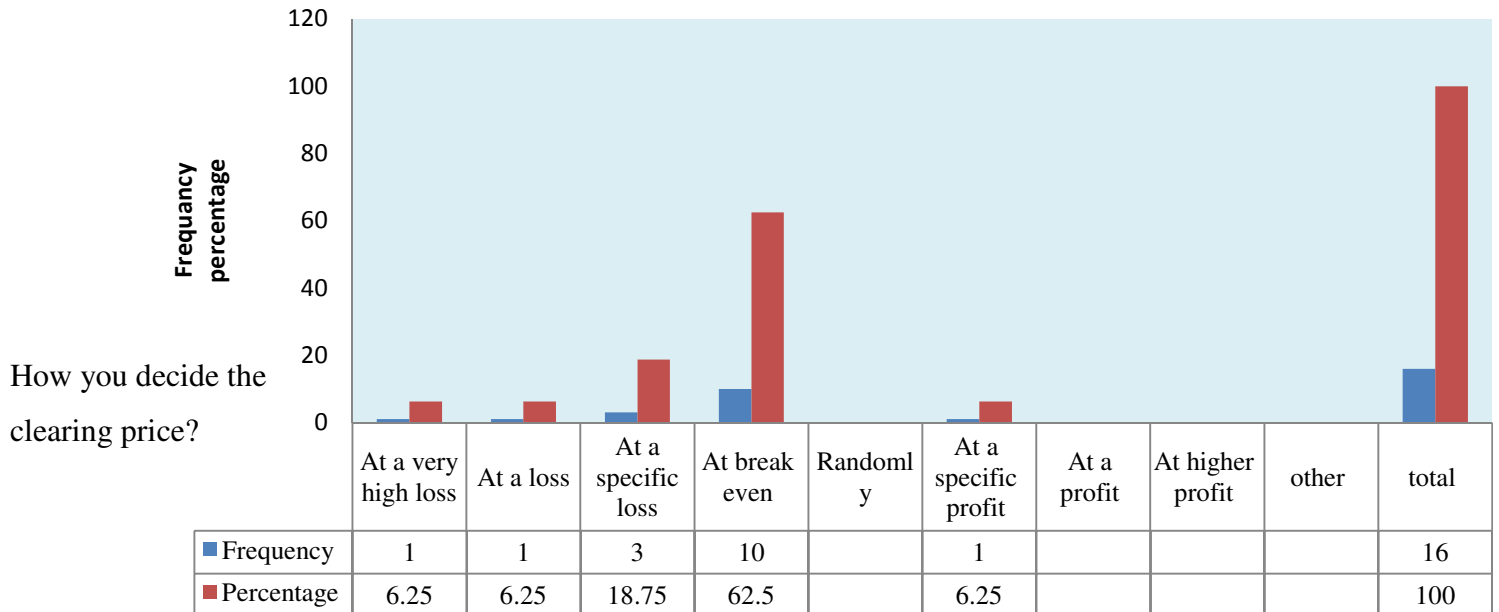
### 3.1.25. Reason for Applying Clearance Sales

Table 7 the reason for using clearing practice

Items	Why you use market clearing practice?	Frequency	Percentage
A	To change the business		
B	To clear the bulky inventory	9	56.25
C	To sell seasonal products		
D	To close the business		
E	To replace the existing product by the new coming product	5	31.25
F	To sell old fashioned clothes	2	12.5
G	Other		

### 3.1.26. Price Setting Decision

Figure 1 clearance sales pricing decision



### 3.1.27. Seasons and Occasion

Table 8 seasons and occasions that the boutiques apply clearance sales

Items	In which season most of the time you apply this strategy?	Frequency	Percentage
A	During summer	15	93.75
B	During autumn	1	16.25
C	During winter		
D	During spring		
Total		16	100
Items	At what occasion your boutiques apply clearance sales strategy?	Frequency	Percentage
A	During the holiday	8	50
B	During the ordinary day	8	50
Total		16	100

### 3.1.28. Advertisement Mechanisms

Table 9 Advertising mechanism used by boutiques

Items	How you communicate the clearance sells to the customer?	Frequency	Percentage
A	Through TV advertisement		
B	Through radio advertisement		
C	Through news paper advertisement		
D	By displaying notice on the boutique	10	62.5
E	Other	6	37.5
Total		16	100

### 3.1.29. Duration of the Discount Period

Table 10 the length of time the discount sales stayed.

Items	How long this clearance practice lasts?	Frequency	Percentage
A	Less than a month	2	12.5
B	1-4 month	10	62.5
C	4-7 month	3	18.75
D	4-11 month		
E	Above 11 month	1	6.5
Total		16	100

Do you extend the discount period that you sate? What is the reason?

- Yes  
The reason was
- ✓ The product cannot be sold during the specified time.

### 3.1.30. Target Customer During the Clearance Sales

*Table 11 expected target customer when they apply clearance sales strategy*

Items	When you apply clearance sales strategy, which income group of buyers you expect as a target customer?	Frequency	Percentage
A	Higher		
B	Medium	2	12.5
C	Lower	4	25
D	I don't know	10	62.5
Total		16	100

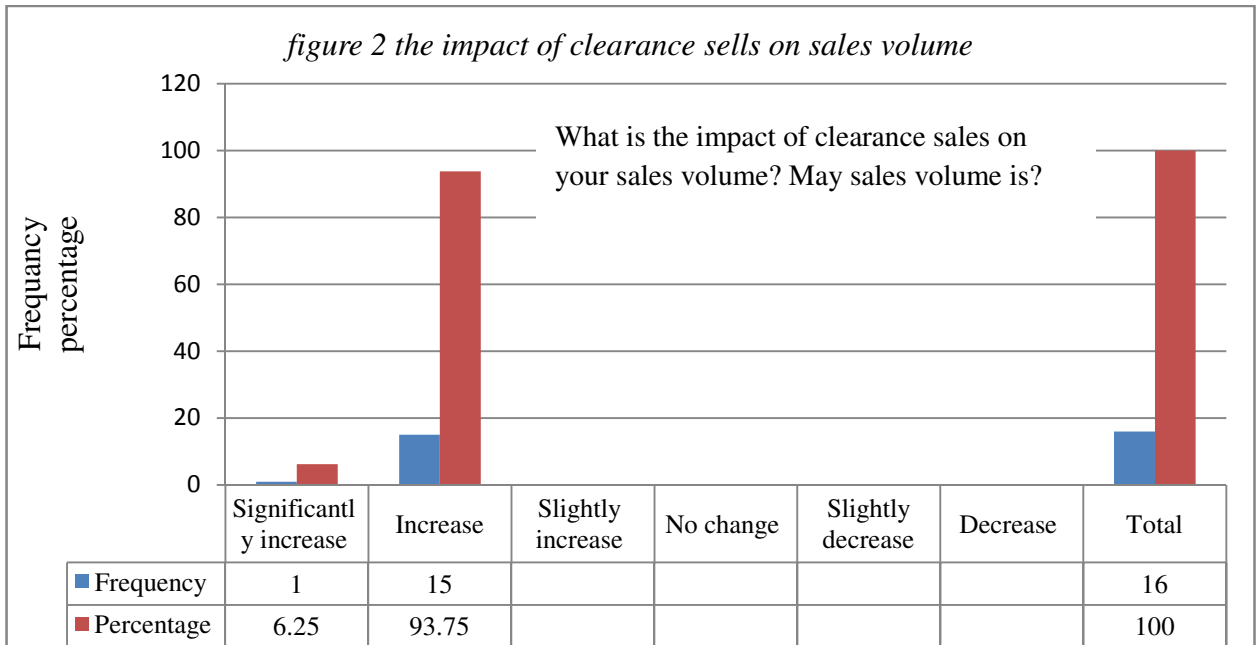
### 3.1.31. The Relationship Between Price and Quality

*Table 12 the owner(s) or sellers opinion about the relationship of price and quality*

Items	Do you think that the quality of the product and its price have a direct relationship?	Frequency	Percentage
A	Yes	16	100
B	No		
C	I don't know		
Total		16	100

The entire respondent believed that the quality of the product have a direct relationship with quality.

### 3.1.32. The relationship between sales volume and clearance price



*Table 13 the boutiques goal achievement*

Item	Do you achieve the goal that you set?	Frequency	Percentage
A	Yes	16	100
B	No		
Total		16	100

What problem you face when you apply clearance sales?

- The customer are reluctant to purchase as we expected
- The customer want a farther reeducation in price
- We cannot sell the expected amount on the specified discount date, rather we extend it more than we expect.
- Difficulties to convince customer

*Table 14 the relationship between selling price and sales volume*

Item	What do you think about the relationship between selling price and sales volume? They have:	Frequency	Percentage
A	Direct relationship	15	100
B	Indirect relationship		
C	Have no relationship	1	6.25
D	I don't know		
Total		15	

### **3.1.33. Customer Behavior as a Moderator**

*Table 15 customer interest to know the reason of clearance sells*

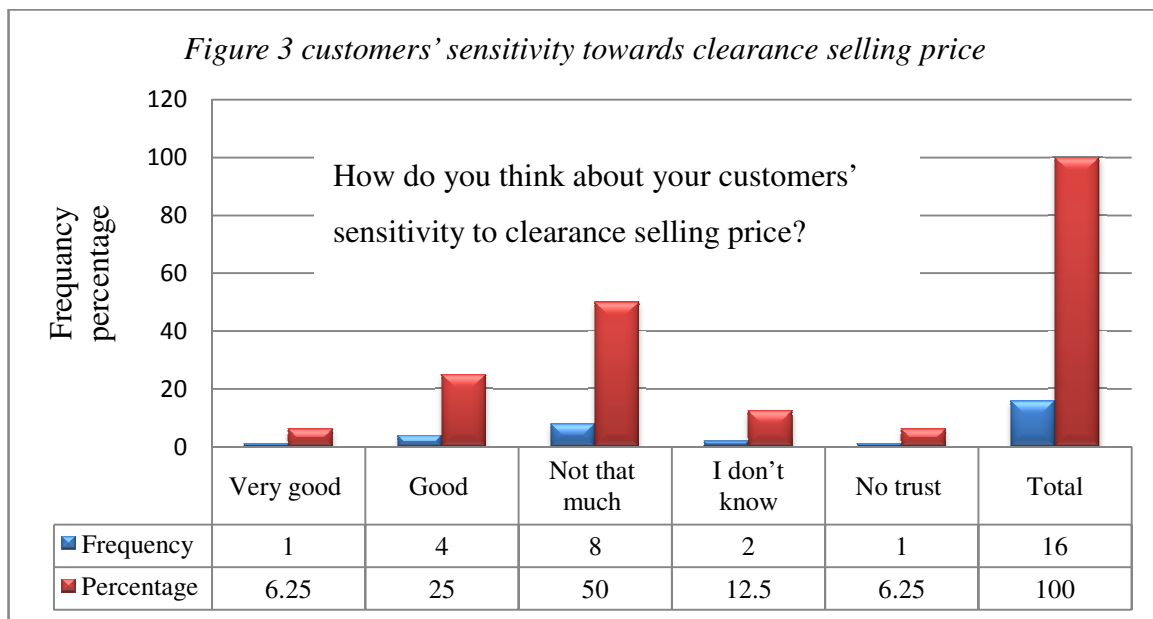
Items	Do your customers ask a question about your reason of setting clearance sells?	Frequency	Percentage
A	Yes	16	100
B	No		
Total		16	100
Items	If your answer is yes how many of them?		
A	All	1	6.25
B	Many	6	37.5
C	Some	9	56.25
D	None of them		
Total		16	100

The entire boutiques were asked the reason of applying clearance sales. Among this 56.25% response shows some of the customer asked them, 37.5 many of the customer, 6.25 all of the customer.

*Table 16 customers' knowledge about original price of the product*

Items	Do you believe that, your customer knows the original price of the product?	Frequency	Percentage
A	Yes	9	56.25
B	No	3	18.75
C	I don't know	4	25
Total		16	100

The above table indicates as about 56.25% believed that their customer knows the original price of the product; 18.75% said no and the remaining 25% said I don't know.



As indicated in the figure 50% shows that the customers were not that much sensitive to the clearance sales; 25% good; 12.5% they don't know, 6.25% no trust and 6.25% very good.

