

# The Impact of Price Sensitivity and Quality Perception on Brand Loyalty in the Beverage Market

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## Abstract

*This research examines the association between price sensitivity, perceived quality, and brand loyalty in the beverage industry. Specifically, it investigates the impact of consumer response to price and the perceived quality of the offering on long-term brand loyalty behaviour. Utilising Aaker's Brand Equity Model and Prospect Theory, this study argues that emotional attachment and perceived value motivate buying behaviour. In reviewing past research, this study demonstrates that even if competitive pricing will entice the first-time buyer, quality perception, for the buyer, must continuously be perceived as quality. Further, it suggests that the consumer, depending on their perceived quality evaluation, will exhibit lower price sensitivity and greater brand commitment. In summary, to facilitate and build brand loyalty, beverage researchers should consider the affordability versus the perceived value proposition and implement the integrated marketing communication elements that signal trust towards their brand, while supporting a brand loyalty construct. This study, through a theoretical understanding of price sensitivity and perceived quality, advances beverage research and decision-making in an increasingly competitive market segment.*

**Keywords:** Price Sensitivity; Perceived Quality; Brand Loyalty; Beverage Market; Consumer Behaviour.

## INTRODUCTION

Marketers and producers are compelled to understand consumer behaviour, especially brand loyalty, in an ever-increasingly competitive

and diverse beverage market. Price sensitivity and quality perception are among the factors influencing brand loyalty, which influence consumers' purchase decisions and allegiance to a particular brand. Price sensitivity is the degree to which price will influence a consumer's purchasing decision. Quality

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perception is the perception by the consumer regarding the overall worth and reliability of the good. These elements combined might be the greatest predictors of whether or not consumers will stay with the brand, reverting back to competing alternatives, especially in very competitive and price-sensitive markets.

The beverage industry in India has grown incredibly fast and diversified through a huge range of products from the old teas and coffees to a more diversified range of carbonated soft drinks, juices, and bottled waters. Indian consumers, whose disposable incomes are increasing rapidly and whose tastes are constantly changing, are exposed to local and international brands, each offering degrees of quality at different price points. Given this, companies trying to capture customer loyalty and keep it in the Indian market are very much interested in knowing how the Indian consumer perceives the quality of beverage brands and how sensitive that consumer is to price changes.

It has been understood through the research on price sensitivity and the quality perception that it varies region-wise and product category-wise and thus resulted in brand loyalty in some cases. In India, such studies on this particular beverage market are very limited. This research addresses the gap by peering into a relation involving price sensitivity, quality perception, and brand loyalty among Indian consumers within the beverage sector. Basing their conclusions on these premises, this study gives light to marketers and producers on the strategies that have to balance the pricing, enhancements in quality, and the activities involved in building loyalties that would follow with the sustainable consumer engagement within this highly competitive Indian market.

## 1. OBJECTIVES OF THE STUDY

This research was conducted to find the role of price sensitivity and quality perception in brand loyalty in India's beverage market. This study was done on the

following premises:

- To find how the price sensitivity of a consumer influences his or her loyalty towards a specific beverage brand in India. (correlation)
- To determine the Impact of Quality Perception on Brand Loyalty (correlation)
- To find the impact of age, wealth, and education levels on quality perception, and brand loyalty to beverages? (pivot table)

## 2. RESEARCH METHODOLOGY

This chapter covers the study technique utilised to better understand the relationship between price sensitivity, quality perception, and brand loyalty in India's beverage market. It describes the research methodology, data sources, sample design, sampling procedure, target population, data collection methods, and data analysis strategy.

### 2.1 Research Method

- In this regard, a quantitative research approach has been used in this study through a descriptive research design to investigate the effects of price sensitivity and quality perception on Indian beverage consumers' brand loyalty. This facilitates the retrieval and analysis of numerical data, providing statistical insight into the elements that influence beverage brand loyalty.

### 2.2 Sources of data

- Primary data will be acquired from respondents via a direct, structured questionnaire. The primary rationale for considering this kind of data is to gain firsthand knowledge about customer attitudes, perceptions, and preferences about pricing, quality, and brand loyalty in India's beverage sector.

### 2.3 Sample Design.

- The sampling comprised of all age groups consumers in India who purchased soft drinks regularly. It assured an adequate representation of various customer behaviours and preferences. However, response rate was also accounted for

while calculating the sample size along with the need for statistical validity.

## 2.4 Sampling Technique

- This research relies on convenience sampling; therefore, it is easier to have willing respondents participate in the survey. The method is efficient in digital data gathering when using Google Forms in order to collect data easily from accessible persons in the population.

