

# Customers' Behaviour And Business Failure

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**Abstract:** *The paper investigated the relationship between customers' resistance to price increases and business failure. The research methods adopted were survey research design and oral interview. Forty two companies judgmentally selected through cluster sampling, completed and returned their questionnaires. The questionnaires were analyzed using descriptive and chi-square statistical tools. Some of the findings were that consumers' resistance to price increases has a positive and significant relationship with business failure, as producers were unable to factor-in all input costs in their product pricing. The implications for business and management policy were discussed.*

**Key Words:** *Product pricing, Stakeholder Management, Business failure*

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## I. Introduction

Strategic stakeholders' management has been acknowledged as a critical factor in a firm's performance and sustainability. Freeman (1984) stakeholder's theory alluded to that. Though all business stakeholders are important, but as is in George Orwell's *Animal Farm*, some are uniquely more important than others. Evidently, the shareholders and the customers are critical and unique stakeholders. Why? They are the only stakeholders that part with their money to the firm, either as seed or growth money, or payment for value received from the goods or services produced by the firm. Once the firm has kicked off, and is running; its survival, growth and sustainability depend on the cash or other measures of value, received from the customer. Because cash is said to be the life-blood of any business, therefore, it stands to reason that customers' continuous patronage of the firm would guarantee its sustainability. Strapped of cash, a firm becomes like an animal held by the jugular that gradually gets asphyxiated. No wonder the customer is variously garbed as the "infallible king" or deity to be worshipped.

The customers, no doubt, are aware of their overarching powers. Like two-edged sword, they swing it either way. Satisfy them, and they reciprocate by showing loyalty and become disciples willing to sustain their patronage and convince others to do so. But treat them otherwise, or even if it is a perception, the least they could do is vote with their feet, and move to the firm's competitors to plot its demise. Within the supply and distribution value chain, customers, acting alone or collectively, may determine to 'get what they want' which may be at variance with the firm's profit objective. One of such actions may be to resist firm's price increases irrespective of the prevalent economic conditions. This they seem to have done to the Table Water Producing and Packaging Companies (TWPPCs) in Nigeria by truncating the mechanism of appropriate product pricing. All efforts by the TWPPCs' Association (ATWAP) to counterract this remained ineffective.

Appropriate product pricing is said to guarantee a firm's profitability and sustainability (Kotler and Keller, 2009). Expectedly, the price a company will offer its product/service should adequately cover all costs with some level of margin of profit (Irefin, Hammed and Onu, 2013). This price is not expected to be static over a long period of time given changes in economic indicators such as, inflation, rising prices of other cost inputs and increasing general cost of living (Wasserman, 2010). Therefore, a situation where a company's factor input costs have been rising consistently for some years, but the company is unable to correspondingly adjust its prices to reflect these changes creates some serious challenges for such company's survival and profitability. The challenge becomes more worrisome where the company's inability to effect the desired price changes is caused by an

external environmental imperative beyond the company's control (actions of customers). The implication is that the price a company will offer its products/services may be at a loss.

No doubt, consumerism may be justified on the basis of poor product/service quality or unsatisfactory customer service delivery. But a concerted action which appears to undermine the business of TWPPCs in a glaring hard economic condition, at best alludes to customer collusion.

As a fall-out from the above, it has been observed that many companies in the table water sub-sector of the food industry appear not to be doing well. Some even die less than six months of opening shop. Examples abound around Ikotun Egbe or Ejigbo in Alimosho Local Government Area of Lagos State; here one would likely see many sachet (Pure) water factories that had closed shop. Recently, there was an advert ([nairaland.com](http://nairaland.com), May 30, 2011) of a sale of all the fixed assets (except land) of a liquidating table water company. Also in the Punch Newspaper of Monday, May 30, 2011 on page 48, was an advert for a sale of a small scale Purpose- Built Factory including Land and Building, Plants, Machinery and Equipment. However, it is paradoxical that whereas, many of these companies are dying, many others are springing up. That appears to conform to entrepreneurial spirit of optimism, but more of the religious axiom that "my case is different."

## **1.2 Statement of the Problem**

Whereas the activities of customers have preponderant impact on business performance; on the other hand, businesses have little or no control over the activities of its customers. Business customers reside outside the organization (except employees who are internal customers). Their rights are equally protected through both advocacy and constitutional provisions. These customers range from suppliers of raw materials, spare parts and other factor inputs. Others are consumers of business' outputs-goods and services. They include the distributors, wholesalers, retailers and consumers. There is also business to business customership. Not only are these customers interested in quality goods and services at competitive prices and timely payments for input factors supplied; they often dictate and implement a price regime that negates producers' cumulative input costs (Kotler and Keller, 2009).