*Table 17 the customers trust on the discount rate*

Items	To what extent your customers trust the discount rate?	Frequency	Percentage
A	Very good	1	6.25
B	Good	4	25
C	Not that much	8	50
D	I don't know	2	12.5
E	No trust	1	6.25
Total		16	100

*Table 18 customers complain about the correctness of the discount rate and the method the used to convince them.*

Items	Is there any customer complaining about the correctness of the discount?	Frequency	Percentage
A	Yes	10	62,5
B	No	6	37.5
C	I don't know		
Total		16	100
Item	If your answer is "yes" what mechanism you use to convince them?		
A	By telling the original price	5	50
B	By showing the original selling price		
C	By telling them to see the same product from other related boutique		
D	I(or we) can't say any thing	5	50
E	Other		
Total		10	100

*Table 19 Customer confidence on the product quality which have lower price and the method they use to convince customer*

Items	When you make a price cut, did your customer have confidence on the quality of the product?	Frequency	Percentage
A	Yes	5	31.25
B	No	7	43.75
C	I don't know	4	25
Total		16	100
Item	If your answer is "no" what mechanism you use to convince them?		
A	By telling them about the product	2	28.6
B	By telling them to see the same product from other shop	2	28.6
C	Telling them to come with their friend or other person who knows about the product		
D	By telling them to return the product if it does not meet with your expectation		
E	If you believe buy it other ways leave it		
F	I (or we) can't say any thing		
G	Other	3	42.8
Total		7	100

**Data presentation (collected from customers).** The data was divided in to four major categories based on the similarity of the information. These were: background information of the respondent; awareness of the customer about the product; Customers attitude towards clearance price and perceived quality; and Customer attitude about the reality of the price cut.

### 3.1.34. Back Ground Information

*Table 20 sex and age of respondents*

Sex	Male	Female	Total							
Frequency	26	53	79							
Percentage	33	67	100							
Age	<20	20-25	25-30	30-35	35-40	40-45	45-50	50-55	>55	total
Frequency	5	9	9	10	11	13	14	5	3	79
Percentage (%)	6.3	11.4	11.39	12.6	13.9	16.5	17.7	6.3	6.3	100

*Table 21 educational level of respondent*

Item	Education level	Frequency	Percentage (%)
A	Below grade 10	11	13.92
B	Grade 10 completed	13	16.46
C	Grade 12 completed	10	12.66
D	Certificate	13	16.46
E	Diploma	17	21.52
F	Degree	12	15.19
G	Masters	2	2.53
H	Doctor	1	1.26
Total		79	100

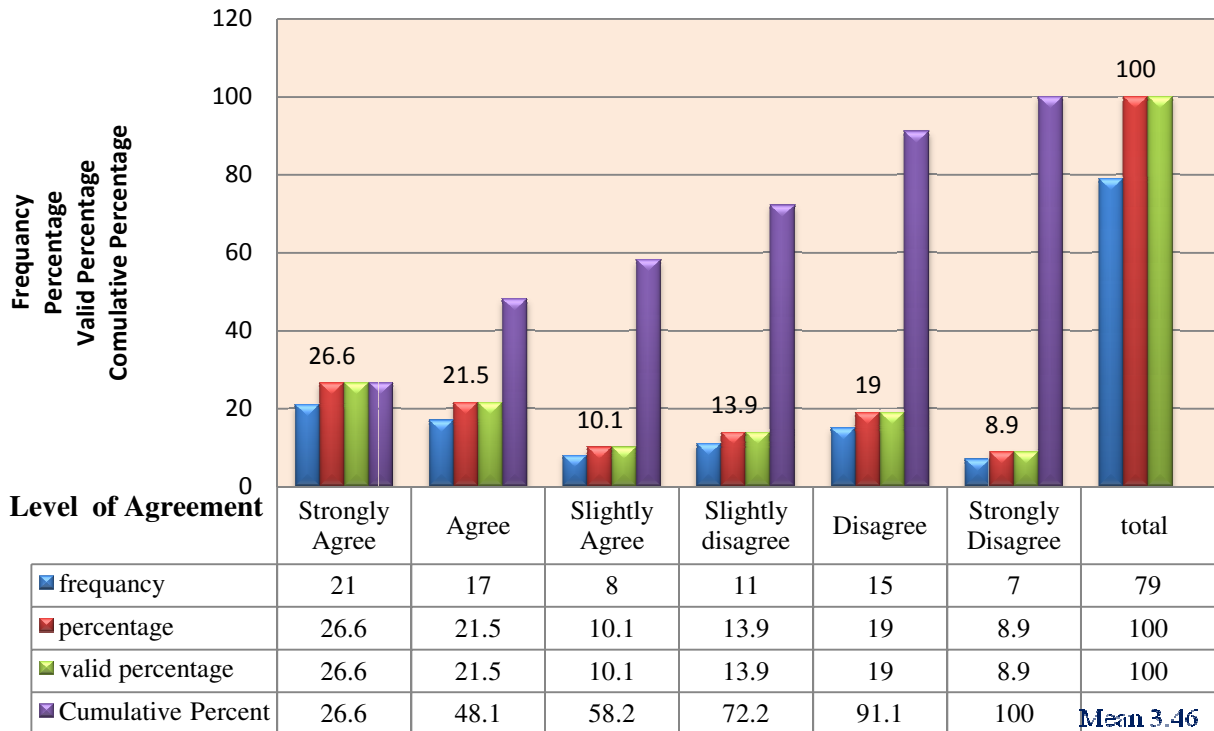
### Basic Information

In this part the main information collected from the customers through questionnaire and interview was presented. The questions were divided in to three parts, based on interrelation of questions. These were: awareness of the customer about the product; customer attitude towards clearance price and product quality and customer attitude about the reality of the clearance price.

#### 3.1.35. Awareness of the Customer about the Product.

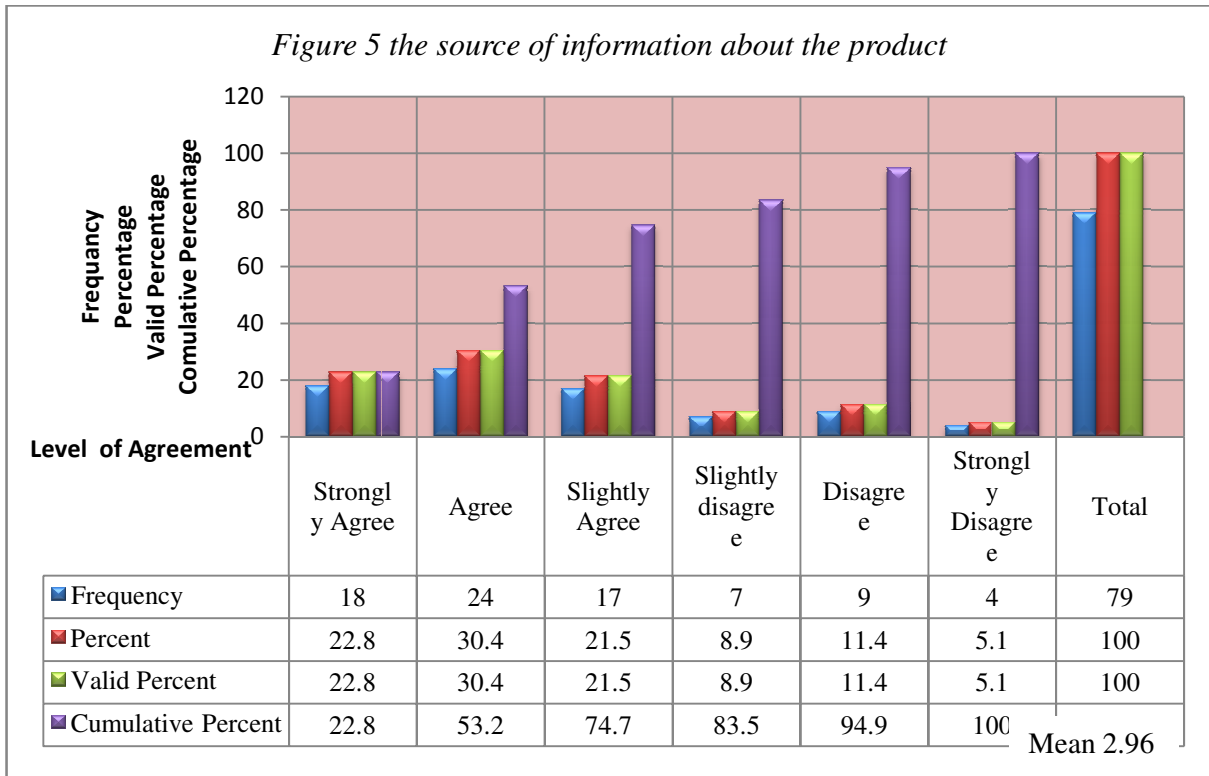
I know the quality of the product I bought, because I use it before.

*Figure 4 customers knowledge of the product quality*

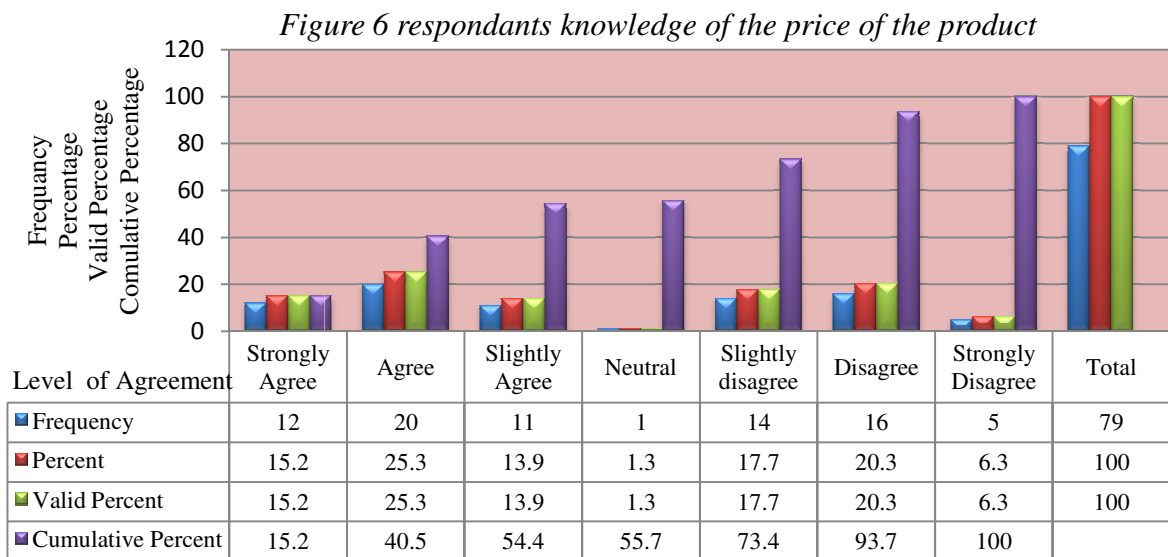


As shown in the above figure 26.6% strongly agree with the statement “I know the quality of the product I bought, because I use it before”. 21.5% agree; 10.1 slightly agree; 13.9% slightly disagree; 19% disagree and 8.9% strongly disagree.

My friends tell me about the product and also recommend me to buy it.