## 2.5 Population

- Adult customers in India who are regular buyers of beverage items will be the target group for this research project. Because this study is based on consumer price-sensitivity and quality perception, it will only include persons over the age of 18, assuring a legally competent consumer group.

## 2.6 Data collection tools

- It consists of a systematic questionnaire administered via Google Forms. The questionnaire comprised of closed-ended questions statements to assess consumer attitudes and behaviours. This approach allows for variances in respondents' preferences and opinions.

## 2.7 Design for Analysis

- Microsoft Excel is then applied to aggregate the surveyed data. Descriptive statistics on the answers of consumers include mean, median, and standard deviation. Finally, cross-tabulations and graphical presentations are employed to express a relationship among price sensitivity, perception of quality, and brand loyalty. With the help of Microsoft Excel, data analysis is performed with the ability to review it very efficiently and accurately in order to catch important insights and trends.

## REVIEW OF LITERATURE

Studies on consumer behaviour in the beverage

industry have continuously demonstrated the relationship between price sensitivity, quality perception and brand loyalty. Nau et al. (2018) provided evidence of how price actions—such as subsidizing healthier beverages and raising the price of a sugary beverage slightly—can spur healthy consumption without reduction of profit for the store, which varies depending on socio-economic standards and price sensitivity of the local area. Similarly, Okeke (2020) highlighted how price sensitivity affects the willingness of Nigerian consumers to adopt beverage offerings with sustainable qualities, adding that sustainability marketing must take into account consumer income and ethical awareness. Saleem and Omar (2015) showed that perceived quality and brand awareness were able to significantly predict brand equity, with the brand image providing mediation between quality and loyalty. Khizar et al. (2016) noted that IMC tools (advertising, promotions, and public relations) added value to brand awareness while developing brand trust and loyalty over time. Hutasuhut (2021) found that brand loyalty and brand image in the beverage industry continued to be affected by consistency of messages and quality assurance. Atilgan et al. (2005) again supported that perceived quality and brand awareness continue to remain the strongest predictors of brand equity. Altogether, these findings indicate that brand loyalty in beverage consumption is related to perceived quality, ethical awareness, communication consistency and price sensitivity, all of which influence consumer preference and brand retention in a competitive beverage landscape.

## THEORETICAL FRAMEWORK

The theories of consumer behaviour and brand equity provide the basis for this research which seeks to explore the relationships between price sensitivity, perceived quality, and brand loyalty in the Indian beverage market. Building on the theory of price elasticity of demand, price sensitivity reflects the extent to which consumers modify their purchasing behaviour in relation to price and

perceived value (Okeke, 2020; Haeck et al., 2022). Prospect Theory (Kahneman & Tversky, 1979) suggests that price rises have a greater effect on consumer decision-making than equivalent price decreases, suggesting that price sensitivity is situated within the psychological pricing discursive which includes income differentials. The definition of perceived quality indicates that both intrinsic product attributes—such as taste and healthfulness—and extrinsic cues such as packaging and branding are fundamental components (Zeithaml, 1988). Higher perceived quality, in turn, supports Aaker's (1991) Brand Equity Model by enhancing brand equity and brand loyalty. In addition, taste and consumption are the product and service experience and sensory marketing research has demonstrated that design and packaging can affect consumer perceptions of quality (Spence & Wan, 2015). Brand loyalty is defined in terms of Oliver's (1999) model of loyalty. The three processes for developing loyalty include brand loyalty as the result of consumer awareness of the brand, followed by emotional attachment to the brand and finally habitual repurchase of the product. IMC theory (Khizar et al., 2016) supports the importance of an integrated and consistent branding strategy to promote brand recognition and brand loyalty across multiple channels of communication. Therefore, in

the Indian beverage market, loyalty can be developed through price optimization, improving product quality, and maintaining integrated communication to continue consumer commitment against competitor offerings.

## DATA ANALYSIS

### 1. The Analysis of the Relationship Between Age and Loyalty Using Regression and ANOVA

The relationship between age and brand loyalty is analysed using regression analysis and ANOVA.

- **H<sub>0</sub>**: There is no significant relationship between age and loyalty.
- **H<sub>1</sub>** : There is a significant relationship between age and loyalty.

### ANOVA Interpretation

The ANOVA table evaluates whether the regression model as a whole is statistically significant. The F-value (5.237) and p-value (0.002) indicate that the model is statistically significant at the 0.05 level. Since  $p < 0.05$ , we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ), concluding that age has a significant impact on brand loyalty.