There is no gain saying the fact that this latter position may be instrumental to business failure. Because, should the producer reject this price regime, they may decide to withdraw their patronage or switch to a competitor or engage in litigation over infringement of their rights or collude, in any way, to sabotage the organization. The consequence may just be the same-business failure. For starters, business failure defined by Dun & Bradstreet (D&B), as "business termination with losses to creditor, (Hisrich, Peters, and Shepherd, 2008:38)," does not have only economic consequences; it also has psychological and socio-cultural consequences. For members of a family business, Hisrich, et al., (2008), noted that the firm may not only be a source of income, but also a context for family activity and the embodiment of family pride and identity. Its failure triggers some anger towards the economy, competitors, debtors, self guilt and self blame. The entrepreneur feels guilty that he had caused the failure of the business, that it could no longer be passed on to his children, and that as a result he had failed not only as a businessperson, but also as a father.

This spate of business failure in these Small and Medium Scale Enterprises (SMEs) is worrisome because it has other collateral damages: loss of jobs, increase in crime, and deepening poverty with their socio-economic consequences. For instance, an average sachet water company employs about 17 staff (discussion with the Managing Director of Emperor Nigeria Limited) who depends on their salaries to feed their various families. Therefore the multiplier effect on the society of such mass business failure could be devastating. Entrepreneurial spirit may be imperiled, as potential entrants fear to venture into this area of business given its increasing rate of failure.

The greater danger is the tendency to slip back to where Nigeria was prior to 1993 when NAFDAC started licencing table water companies to package and sell water after meeting its set regulatory standards. Prior to this period, cases of water borne diseases had reached an epidemic proportion in many states of the federation, with consequent deaths of children and debilitating conditions of adults who suffer from cholera, guinea worm, diarrhoea, among others (UNICEF, 2008; Cruz, 2011). Should we allow these SMEs to all fold up? Already, as a survival strategy, some TWPPCs have begun to cut- corners and compromise quality standards in order to make ends meet at the detriment of the society.

Though business failure has been researched from different perspectives (Deeson, 1972; Cochran, 1981; Berryman, 1982; Breshnahan, 1987; Bygrave and Zacharkis (eds.), 1997; Archer, 1999; Barnes, 2004), however, a contextual study of the role of customers' resistance to price increases is still a research gap this paper seeks to fill.

The main objective of this paper is to investigate the relationship between customers' resistance to price increases and business failure of TWPPCs in Alimosho/Ejigbo, Local Government Area (LGA) Lagos. We proposed two alternate hypotheses that:

- i. There is a significant relationship between producers' inability to reflect increases in the price of factor inputs in product price and business failure of TWPPCs in Alimosho/ Ejigbo, LGA, Lagos.
- ii. There is a significant relationship between consumers' resistance to price increases and business failure of TWPPCs in Alimosho/ Ejigbo, LGA, Lagos.

## II. Literature Review

### 2.1 Implications of increasing factor costs on business profitability

Factor costs refer to the aggregate expenses incurred from setting up a business to delivering the goods or services to the customer. No product or service will be available nor any price set without first incurring costs and determining the quantum of the costs involved. To produce a 'pin' you must have a factory building, machinery/equipment and a production line manned by workers, no matter how limited. Materials for the production of the pin will be procured and transported, machines will be powered, and produced goods will be warehoused and later delivered to distributors and/or consumers with company's hired or own vehicle. At every point in the production process, cost is involved. Among the factors affecting price, cost ranks first. When profit is discussed, it is total costs deducted from total revenue (Ferrell and Pride, 1989: 573). In fact one of the key strategic factors in a firm's decision making process is the cost of the products and services. Producing a product at a relatively low cost can lead to high profit. Cost management by way of cost- minimization policy is a generic strategy applicable both locally and in international business which confers competitive advantage (Hill, 2008). Cost of production seems to have been on the rise. Agreed that suppliers have to factor in inflationary rate in their pricing, but often this is either in excess of producers' comparative own-price increases, or worse still, producers may be unable to commensurately adjust own-price. This is the situation mostly in commodity markets where price seems to be the only competitive tool (Kotler and Keller, 2009). Here, every body is producing the same thing e.g. table water, then the opportunity for product differentiation which usually attracts higher prices is not readily available. The potential advantage of economy of scale is equally lost because of the large number of producers. Every producer becomes a price taker! The dilemma of an average table water producer is highlighted hereunder.

Stated below is a cost profile of major materials obtained from one of an average producer of both sachet and bottled water.