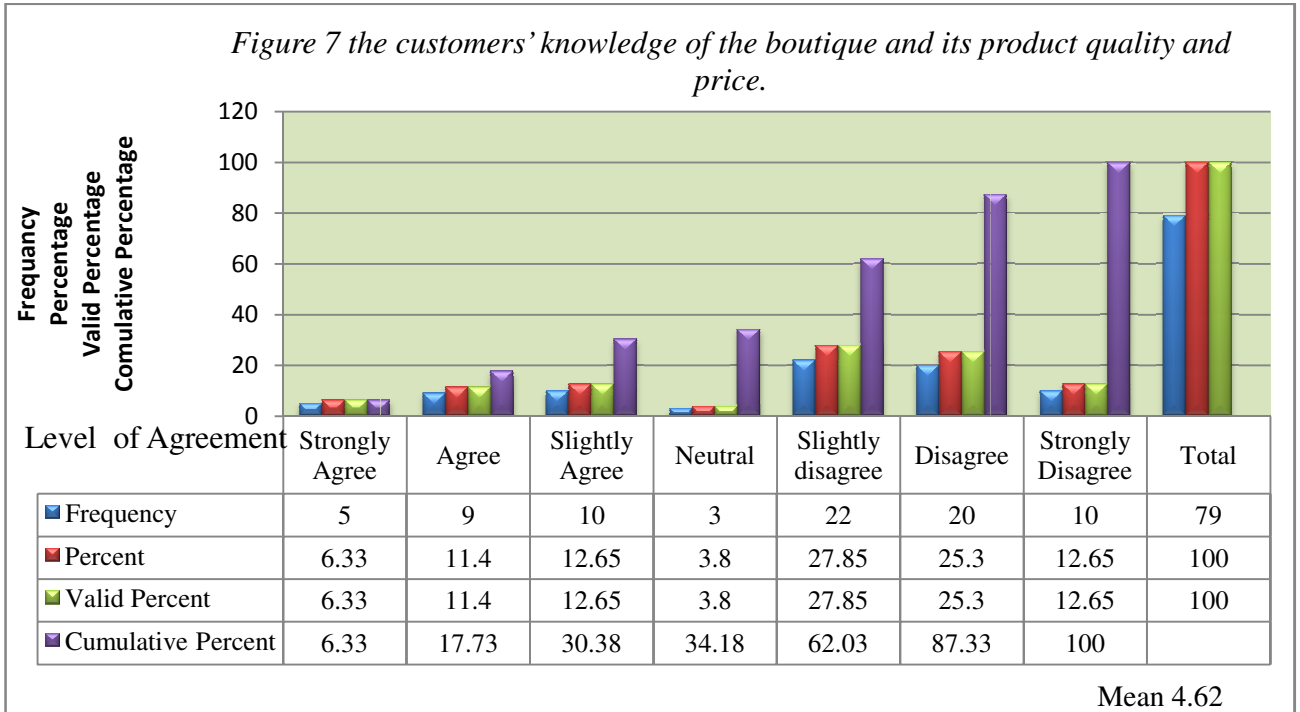


I know the price of the product before because I bought the same product prior to this time.

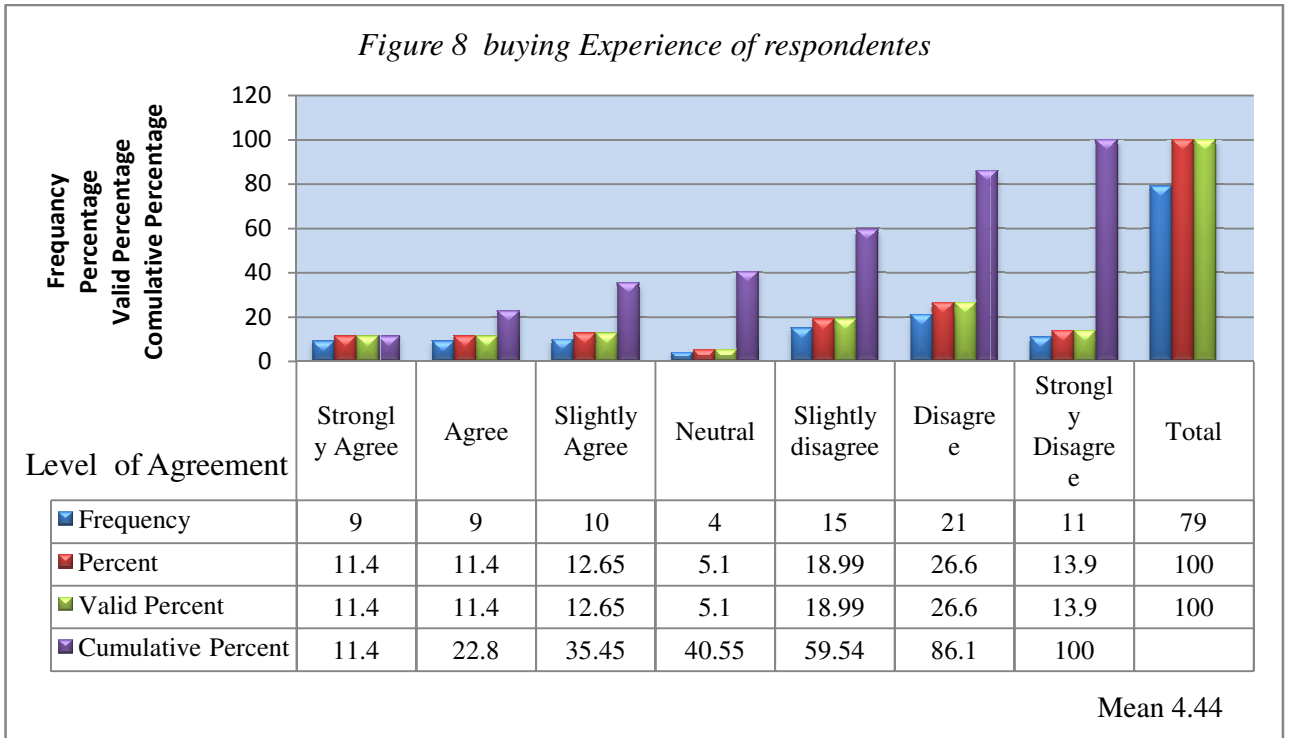


Mean 3.67

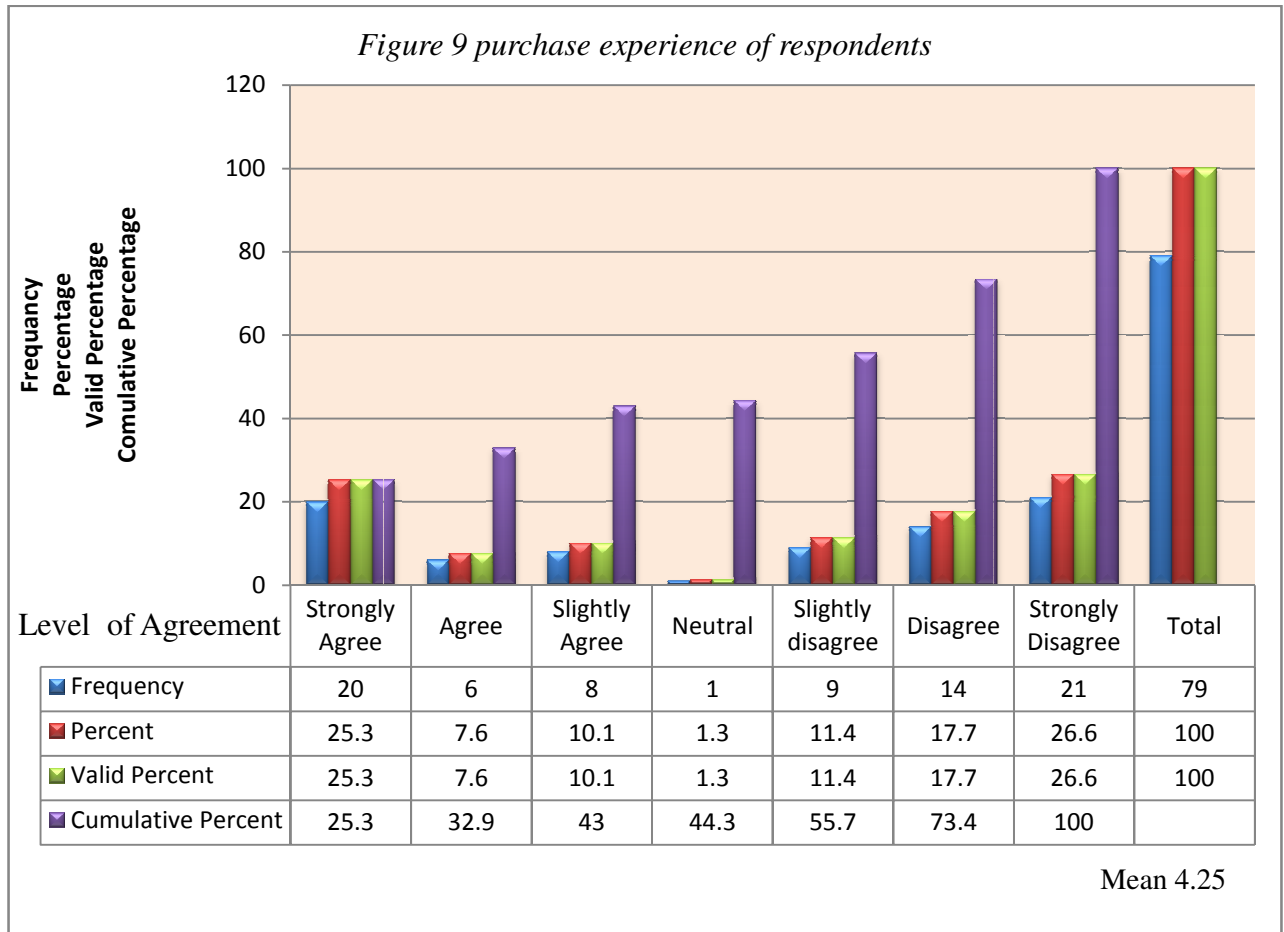
I am the customer of this boutique and I know about the product quality and prices.



I buy a product by comparing the price and the quality of the product from different boutiques, whether there is a price discount or not.



I bought this type of product for the first time and I don't know before about the price or the quality of the product.

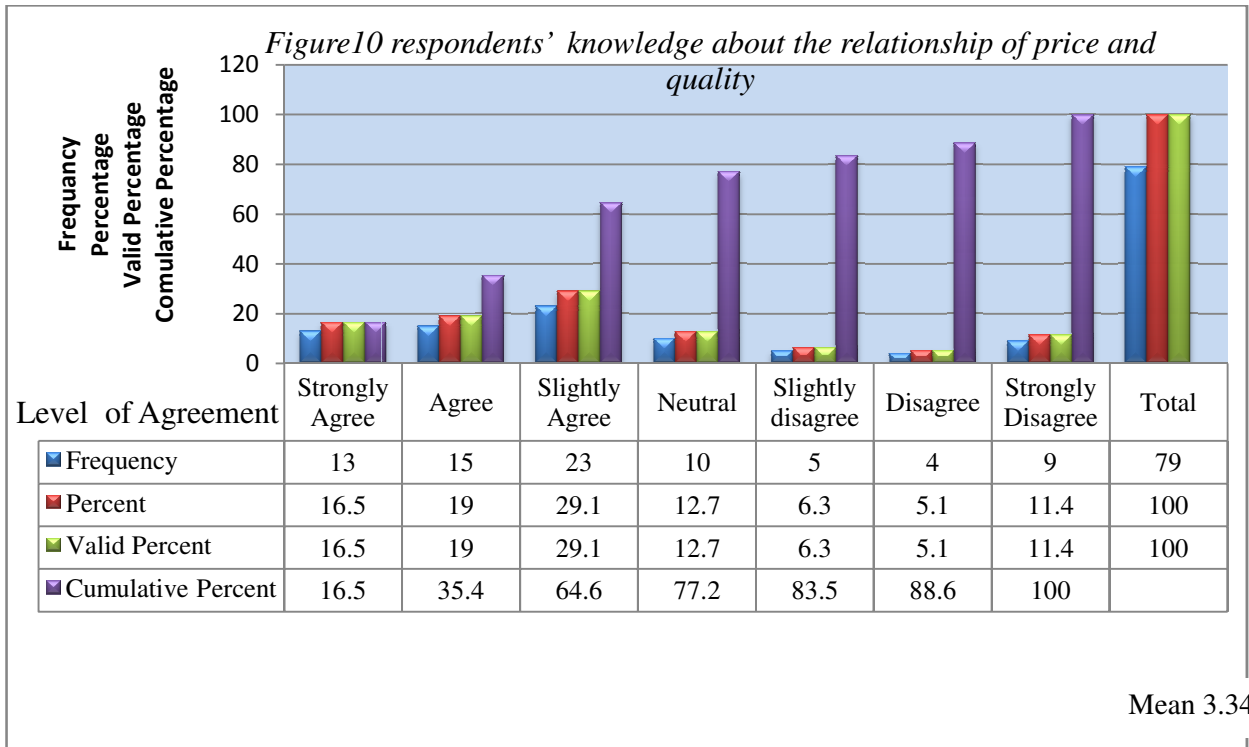


As indicated in figure 9, 25% of the respondents strongly agree with the statement “I bought this type of product for the first time and I don't know before about the price or the quality of the product.” 7.6% agree; 10.1 slightly agree; 1.3% neutral; 11.4% slightly disagree, 17.7% disagree and finally 26.6% strongly disagree.