**Table 1 : Age and Loyalty**

Analysis of variance (Avg. Loyalty):						
Source	DF	Sum of squares	Mean squares	F	Pr > F	p-values signification codes
Model	3.000	3.367	1.122	5.237	0.002	**
Error	83.000	17.789	0.214			
Corrected Total	86.000	21.156				
<i>Computed against model <math>Y = \text{Mean}(Y)</math></i>						
<i>Signification codes: <math>0 &lt; *** &lt; 0.001 &lt; ** &lt; 0.01 &lt; * &lt; 0.05 &lt; . &lt; 0.1 &lt; \circ &lt; 1</math></i>						

### 2. The Analysis of the Relationship Between Gender and Loyalty Using ANOVA

The relationship between gender and loyalty is analysed using the one-way ANOVA method.

- $H_0$ : There is no significant difference between gender groups and loyalty.
- $H_1$  : There is a significant impact of gender on loyalty.

The ANOVA results show an F-value of 0.645 and a p-value of 0.527, which is greater than 0.05. This indicates that the model is not statistically significant. Since we fail to reject the null hypothesis ( $H_0$ ), the results suggest that gender does not have a significant impact on loyalty. Other factors may influence customer loyalty, requiring further investigation.

**Table 2 : Gender and loyalty**

Source	DF	Sum of squares	Mean squares	F	Pr > F	p-values signification codes
Model	2.000	0.320	0.160	0.645	0.527	°
Error	84.000	20.836	0.248			
Corrected Total	86.000	21.156				
<i>Computed against model <math>Y=Mean(Y)</math></i>						
<i>Signification codes: <math>0 &lt; *** &lt; 0.001 &lt; ** &lt; 0.01 &lt; * &lt; 0.05 &lt; . &lt; 0.1 &lt; ° &lt; 1</math></i>						

## FINDINGS

The analysis of the relationship between age and brand loyalty using regression and ANOVA reveals a statistically significant impact of age on loyalty. The ANOVA results show an F-value of 5.237 and a p-value of 0.002, which is below the 0.05 significance threshold. This means that the null hypothesis  $H_0$ : No significant relationship between age and loyalty is rejected and an alternative hypothesis  $H_1$  is adopted. The results suggest that the age factor invariably influences brand loyalty, meaning there will be different levels of commitment to a brand among disparate age groups. In contrast, the gender analysis and brand loyalty using one-way ANOVA show no significance. With a value of  $F = 0.645$  and a p-value of 0.527, it can be concluded that there is no influence of gender in loyalty, because the p-value is above 0.05. This would mean that the null hypothesis  $H_0$ : no significant difference in loyalty exists between the two groups of gender, cannot be rejected. This means customer loyalty is not based on gender but can be influenced by personal

preferences and what the customer experiences while using the product or through the price charged.

## SUGGESTIONS

Since age has considerable influence on brand loyalty, companies should consider age-based marketing strategies to ensure customer retention. Different ages will react differently to various marketing campaigns and promotional offers as well as their engagement strategies. For example, younger customers may be attracted to digital interfaces and gamified loyalty programs. Older customers will be attracted by personalized customer services and long-term relationships with a brand. A company should therefore analyse its customers and create focused strategies to fortify loyalty for different age groups. As such, loyalty seems independent of gender orientation; thus brands need to extend their focus out of the strict segmentation that includes gender and include more the psychological and behavioural methods like analysis about customers' interested things,

consumer behaviour, as well as customer's life cycles for proper decision making to stimulate loyalty toward these brands. Again, overall perception about brand confidence and total overall experience in regard to shopping matters would have immense significance. This should also be seen to explore more variables that influence loyalty beyond age and gender. These include the level of income, education, customer satisfaction, trust in a brand, and an emotional bond with the brand as factors to consider in comprehending loyalty patterns. Future studies must include such variables to better the predictive capability of loyalty models.

## CONCLUSION

From the present research findings, age appears to be an essential predictor of brand loyalty; in this sense, there is an enormous need for proper engagement design considering various ages that could best cater to this audience. Knowing about different preferences and behaviours towards particular ages creates even better marketing and increases their value with strong lasting customer relations. Contrariwise, it was observed in the findings that gender has not played a decisive role in branding loyalty. That is to say, the organization needs to forget gender-based targeting and instead explore other influencing variables which make it loyal. For example, traditional demographic segmentation need not be looked upon by companies anymore, instead deeper behavioural inputs, customer likes, and love for the brand can be accessed. Overall, this study provides valuable insights into the role of demographics in shaping loyalty patterns. However, as brand loyalty is a complex phenomenon influenced by multiple variables, further research is needed to explore additional factors that contribute to customer retention and brand commitment.

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