**TABLE 2.1**

INPUT ITEMS	PRICE CHANGES ON YEARLY BASIS										
	2006	2007	% Change	2008	%Change	2009	% Change	2010	% Change	2011	Cumm.%
	(#)	(#)		(#)		(#)		(#)		(#)	Increase
Nylon Rolls/Kg	340	360	5.88	400	11.11	410	2.50	410	0.00	420	19.49
Packing Nylon/kg	2600	2700	3.85	2600	-3.70	2750	5.77	2900	5.45	3100	11.37
Diesel/Litre(#)	80	89.5	11.88	90	0.56	95	5.56	105	10.53	170	28.52
Pet Bottles:50cl						9.5		11.5	21.05	12.5	21.05
Pet Bottles:75cl						11.29		12	6.29	13.5	6.29
Rib Caps:28mm						1.6		1.7	6.25	1.8	6.25
Shrink Wrapper						380		400	5.26	450	5.26

**Source:** In- House Records of Emperor (Nig) Limited. Producers of LIVCORD Sachet and Bottled water. Data taken in March 2011. The company started producing bottled water in 2009.

The Table above speaks for itself; where for the few captured recent years, some input item like diesel, which is used for both production and distribution, has cumulatively increased by 28.5 percent. There is no item that has not cumulatively increased by at least 5 percent. But that is not the case with the price of sachet water which has remained stagnant for close to a quarter of a century (24 years). In pricing, costs to be considered are mainly three; variable, fixed and total. These must be covered for a firm to break-even, and in order to make profit, some margin will be added to the total cost to arrive at a selling price. However, some considerations may make a firm sell below cost-loss leadership usually in a price-war situation. But price war has been described as an "ill wind," that does nobody any good (Van Heerde, Gijsbrechts and Pauwels, 2008).

## **2.2 Business and Stakeholders' Behaviour**

In recent years, businesses are no longer allowed to do just what they like. The era of Friedman (1970) when impunity associated with business sole objective of profit maximization reigned supreme is dead and buried. Then it become increasingly popular for organizations to produce vision and mission statements which vary in length and the extent of specific or general content; but the value of the vision/mission statements appeared to be in doubt, as the organizations actually practiced them in breach (Mullins, 2010:727). Stakeholders are increasingly getting interested in what businesses do as their actions, for good or bad, affect the society (Freeman, 1984). This growing awareness has also been fuelled by a far wider availability of information about corporate actions, in this internet age where it is much more difficult to keep things permanently secret. The following catastrophic industrial accidents come readily to mind: Bhopal Nuclear and Chemical Accidents, in India in 1984 where between 8000 and 10000 people were reported dead; Chernobyl Nuclear Plant disaster in Ukraine in 1986, and the recent Fukushima Daiichi Nuclear disaster in Japan in March, 2011. Mention must be made of the corporate ethical issues in failed Enron, WorldCom, etc. Society's demand for improved corporate governance, social responsibility and ethical behaviour has been swift: De George (1999), put it more succinctly; there has been a growing emphasis on business ethics in recent years. This is partly as a consequence of an increased public interest in how businesses behave (i.e. not just in the products and services they produce) and a more skeptical and less respectful attitude to the place of business and business people in society. On the other hand, Anita Roddick (2000), emphasized the need to develop "a corporate code of conduct, a formal, articulated and well-defined set of principles which all global businesses agree to live up to. A broadly kept code of conduct would shut down the excuse about the competition making ethical behaviour impossible once and for all. We must agree not to compete in ways that destroy communities or the environment. We must all embrace the principles of socially responsible business, because the decisions of business leaders not only affect economies, but societies. Unless businesses understand that they have responsibilities they must live up to, in terms of world poverty, the environment and human rights, the future for us all is bleak. Acting irresponsibly may boomerang on businesses as stakeholders begin to retaliate actual or perceived maltreatments.

## **2.3 Business Failure**

Business failure is as old as recorded history and is no respecter of any firm. It has also got some definitional problem. Some big names that had failed included: New Imperial Motors Limited-1938; Rolls Royce Limited-1971; Bank of Credit and Commerce International-1991 (Deeson, 1972). The likes of Enron and WorldCom were recent ones in the United States of America. Closer home, so many money banks failed after the Central Bank of Nigeria's banking consolidation of 2005/ 2006. The failure rate of small businesses is not properly documented in Nigeria, therefore there seems to be no reliable statistics, if any. Business failure cuts across different industries namely manufacturing, banking, power and telecommunications. Unfortunately, the trend seems to be on the increase world wide. No thanks to bad governance and globalization characterized by quantum and amorphous changes in Information, Communication and Technology (ICT). A debate is on with respect to rate of business failure, actual causes and its definition. According to Dun & Bradstreet (D&B) reports (Holland,1998).; the failure rate for new businesses seems to be around 70% to 80% in the first year and only about half of those who survive the first year will remain in business the next five years.

Businesses with fewer than 20 employees have only a 37% chance of surviving four years of business and only a 9% chance of surviving 10 years.

Of these failed businesses, only 10% of them closed involuntarily due to bankruptcy, and the remaining 90% closed because the business was not successful, did not provide the level of income desired, or was too weak to continue, it reported. If only 10% closed involuntarily, it means that the remaining 90% voluntary closure may not conclusively be as a result of business failure. Business failure is defined by Dun & Bradstreet (D&B), as "business termination with losses to creditors."