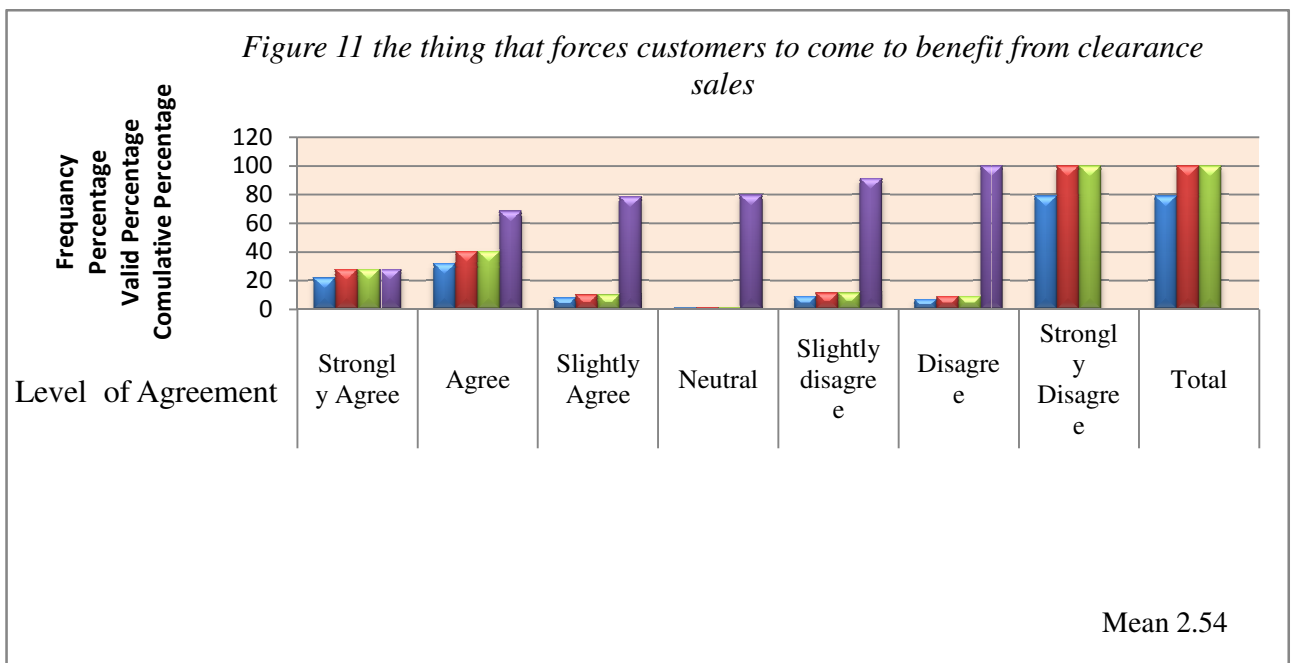
### 3.1.36. Customers Attitude Towards Clearance Price and Product Quality

In this part the customers' attitude towards clearance price and its implication on product quality was presented.

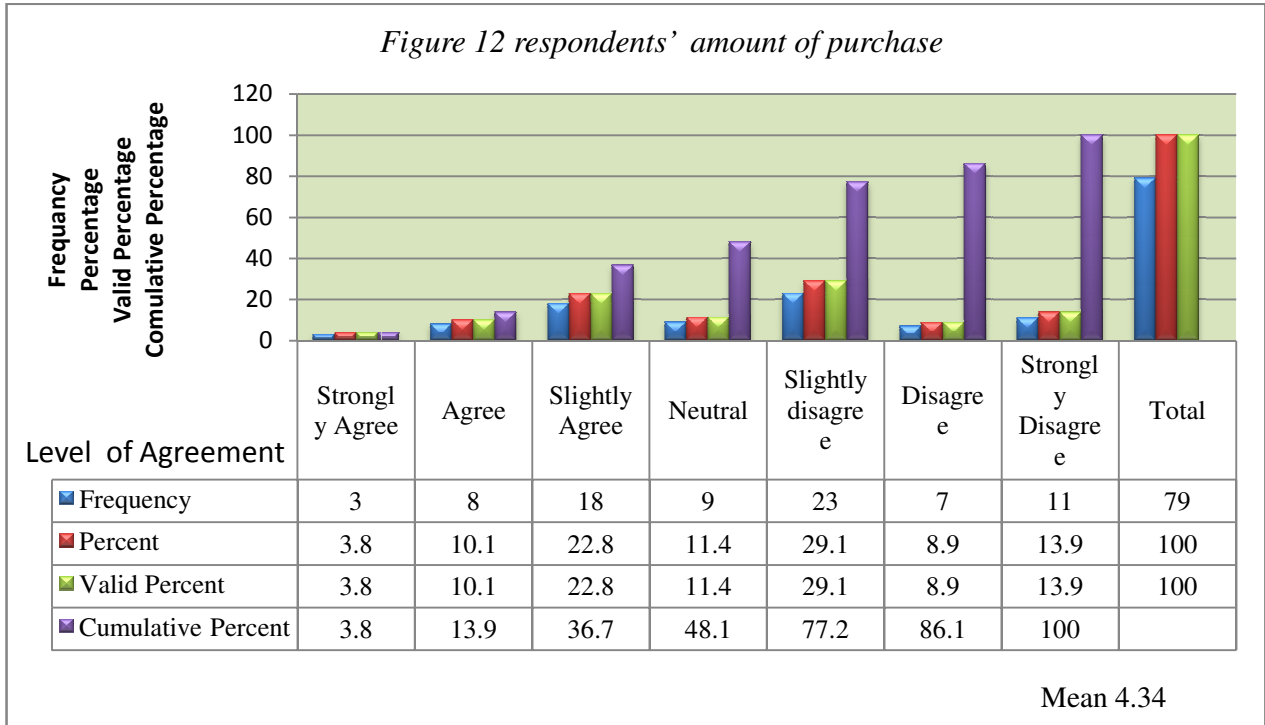
I believe that higher price indicates higher quality of the product, because the price increases due to the quality of the product.



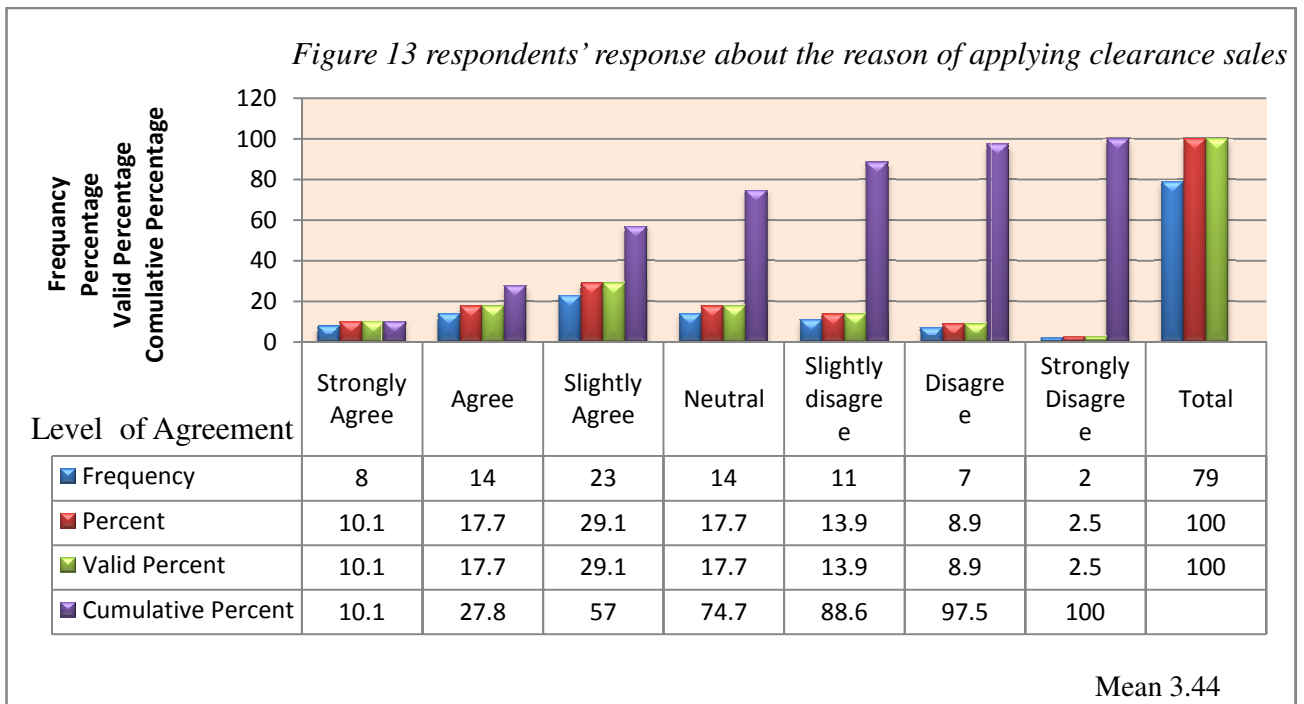
I am forced to come in this boutique by seeing the displayed discount, in order to buy product at a lower price.



I bought more products than what I plan, because the price cut is good in relation to the quality of the product.



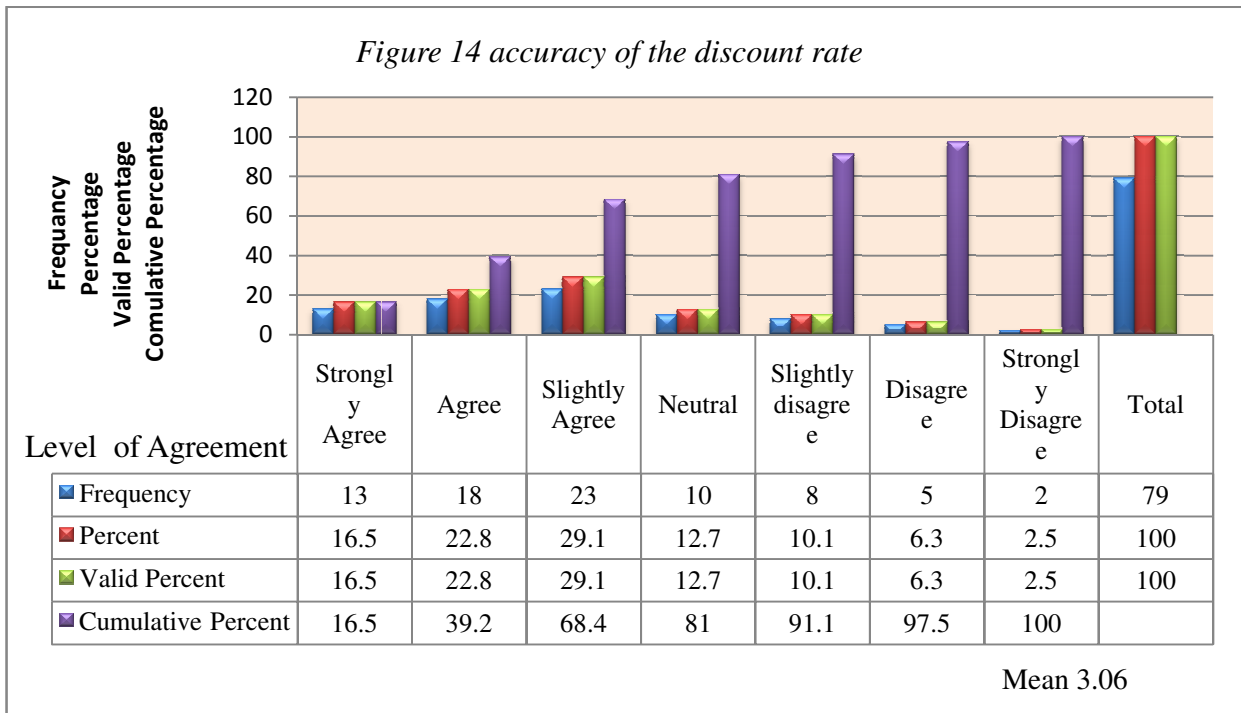
I expect that they discount the price because the product is defective or have a low quality.



### 3.1.37. Customer Attitude Towards the Reality Of The Price Cut

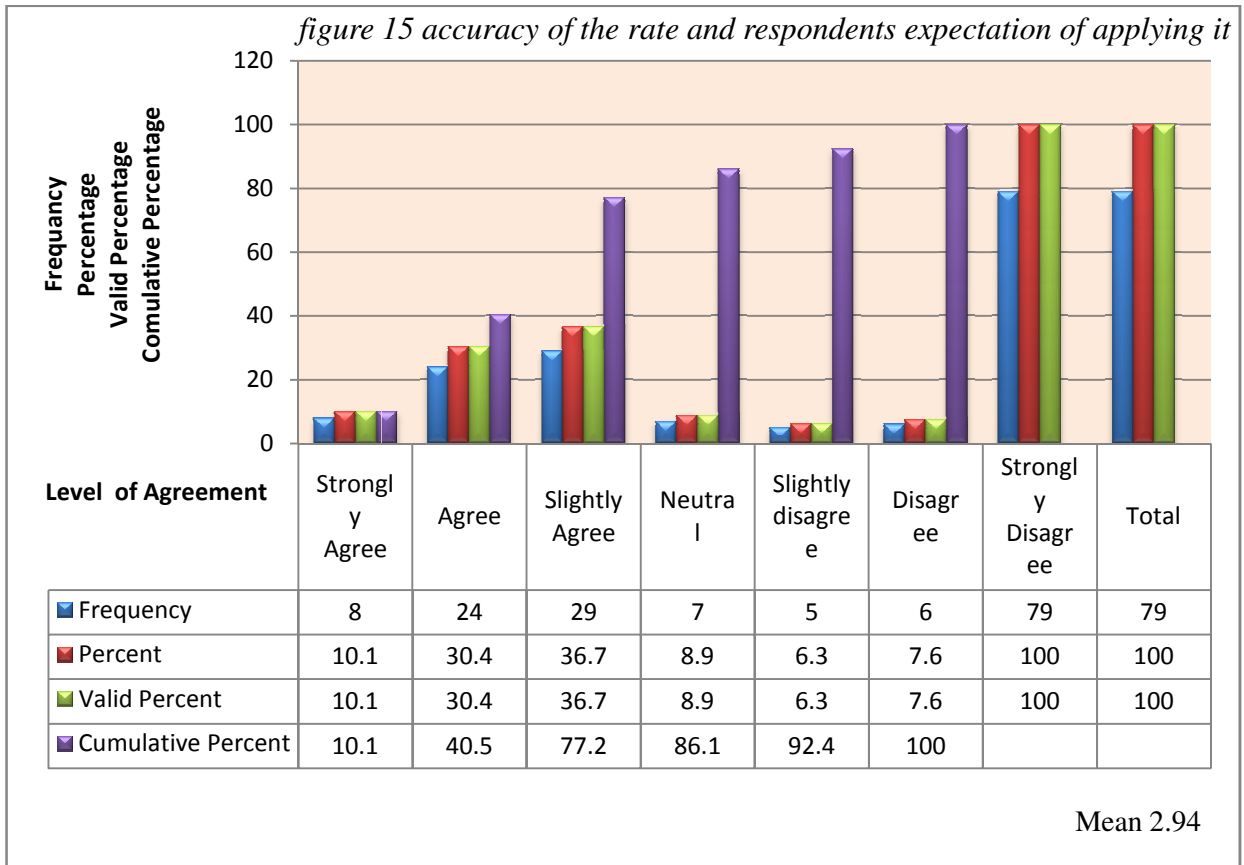
In this part the customer perception of the price cut and its reality was presented. Four interrelated questions are asked and answered by the respondents. Based on the information collected the data was presented as follow.

When I compare the price of the product which sold at discount with other boutique which sell the same product, the discount rate is not accurate.

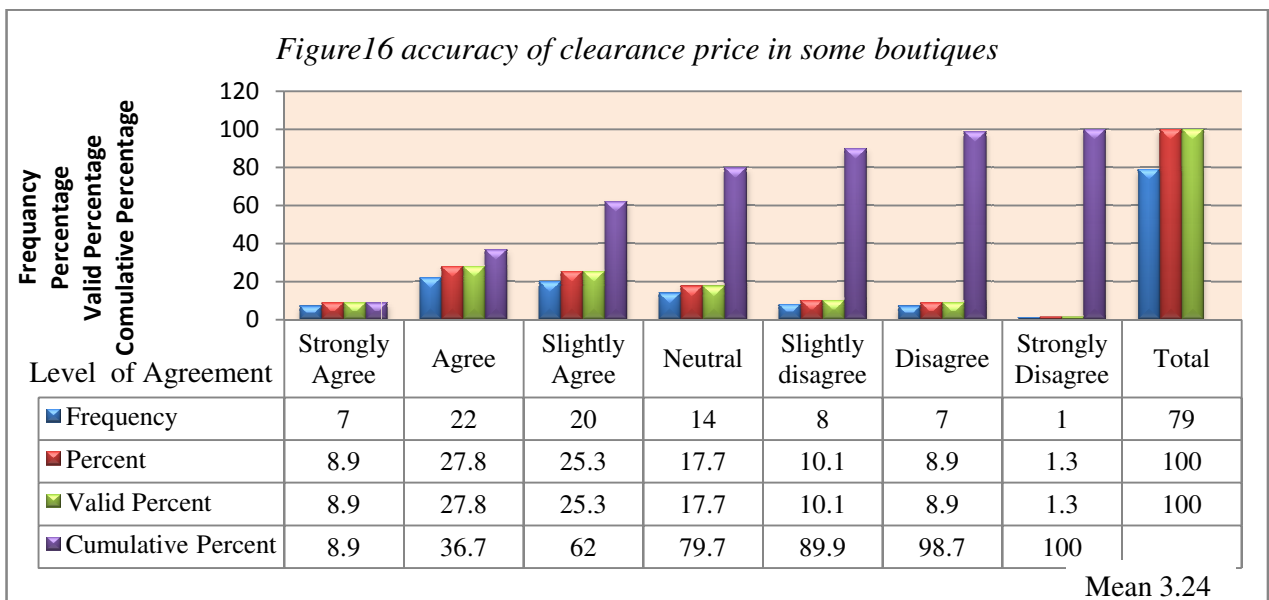


About 16.5% of the respondent strongly agree, that the discount rate is not correct when it compared with other related boutiques; 22.8% agree; 29.1% slightly agree; 12.7% neutral; 10.1% slightly disagree; 6.3% disagree and 2.5% strongly disagree.

I visit different boutiques which display discount sales, but the rate is not accurate rather they use it to attract customer.

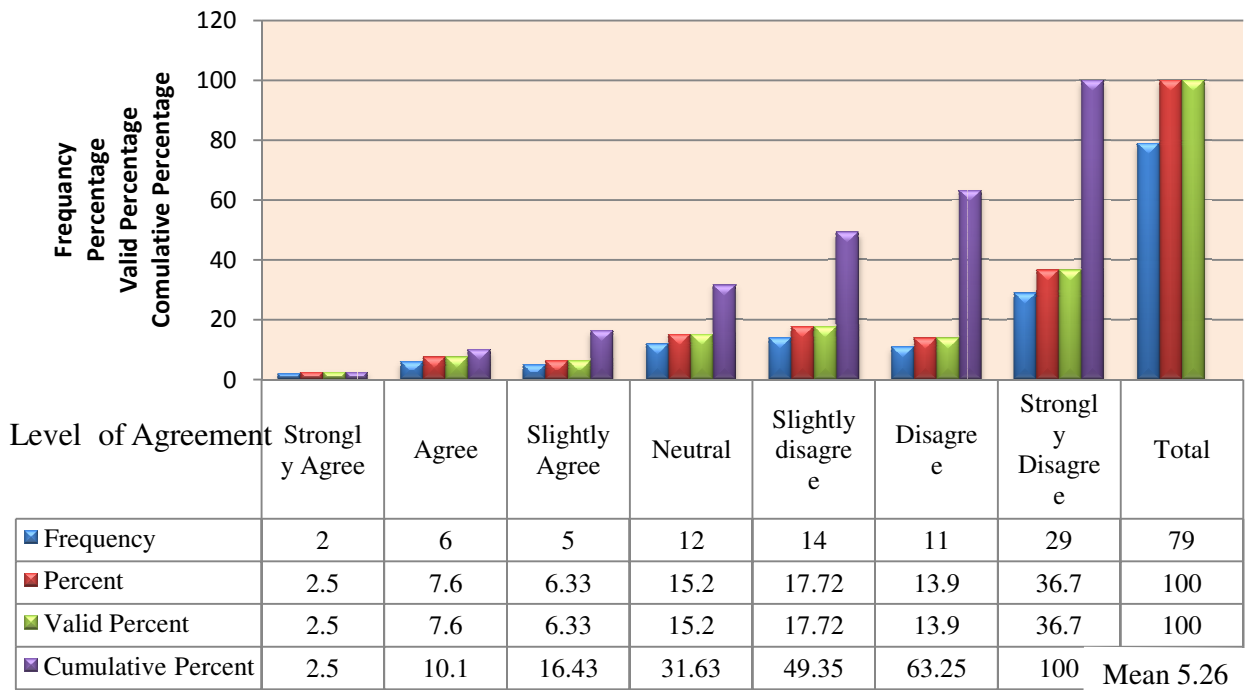


I visit different boutiques which display discount sales and the rate is accurate in some boutiques.



I visit different boutiques which display discount sales and the rate is accurate in all boutiques.

Figure 17 correctness of the discount rate in all boutiques they visited.



Why boutiques applying clearance sales?

- To attract the customer in order to sale their unsold items
- They may apply it because they become bankrupt
- The products have low quality or it was defective.

What do you think about the previous price and the current price of the product?

- I now it before, but the current price is more than double.
- Due to inflation the price becomes higher.
- It is difficult to know the current price based on past information.

## **3.2 Data Analysis and Interpretation**

### **3.2.19. Demographic Characteristics of Respondent**

Among the respondents 75% were male and the remaining 25% are female. Regarding the age of the study participants 31.25% were below the age of 30; 56.25% between the age of 30 and 45 the remaining 6.25% between 45 and 50 ages. The largest groups 25% have educational back ground of diploma; the next largest 18.75% have degree; grade 10 completed, grade 12 completed and certificate 12.5% each and the remaining Doctor, Masters Degree and less than grade 10 each 6.25%. (See table 1).

From the data it is possible to infer that more than half of the boutique owner and/or seller were found in the age between 30 and 45. And 75% of them were male; this shows that more of the business owners or sellers are male. Finally more than 50% have education background of diploma and above. Educational background helps the seller and the owner in order to have a competitive advantage over their competitor.

### **3.2.20. Past Sales Trend of the Boutiques**

Past sales experience of the boutique affects the boutiques' present and future situation positively or negatively. The boutiques past experience shows a positive profit level it indicates the boutiques strength in applying marketing strategies. And it has its own implication on the current pricing strategy of the business. On the other hand those boutiques which have a negative profit trend were due to poor marketing strategies. And they apply the current pricing strategy to change the business; to have enough cash on hand to change their marketing strategy or to shut down the business. The experience of the target group were analyzed and interpreted as follow.

50% had the experience of 1 to 10 years among this 4(25%) had the experience of 5 to 10 years; 7 (43.75%) had 10 to 20 years of business experience, out of this 5(31.25%) have 10 to 15 years experience and the remaining 12.25% had 15 to 20 year of experience.(see table 2)

This figure shows that more than half (56.25%) of the boutiques had work experience between 5 to 15 year. This shows that most of the boutiques worked for more than five year.

Among the 16 respondents only 12.5% (2) said their boutiques were highly profitable before this time, one (6.25) said not profitable. And almost half (43.75% or 7 of them) said their boutiques had a positive profit trend, 3 (18.75%) the boutique worked at break even and the remaining 3 (18.75%) were generates a lesser profit. (See table 3)

From this data it is possible to generalize that most of the boutiques had a positive past trend in profit.

### **3.2.21. Past Experience in Clearance Sales**

87.5% of the respondents' response shows that the boutiques apply clearance sales strategy before and 12.5% were not applying clearance sales before. Among those applying clearance sales 57.14% applies once in a year; the other applied two and three times in a year accounts 21.43% each. (See table 4).

From the data it is possible to generalize that more than 85% of the boutiques applied clearance sales before this time. And out of those boutiques having clearance sales experience more than half apply it once a year. The entire figure shows' that applying clearance sale creates advantage of selling for the boutiques, if not they would not apply again. Applying clearance repetitively have impact on normal period sales of the boutiques because customers wait the discount time to purchase clothing or their customer made purchase only during the discount period.

### **3.2.22. Target Customers Before and During the Clearance Sales**

The market segments that a company decides to serve with their marketing efforts are referred to as "target markets." If market segmentation had done well, it identifies the people who may have want or need for your product, then divides them into groups so that you may serve them more efficiently and profitably." When marketers segment product markets and select target markets, they hope to increase the efficiency and profitability with which they serve their customers. By excluding groups of people who are less likely to buy a firm's brand, the firm has additional resources to direct toward groups with a greater potential to become customers. Effective segmentation allows marketers to increase the return on their investments by

reducing wasted efforts or in some cases lowering overall marketing expenditures. Market segments are subgroups of the product market who share characteristics other than their need for the product category. These characteristics may include similar backgrounds, lifestyles, economic condition or locations. Indeed, effective market segmentation requires good decisions on what similarities market segments will be based. ([www.campus.udartton.edu](http://www.campus.udartton.edu)).

About 81.25% of the response shows that the boutiques can't know their target customers; 12.5% target medium income and the remaining 6.25% targets lower income groups prior they apply clearance sales. And about 62.5% of the respondents don't know the target customer when they set the clearance selling price; 25% target lower income customers and the other 12.5% consider medium income customer as their target customer. (See table 5 and 11)

This data implies that more than 80% of the boutiques before applying clearance sales and 60% of the boutiques when they apply clearance sales don't know which income group purchases their product; this means they open a business without understanding the income level of their target customers. Such type of business operation creates difficulties in developing the marketing mix strategies especially the pricing decision.

But the theory underlying market segmentation is simple: People with different characteristics may want the same product in somewhat different forms and for different reasons. Therefore, marketers divide people into groups based on certain relevant characteristics, and then adjust elements of their marketing mix to meet the specific needs of each group. And identifying target customer of your product helps them to increase efficiency and profitability.

### **3.2.23. Discount Rate Setting Decision**

It is the rate boutiques reduce from their normal selling price, so as to sell the unsold inventory, this can be set by different authorized bodies, by considering different factors like customers' attitude, cost of the product and other.

About 95.75% (15) of the response indicates that the discount rate was set by the owner(s) of the boutiques; the remaining 6.25% response indicates the discount set by the group of

committee members containing the owner the seller and other external consultant. (See table 6)

From this it is possible to conclude that almost all boutiques discount rate was set by the owner of the boutique.

### **3.2.24. Reason for Applying Clearance Sales**

Different boutiques have different reasons of applying markdown sales depending on their current situation. But most of the time in the apparel markets the obsolescence of fashionable close is high. Even though products do not perish at the end of the season, stores usually liquidate the inventory and do not store merchandise for the next season. Among several reasons for this behavior are rapid changes in fashion and high inventory costs (Bitran and Mondschein, 1997). Due to this and other related reasons most boutiques sale their product at markdown price.

The response shows more than half or 56.25% apply clearance sales to sell the bulky inventory. The other 5 (32.25%) applied clearance sales to replace the existing product by the new coming product. When the analyst interviewed them about the replacement of existing product by the new coming product they said that the upcoming product is also similar to the existing products which are found in their boutique with some addition of new products. The remaining 2(12.5%) respondent response shows that their boutiques applied clearance sales to sell old fashioned clothes. (See table 7)

As indicated in the data most of the boutique applied clearance sales to sell the unsold items. These were held to have enough cash on their hand by exploit the tied up capital and minimize the inventory carrying cost. It helps the boutiques to purchase new product or to use the idle resources for other activity. Some of them apply it to replace the existing product by the new coming product, but most of the products newly purchased are similar to the existing one. And some of the boutiques applied clearance sales to sell old fashioned clothes. This indicates that the customers are less sensitive to fashion closes. But the theory indicates that the main reasons for clearance sales are rapid changes in fashion and high inventory costs.

But in this study the main reason of the boutique applying clearance sales was the bulky inventory found in their boutique.

### **3.2.25. Price Setting Decision**

There are different factors that affect the pricing decision of the boutiques like; competitors pricing strategy, quality of the product, the cost of the material, the sellers experience, location of the boutique and the customers' bargaining power, inventory level, the fishiness of the product and other. These all should be taken in to consideration when the boutiques sets price of their product. Setting clearance sales also depends on those factors but the main objective of clearance sales is not the generation of profit instead to sale the idle inventory at higher volume by attracting price sensitive customers.

Clearance sale is an attempt to move merchandise at a price (significantly) below its original price (Lazear, 1986).

“Clearance market down dollars,” which equals the revenue that would be generated at regular price minus the actual dollar obtained from market down items. Given the thin margin of most retailers, the effectiveness of clearance markdown policies can make the difference between a profitable and unprofitable season (Smith and Achabal, 1998). The data about this was analyzed and interpreted below

About 62.5% of the response indicates that the boutique sets their clearance sales at breakeven, 18.75% at a specific loss, the other 18.75% shared by specific profit, loss and very high loss equally. (See figure 1).

From the above data it is possible to deduce that more than 60% of the boutiques set their price at a no profit no loss base or they set the price that covers all their costs. In my observation most of the boutiques discount amount was between the ranges of 50% to 70%. This implies that during their normal situation most of the boutiques generate a net profit of more than 50%. This indicates that the boutique generates a very high profit in the current business situation. And there were others applied clearance sales to generate some profit. This is difficult to accept as true or the discount rate is phony. To see this truth I bought a trouser from one boutique that display 50% to 70% discount and tried to compare the price of the

purchased product with the same product in other boutique which are found in the same location but not applied clearance sales, but the result shows a slight difference in price between the two boutiques. From this it is possible to understand that the discount rate set by different boutiques was not reliable.

The theory shows that in current business world retailers generate a thin margin from the sale of their product but the result of the study implies that boutiques generate more than 50% net profit, this two are contradicting. So the reason is the discount rate they displayed was fake.

### **3.2.26. Seasons and Occasions**

In this part the preferred seasons and occasions the boutiques applied clearance sales strategy was interpreted analyzed. Different boutiques prefer different season and occasion to sell their product on markdown price. They select the time that helps them to clear their store, most of the time, when the demand of the product decreased.

Regarding the seasons preferred by the boutiques, the largest group (93.75%) of the response shows that boutiques applied clearance sales during the summer season and the remaining 6.25% during autumn. And 50% of the response shows that they apply clearance sales during the holiday and the other 50% apply during the ordinary day. (See table 8).

From this data it is possible to infer that more than 90% of the boutiques applied clearance sales during summer. And half of boutique applied clearance sales during holiday. But in our country there is an anomaly on the holiday sales. Most people want to buy clothes and other product before and after the holiday because they expect that during the holiday or when the holiday approaches the price of goods will be increased. This is due to the fact that more persons purchase products especially apparel for the holiday. When the number of buyers of the product increases the price of the product will be increase this may be my justification about holiday sales in our country. Some person said “don’t buy the product during the holiday”, other said “why don’t you made your purchase after or before the holiday” in my previous experience and observation the price of clothes increases during the holiday than other ordinary days it may be due to the increase in the demand of the product. So applying clearance sales at this time is important because the general demand of the clothes increases

and customer prefers to get products at lower price due to the increased spending during this occasion.

### **3.2.27. Advertisement Mechanisms**

Advertising campaign helps to communicate the price cut made by boutiques. But different boutiques apply different advertisement mechanism depending on their marketing strategy.

In relation to advertizing mechanism used by boutiques, 62.5% of the response indicates that they use displayed notice on their boutique to announce the clearance sales. The remaining 37.5% uses a combination of different advertisement mechanism. (See table 9)

From this it is possible to infer that more than 60% of the boutique communicated their strategy by displaying the clearance sales, but it would not help to get access by various customers. But it is the cost effective method of advertisement, so it helps to save the companies spending in advertisement.

### **3.2.28. Duration of the Discount Period**

It is the lengths of time the boutique stay on sales; it differs from boutique to boutique. Some product categories tend to self-destruct by always being on sale. Salespeople, in particular, are quick to give discounts in order to close a sale. But word can get around fast that the company's list price is "soft," and discounting becomes the norm. The discounts undermine the value perceptions of the offerings. Some companies in an overcapacity situation are tempted to give discounts or even begin to supply a retailer with a store brand version of their product at a deep discount. Because the store brand is priced lower, however, it may start making inroads on the manufacturer's brand. Manufacturers should stop to consider the implications of supplying products at a discount to retailers because they may end up losing long-run profits in an effort to meet short-run volume goals.

About 62.5% of the response indicates that the clearance sales stayed for 1-4 months, 18.25% for 4-7 months, 12.5% for less than a month and finally 6.5% above 11 months. (See table 10)

From this data more than 80% of the boutique stayed on sale for 1 to 7 months this indicates that to sell their unsold inventory they spent a long period of time or it shows that they have a very enormous inventory or the clearance price not attract more customers. The interview response reveals that most of the boutiques extend their discount period due to the reason that they were not sell the specified product in the specified period. And also in my observation there are some boutiques that display 360 days clearance sales this indicates clearance sales that stay for a year. The theory indicates that staying long in clearance sales reduce the value perception of the product, the customer always want to purchase the product at the discount price and generally the boutique may loss long-run profits in an effort to meet short-run volume goals.

### **3.2.29. The Relationship between Price and Quality**

All of the respondents believed that the price of the product signals its quality. (See table 11) Though higher price signals higher quality and the reverse, in some situation it may not be true due to different reasons like customer perceived quality, location of the boutique, the deceptive nature of the business person, knowledge of the customer about the product quality and price, the bargaining power of the purchaser and others. In my observation the same product sold in Mercato and piazza hasn't the same price. But sellers can't say my products have lower quality, and the result also signifies this, because due to the specified reasons price can't always signify quality.

### **3.2.30. The Relationship between Sales Volume and Clearance Price**

The primary purpose of clearance sales is to clear the bulky stock of the boutique. Clearance sales is retail sale in which closeout goods are offered at heavily discounted prices (<http://www.investorwords.com/1474/discounted.html>) and sales volume is the quantity or number of goods sold or services rendered in the normal operations of a firm in a specified period prices (<http://www.businessdictionary.com/definition/quantity.html>). The price cut made by the boutique have its effect on their sales volume. In the following part the respondents' response about the relationship of clearance price and sales volume were discussed.

Response about the impact of clearance sales on the sales volume of the boutique shows that 93.7% said that clearance sales increases their sales volume, the remaining 6.25% said it significantly increase their sales volume. (See figure 2). The entire respondents replied that Applying market clearing strategy helps them to achieve their objectives. (See table 13). As indicated in the second part of the analysis their reason of setting clearance sales is to sell the bulk inventory, to replace existing product by the new coming product and to sell old fashion clothes so, based on this response all of them achieve these goals goal.

The data indicates that sales volume increased in almost all boutiques due to the clearance sales. From this it is possible to conclude that clearance sales have a direct impact on sales volume. But the interview responses about the problem they face during they apply clearance sales were the following.

- The customer are reluctant to purchase as we expected
- The customer want a farther reeducation in price
- We cannot sell the expected amount on the specified discount date, rather we extend it more than we expect.
- Difficulties to convince customer

From the response it is possible to conclude that even if it helps to active their objective, they were not realizing their objective on the date specified.

### **3.2.31. Customer Behavior as a Moderator**

Thus far, lower price helps to increase the sells volume of those boutiques. The perceptions of the customer towards the clearance price and quality of the product have a significant impact on their sales. Because a price cut can be interpreted in different ways by the customer: The item is about to be replaced by a new model; the item is faulty and is not selling well; the firm is in financial trouble; the price will come down even further; the quality has been reduced (kotler, 2006). The theory shows that even at a lower price the buyer may not prefer to purchase the product. Different questions designed for the seller(s) and/or the owner(s) to know their perception about their customer.

The customer interest to know the reason of applying clearance as the owner and/or the seller response shows that 56.25% respondents said some of their customer wants to know the reason of applying clearance sales, 37.5 many of their customer and the remaining 6.25% their entire customer asks about their reason of applying clearance sales. (See table 15). In all cases the customer wants to know the reason of applying clearance sales by the boutiques.

About 56.25% respondents believed that their customer knows the original price of the product, 18.75% respond that, their customer don't know about the price of the product and the remaining 25% said I don't know about the customers' knowledge of the price. (See table 16). This data indicates that more than 50% of the boutique believed that their customer knows the price of the product. The interview question answered by the customer shows that much of the customer knew the price of the product before but due to inflation and other factor like the behavior of sellers the price of the product increased even more than double. This indicates that even if the customer knows the product and its price before due to the daily shift in the price of the product it is difficult to know the current price accurately.

50% of the response implied that the customers' sensitivity towards clearance sales is not that much good; the other 50% account for almost good response of the customer to the clearance sales. (See figure 3). During my observation some of the customers' before they got into to the boutique, they said that "the price cut is forged" and they don't want to use it. This was due to their previous experience. Almost half of the customers were not sensitive to the clearance price. As the theory indicates this was due to the different perception of the customer about the clearance price.

The respondents response shows that 50% of the customers were not that much trust on the discount, 25% good, 6.25% very good, 12.5% don't know and 6.25% no trust by the customer about the discount rate. (See table 17).

This data indicates that more of the customers almost have no trust on the reality of the discount. In my observation also I bought a trouser from the boutique that apply clearance sales, and compare the same product in different boutiques found in the same location but not applying clearance sales, it had only small difference in price. This entire thing shows that the price cut was not trusted by most of the customers. And also customers are interviewed about

their expected reason of clearance sales applied by the boutiques. Most of them said “to attract the customer in order to sale their unsold items”, other said “they may apply it because they become bankrupt, the product have low quality or it was defective”.

About 62.5% response shows that the customer complained to the seller about the correctness of the discount; 37.5% response implies that the customer not complain about the discount rate. And in order to convince the complaining customer they use different methods. 50% convince by telling the original price of the product and the remaining 50% cannot say anything. (See table 18).

From the data it is possible to generalize that more than 60% of the customer complain about the correctness of the discount, this implies that the customer did not trust the discount. And the customer asked them but almost half cannot say anything, this implied that the customers complain about the reality of the discount rate is correct. And those complaining person knows something about the discount or the normal price of the product.

On the other hand 43.75% of response shows customer have confidence on the quality of the product; 31.25% shows the customer have no confidence on the quality of the product and the remaining 25% implies the respondent don't know about their customers confidence level.(See table 19). The interview response from the customer about the quality of the product that was sold on discount; most of them said that “they apply clearance sales to sell low quality items because in some boutiques after you enter they told as the discount was only for some products”. And some other said “they add second hand clothes during the sell period”. So this and the above data show that most of the customers have no trust on the quality of the product.

In order to convince their customer the boutiques use different techniques among this: 28.57% try to convince by telling them about the product; 28.57% by telling them to see the same product from other boutiques and the remaining 42.86% uses the combination of the methods explained in the table. (See table 19).

### **3.2.32. Data Analysis and Interpretations (data collected from the customer)**

The data was divided in to four major categories based on the similarity of the information, to have good interpretation and analysis. These were: background information of the respondent; awareness of the customer about the product; customers' attitude towards clearance price and perceived quality; and customer's attitude about the reality of the price cut.

### **3.2.33. Back Ground Information**

Demographic and socio-economic characteristics of respondents have a significant straight forward/direct/indirect/ linkage with the way they spent their money in the purchase of closings and other purchase decision. And also it helps to select the product and to judge the price and quality of the product. Some of the demographic characteristics are sex, age and socio-economic characters including educational background, occupation, wealth and others. In this paper age, sex and educational background were considered.

From table 20, it is possible to realize the following facts. About 67% of the respondents are female and the rest 33% are male. This implies that most of the customers who made discount purchase are female this is due to the fact that; in our country generally known that the economic status of female is lower than male, and most of the time female wants to have more closing than male (this is my personal experience) this and other related factors make them sensitive to lower price. In addition, most of the respondents age (73.42%) is above 30 years which indicates more than 70% of the customers who purchase discounted clothing have age of above 30. (See table 21). The level of education, about 81% of the respondents have education back ground below diploma; from this it is possible to infer that more than 80% of the customers who use discount purchase have educational back ground of below diploma.

### **3.2.34. Awareness of the Customer about the Product.**

Customer consciousness of the product helps them in order to make better purchasing decision. In order to understand the customers' awareness of the product six related questions

were developed and asked based on their response the result was analyzed and interpreted in the subsequent part.

The knowledge of the respondent about the product indicates that 58.2% of the respondents almost know the quality of the product because they use the same product before but the remaining 41.8% more or less don't know the quality of the product they purchased and have a mean level of 3.46 which was between slightly agreed and neutral. (See figure 4). It is possible to summarize that more than half of the customer knows the quality of the product they purchased.

Response about source of information about the product and advice by friends reveals that 74.7% of the respondents were informed and recommended by their friends to buy the product; but the remaining 25.3% are not informed and recommended by their friends or they get the information from other source. And it had a mean of 2.96 which lies between agree and slightly agree. (See figure 5)

The data implies that most of the customers got information and are recommended by their friends to buy a particular product. The information and recommendation of friends influence the purchasing decision of the customers.

As indicated in figure 6, 54.4% of the respondent knows the price of the product because they bought the same product before; 1.3% of the respondent is neutral or they give less concern for it. The remaining 44.3% almost don't know the price of the product before, this implies that they purchase the product for the first time or they cannot memorize it even they purchase the product before. The mean 3.67 is lay between neutral and slightly agree. (See figure 6). This indicates that more than half of the respondent knows the price of the product they purchase before. But interview response about their knowledge of the product shows that, most of them know it before, but they said that; due to inflation the price of the product vary dramatically. It is difficult to know the current real price of the product based on their past knowledge even in some products price increased more than half of their previous price. From this data it is possible to conclude that more than half of the customers know the price of the

product before but due to inflation and other related factors they can't accurately know the real price the product have currently.

About 30.38% of the respondents' are the customer of the boutique before and they almost know the quality and price of the product, one respondent is neutral and the remaining 65.82% are not the customer of the boutique and don't know the quality and the price of the product of the boutique. The mean level 4.62 lay between neutral and slightly disagree. (See figure 7)

The data entail that currently, when the boutique applies clearance sales more than 65% of the new customers are attracted and came to purchase the product. More than 65% of the purchasers were new customers for the boutique. The pricing strategy used by the boutique assist to attract new customers, and it also helps them to increase their market share if the customers are satisfied with the discount and other related services given by the boutique.

The customers purchasing experience, 59.45% of the respondent purchase the product without comparing the price and the quality of the product with different boutiques, 35.45% purchase the product by comparing the price and quality of the product with other boutique product quality and price, whether there is a price cut or not; the remaining 5.1% not taking sides. The mean levels 4.443 found in the range between 4 and 5 this was represented as neutral and slightly disagree respectively. (See figure 8)

All the iterations show that more than 50% of the customers purchased the product without comparing the price and the quality of the product with other related boutiques.

The consumer passes through five stages in order to make a purchase decision: problem recognition, information search, evaluation of alternatives, purchase decision, and post purchase behavior. Clearly the buying process starts before the actual purchase and has consequences long after the purchase. (Philip Kotler, 1994). In order to purchase a product the consumer passes five stages, among this evaluation of alternatives is the 3<sup>rd</sup> stage and the most essential one in order to solve the recognized problems the buyer should find different

alternatives and evaluate and select one best alternative. But the respondent response shows that more than 50% of the customers made purchase without finding and evaluating alternatives.

As indicated in figure 9, 43% of the respondents made their first time purchase without the knowledge of the quality and price of the product; 1.3% in the middle- of the road they did not agree or disagree; and the remaining 55.7% purchase the same product before and they know the quality and price of the product. The mean level 4.25 found between neutral slightly disagree.

The data implies more than half of the customers know the product they purchase before and it helps them to know the price and quality of the product even if the price changes from time to time.

### **3.2.35. Customers Attitude Towards Clearance Price and Product Quality**

In this part the customers' attitude towards clearance price and its implication on product quality was analyzed and interpreted. Customers have different attitude to lower price. Because a price cut can be interpreted in different ways by the customer: The item is about to be replaced by a new model; the item is faulty and is not selling well; the firm is in financial trouble; the price will come down even further; the quality has been reduced (Kotler, 2006). Four inter related questions were asked to collect the appropriate data.

Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Satisfaction is the level of a person's felt resulting from comparing a products perceived performance (outcome) in relation to the person's expectations. (Philip Kotler, 1994). This theory shows as the seller delivered quality whenever the seller's product and service meets or exceeds the customers' expectation. Expectation are formed on the bases of buyer's past buying experience, statement made by friends and associates and marketer and competitor information and promises. (Philip Kotler, 1994).

Customer response about the relationship between quality and price shows that, 64.6% of the respondent believed that higher price signals higher quality, their reasons is that the price

increases due to the increase in quality; 12.7% becomes neutral or they don't want to say it signals quality or it doesn't signal quality; the remaining 22.8% believed that higher price is not indicator of higher quality. The mean level 3.34% found between slightly agree and natural. (See figure 10)

From the presented data it is possible to conclude that more than almost 65% of the customers believed that quality and selling price have direct relationship. And also it implies that the lower price rate by the boutique to clear the bulky inventory is due to the lower quality of the product, according to the customers' response.

The theory indicates that quality is dependent on the buyers' expectation and knowledge about the product. so, the quality is not the only determinant of product price there are other factors that increases or decreases the price level like: before and after sales service, the location of the boutiques, the cost of the product, bargaining power of buyer (because sellers always wants to sell their product at higher price if you are not bargain them well they may charge a higher price and this price may not signal quality) and others.

As presented in figure 11, 78.5% of the respondents' get information about the discount from the displayed poster; 1.3% becomes neutral; the remaining 20.3% of the respondents disagree about the statement. And the mean level 2.54 found between agree and slightly agree.

From the above descriptive data it is possible to say that, more than 75% of the customer gate informed by looking the displayed poster about the discount. So among the advertizing mechanisms the boutique uses posters were effective. And also it saves advertizing cost of the boutique.

The response presented in figure 12 revealed that, 36.7% bought more product than what they plan, because the price cut is good in relation to the quality of the product; 11.4% are not taking sides; the remaining 52% not buy more product than what they planned. Mean 4.34 found between neutral and slightly disagree.

The figures indicates that more than 50% of the customers did not purchased more than what they plan to purchase or they purchase only what they plan. The other 36.7% purchase more

products but this does not indicate the accurateness of the discount rate because out of 36.7% 22.8% slightly agree with the statement. This shows there is a slight price cut and the quality is also good so they purchase more product than they plan.

Analysis of the expectation of the respondents' about discounted price revealed that 57% expects that the boutique set clearance sales because the product is defective or have a lower quality; about 17.7% becomes neutral; the remaining 25.3% all most disagree or expect that the discounted price is not to sell defective or low quality product. The mean 3.44 is laid between neutral and slightly agree.(See figure 13)

From the description, it is possible to infer that more than 55% of the customers expect the product sold at discount is defective or have low quality. The customer expectation implies those products sold at discount are those products that are defective or have lower quality; this interpretation also shows as the direct relationship of quality and price.

### **3.2.36. Customer Attitude Towards the Reality of The Price Cut**

In this part the customer perception of the price cut and its reality was analyzed. Four interrelated questions were asked and answered by the respondents.

It is possible to observe from figure 14 that, 68.4% almost disagree about the reality of the discount rate, they know this by comparing the same product with other boutique; 12.7% become neutral this may indicate that they may not compare the price of the product in order to know the reality of the discount; the remaining 19% agree about the reality of the discount rate. The mean 3.06 is almost slightly agreed.

From this it is possible to conclude that almost 70% of the customer believed that the discount rate set by the boutiques was not accurate. This reduces the customer trust on the discount and it affects the boutiques future sales. Because the customer that are deceived today may not return again to the same boutique, not only this they may spread the information for many other persons, which creates a greater impact on the boutique future sales.

About 77.2% the respondent were almost agreeing with the statement 'I visit different boutiques which display clearance sales, but the rate is not accurate rather they use it to attract customers'; 8.9% becomes neutral; and the remaining 13.9% almost disagree about the statement. The mean value 2.94 is lay between slightly agree and agree. (See figure 15).

From this data it is possible to infer that almost more than 75% of the respondents expect that the discount rate sate by the boutique is only to attract the customer. I also observe before three or four month's one boutique displayed 100% discount, this means giving the product for free. And in some boutiques they display clearance sales but when you inter to the boutique they said the discount is for one or two type of their product.

About 16.43% the respondent almost agree with the statement 'I visit different boutiques which display discount sales and the rate is accurate in all boutiques.' 15.2% become neutral and finally 68.37% almost disagree with the statement and the mean 5.26 lay between disagree and slightly disagree. (See figure 17).

From this data it is possible to conclude that almost 70% of the customers have a doubt about the reality of the discount rate.

## CHAPTER FOUR

### Conclusions and Recommendations

#### 4.1. Conclusions

Based on the data analyzed and interpreted in the previous part the major findings of the study were concluded as follow.

- Discount rate setting decision of the boutiques was made by the owner(s) of the boutique, and they set the clearance price at breakeven (no profit no loss for) level.
- The duration of the discount period that the boutiques set was extremely extended. Due to the resistance of the customer to use the discount the boutiques did not complete the specified amount of inventory on the specified period of time.
- Sales volume of the boutiques increased due to the strategy they applied.
- The customer did not trust the discount set by the boutiques. The customer expectation implies those products sold at discount were defective or have lower quality. And also the response shows that the discount set only to attract customer it have only slight price difference from the normal period sales and when compared with other boutiques not applying clearance sales.
- The customer believed that higher price signals higher quality of the product.

## 4.2. Recommendations

Based on the findings and conclusions reached, the following recommendations were forwarded.

- In order to develop better discount rate that attracts the customer, the participation of the sellers, buyers and other concerned body is essential. Because different idea generated from different participants who have different back ground and experience is essential. Especially the participation of the buyer is important in order to know their willingness to pay for the product and it helps to understand their behavior.
- The boutique should apply the real rate of the discount they displayed, because it helps to create loyal customers for the boutique. The discount rates they apply have its own impact on the present as well as future sales of the boutique. So applying the correct amount helps to attract more loyal customer for the future and it also helps the boutique to accomplish their objective on time. Deceiving customers create a great loss of future sales of the boutique because once the customer know they are deceived they did not come again, as will they distort your boutique image by telling the thing they face for other person. using deception have only short term benefit for the boutique so by applying the real displayed discount the boutique can generate long term benefit and increase their market share.
- The boutique should not stay on sale for long period of time because the customer familiarized and consider the price cut as normal price of the product. This have its own impact on future sales, customer want to purchase the product at the same price even after the discount period because the y adapt the discount price for a long period of time. And the customers perceive the product as low value product. In order to make short the discount period the boutique should use correct discount and tray to

communicate the clearance sells effectively to the actual and potential customers.

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# Appendix



# Addis Ababa University

## Faculty of Business and Economics

### Masters of Business Administration (MBA) Program

#### **To be answered by boutique owner (s) and/or seller(s)**

This questionnaire is designed to collect primary information about the clearance sales practice. It will be distributed to those boutiques which are applying clearance sales strategy in Arada Sub-City. The research is undertaken as academic requirement of Masters Degree in Business Administration. It is also significant to gain practical knowledge on the topic (the emerging market clearing practice in Ethiopia) under investigation and help other prospective researchers as a starting line to carry out further investigation. I want to assure that this research is only for academic purpose which is authorized by Addis Ababa University.

#### **Note that;**

- ✳ There is no need of writing your name
- ✳ In all cases where answer options are available please circle the letter of your selection.
- ✳ For open ended questions, please enter your response on the space provided.

#### **Contact address:**

If you have any query, please do not hesitate to contact me and I am available as your convenience at (Mobile: 09-10 07 08 80/09-10 79 96 66. e-mail:fuadcd@gmail.com/gechmustefa@gmail.com)



6. Who set the discount rate?
- a) The owner of the company
  - b) The seller of the company
  - c) Outside consultant
  - d) By developing a committee containing all parties
  - e) If other please specify\_\_\_\_\_

### **Basic information**

7. Why you use market clearing practice?
- a) To change the business
  - b) To clear the bulky inventory
  - c) To sell seasonal products
  - d) To close the business
  - e) To replace the existing product by the upcoming product
  - f) To sell old-fashioned clothes
  - g) If other, please specify\_\_\_\_\_
8. How you decide the clearing price?
- a) At a very high loss
  - b) At a loss
  - c) At a specific loss
  - d) At break-even
  - e) Randomly
  - f) At a specific profit
  - g) At a profit
  - h) At higher profit
  - i) If other, please specify\_\_\_\_\_
9. Do you apply clearance sells strategy before this time?
- a) Yes
  - b) No
10. If your answer on question 9 is yes, how many times in a year?
- a) Once in a year
  - b) two times
  - c) three times
  - d) four times
  - e) If other, please specify\_\_\_\_\_
11. In which season most of the time you apply this strategy?
- a) During summer
  - b) During autumn
  - c) During winter
  - d) During spring
12. What is the impact of clearance sells on your sales volume? May sales volume is:

- a) Significantly increase
- b) Increase
- c) Slightly increase
- d) No change
- e) Slightly Decrease
- f) Decrease

13. How you communicate the clearance sales practice to the customer?

- a) Through TV advertising
- b) Through radio advertising
- c) Through magazine advertising
- d) By displaying notice on the boutique
- e) If other, please specify\_\_\_\_\_

14. How long this clearance practice lasts?

- a) Less than a month
- b) 1-4 months
- c) 4-7 months
- d) 7- 11 months
- e)  $\geq 12$  months

15. To what extent your customer trusts the discount rate?

- a) Very much
- b) Much
- c) Not that much
- d) I don't know
- e) No trust

16. Do you believe that, the customer know the original price of the product?

- a) Yes
- b) No
- c) I don't know

17. Do you think that the quality of product and its price have a direct relationship?

- a) Yes
- b) No
- c) I don't know

18. When you apply this strategy, which group of buyers you expect as a target customer?

- a) Higher income group
- b) Medium income group
- c) Lower income group
- d) I don't know

19. Which income group are your target customers before you apply clearance pricing strategy?

- a) Higher income group
- b) Medium income group
- c) Lower income group
- d) I don't know

20. At what occasions your organizations apply clearance sales strategy?
- a) During the holyday
  - b) During the ordinary day
21. Is there any customer complaining about the correctness of the discount?
- a) Yes
  - b) No
  - c) I don't know
22. If your answer on question 20 is "yes" what mechanism you use to convince them?
- a) By telling the original price
  - b) By showing the original selling price
  - c) By telling them to see the same product from other related boutiques
  - d) We can't say any thing
  - e) If other, please specify\_\_\_\_\_
23. When you make a price cut, did your customer have confidence on the quality of the product?
- a) Yes
  - b) No
  - c) I don't know
24. If your answer on question 23 is "no" what mechanism you use to convince them?
- a) By telling them about the product
  - b) Telling them to see the same product in other shops
  - c) Telling them to come with your friends or other person who knows about the product
  - d) By telling them to return the product if it is not feet with your expectation
  - e) If you believe buy it other ways leave it
  - f) We can't say any thing
  - g) If other, please specify\_\_\_\_\_
25. Do your customers ask questions about your reason of setting clearance sells?
- a) Yes
  - b) No
26. If your answer for question 25 is "yes;" how many of them?
- a) All of them
  - b) Many of them
  - c) Some of them
  - d) None of them



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7. 下列各句，哪一句是問句？

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8. 下列各句，哪一句是問句？

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9. 下列各句，哪一句是問句？

□. 這件 事情 已經 解決 了

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10. 下列各句，哪一句是問句？

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11. 下列各句，哪一句是問句？

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18. 下列各句，其句意與「此其所以為國也」最接近者為？

□. 國者，天下之歸心也

□. 國者，天下之歸也

□. 國者，天下之歸也

□. 國者，天下之歸也

19. 下列各句，其句意與「此其所以為國也」最接近者為？

□. 國者，天下之歸也      □. 國者，天下之歸也

□. 國者，天下之歸也      □. 國者，天下之歸也

20. 下列各句，其句意與「此其所以為國也」最接近者為？

□. 國者，天下之歸也？

□. 國者，天下之歸也      □. 國者，天下之歸也

21. 下列各句，其句意與「此其所以為國也」最接近者為？

□. 國者      □. 國者

22. 下列各句，其句意與「此其所以為國也」最接近者為？

□. 國者，天下之歸也？

□. 國者，天下之歸也

□. 國者，天下之歸也

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# Addis Ababa University

## Faculty of Business and Economics

### Masters of Business Administration (MBA) Program

#### **To be answered by customers of the boutique**

This questionnaire is designed to collect primary information about the clearance sales practice. It will be distributed to those customers who are actually enjoying the clearance sales. The research is undertaken as academic requirement of Masters Degree in Business Administration. It is also significant to gain practical knowledge on the topic (the emerging market clearing practice in Ethiopia) under investigation and help other prospective researchers as a starting line to carry out further investigation. I want to assure that this research is only for academic purpose which is authorized by Addis Ababa University.

#### **Note that;**

- ✿ There is no need of writing your name
- ✿ Answer all the questions based on the instruction
- ✿ In all cases where answer options are available please circle the
- ✿ For those questions given in the table Please indicate by ticking in the right column, the extent to which you agree with the given statement in relation to clearance sales, where: 1=strongly agree; 2= agree; 3=slightly agree; 4=neutral; 5=slightly disagree; 6=disagree; 7= strongly disagree

## Back ground information

34. Sex                      a. Male    b. Female
35. Age
- a. Below 20    f. From 40-45
- b. From 20-25    g. From 45-50
- c. From 25-30    h. From 50-55
- d. From 30-35    i. Above 55
- e. From 35-40
36. Educational background
- i. Below grade 10    m. Diploma
- j. Grade 10 completed    n. Degree
- k. Grade 12 completed    o. Masters degree
- l. Certificate    p. Doctor
- q. Other please specify \_\_\_\_\_

## Basic information

Q		1	2	3	4	5	6	7
1	Awareness of the customer about the product							
1	I know the quality of the product I bought, because I use it before.							
2	My friend tell me about the product quality and also recommend me to buy it							
3	I know the price of the product before because I bought the same product prior to this time							
4	I am the customer of this boutique and I know about the product quality and price							
5	I buy a product by comparing the price and the quality of the product from different boutiques, whether there is a price discount or not.							
6	I buy this type of product for the first time and I don't know before about the price or the quality of the product							

Q	Customers Attitude towards clearance price and perceived quality	1	2	3	4	5	6	7
1	I believe that higher price indicates higher quality of the product, because the price increases due to the quality of the product.							
2	I am forced to come in this boutique by seeing the displayed discount in order to buy product at a lower price.							
3	I buy more products than what I plan, because the price cut is good in relation to the quality of the product.							
4	I expect that they discount the price because the product is defective or have a low quality.							
Q	Customer attitude about the reality of the price cut	1	2	3	4	5	6	7
1	When I compare the price of the product which sold at discount with other boutique which sell the same product, the discount rate is not accurate.							
2	I visit different boutiques which display discount sales, but the rate is not accurate rather they use it to attract customer.							
3	I visit different boutiques which display discount sales and the rate is accurate in some boutiques.							
4	I visit different boutiques which display discount sales and the rate is accurate in all boutiques.							



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***Interview question for the seller(s) and/or the owner(s)***

What do you mean by replacing existing product by the new product?

Do you extend the discount period that you sate? What is the reason?

What problem you face when you apply clearance sales?

***Interview question for the customer***

Why boutiques applying clearance sales?

What do you think about the previous price and the current price of the product?

What do you think about the reality of clearance sales?