Conversely, Schumpeter (1950) defined business failure as the termination of an entrepreneurial initiative that has fallen short of its goal. Logically, a business that failed to achieve its set objectives could be seen as having failed, even when there were no losses to creditors. However, Bygrave and Zacharkis (1997) were quick to point out that the above statistics is a popular, oft-quoted misconception by potential investors that "four out of five small firms fail in the first five years of operation", 'for personal interest.'

The causes of business failure are numerous; ranging from personal factors to those inflicted by regulatory authorities, to environmentally induced ones (force majeure). The catastrophic causes of failure are from burglary and fire, while an act of God includes flood, earth quake and tsunami. Some of the usual personal ones are: failure to work from one's strength and passion, going into business for the wrong reasons, family pressure on time and fund, pride, lack of market awareness, lack of financial responsibility, lack of clear focus, lack of entrepreneurial skills, to management inefficiencies. Government policies may restrict, stop or totally destroy a firm. While the listing of the reasons for small business failure may seem lengthy, the majority of the causes can be condensed into three: money, management and marketing (Holt,1992). About two-third of those businesses that cite economic factors as a reason for failure, indicate that a lack of profit is the primary. A fourth factor could be attributable to stakeholders' actions (Joshi, 2005; Oyedijo, Ogundele, Idris and Aliu, 2010). This is most common in firms that are not strategic in managing their stakeholders. Though some stakeholders may be irrational and rash in their engagement with firms. Customers may not be an exception.

Customers as an important stakeholder need 'satisfaction' from their firms in areas of product/service quality, price, convenience, awareness/information, physical ambience, personal marketing, among others (Kotler and Keller, 2009). Firms' failure to meet these customers' desires may provoke chain reactions such as, product/service boycott, backmail and possibly sabotage and collusion among them or with competitors to undermine the performance of the said firms. Wagner (2013), asserted that at the surface level the primary reason businesses fail is simply they run out of cash; but that the crack in the foundation starts well before the brutal day of financial collapse. The number one reason he gave is 'not really in touch with customers through deep dialogue'.

## **2.5 Business Associations as Catalysts for Organizations' Performance**

Business associations are interest groups usually formally formed and duly registered for self-perpetuation of its members' profitable business interests. Such associations are not only restricted to business, hence there exists political, legal and Non Governmental Organizations (NGOs). For SMEs, there is still near absence of institutional framework to promote and protect their interest especially in developing countries. Therefore, banding together for 'self-defence' and interest-perpetuation became imperative. Essentially, they are involved in interest mediation between separate economic actors and the state, and enforce self-regulation among its members. Its effectiveness is often measured by members' cohesiveness and internal discipline. To the extent that they effectively organize its members, they could then be considered as agents of economic development and institutional change. They hold meetings with members at regular interval, and articulate their views as proposal to government or its relevant agencies for possible favourable policy adoption and implementation. The main challenges are internal democracy and culture of impunity in ascending to leadership positions and relating with its members.

In Nigeria, leadership of many associations, including business associations, is often being accused of lack of transparency and unethical behaviour in its financial dealings. This has often resulted in formation of splinter and parallel associations, which breeds a culture of indiscipline and sub-optimal, if not individual, goal pursuit. Consequently, a weak association(s) emerges which is

self-serving, and detracts from its members' set objectives. There is also business to business relationship, where small businesses often join or come together to form associations to advocate for their causes or to achieve economies of scale that larger businesses benefit from. Such as the opportunity to buy cheaper materials in bulk. These organizations include local arrangements or regional groups such as Chambers of Commerce, as well as national or international industry-specific organizations. Such groups often serve a dual purpose, as business networks to provide marketing and connect members to potential sales leads and suppliers, and also as advocacy groups, bringing together many small businesses to provide a stronger voice in regional or national politics. Business associations can also become useful partners with government and its agencies in improving the business environment by ensuring members' compliance with extant laws regulating such business, by often making a show of evidence of compliance a condition for registration as a member (ATWAP, 2011).

In summary, a business, apart from being an economic entity, is also a corporate member of the society with rights and obligations. It is equally agreed that it is in the interest of business to be ethical, socially responsible and adopt best practices in corporate governance in order to continue to enjoy the patronage of the stakeholders, while continuing to support business-sustaining environments. Refusal or inability of businesses to strategically manage their stakeholders may attract serious consequences, including customer-class action.

### **III. Methodology**

Research survey design and semi-structured interview were adopted for this study.

#### **3.1 Population of Study**

Alimosho/Ejigbo area registered 357 TWPPCs ( 29.75 percent of the total Lagos number) (NAFDAC Green Pages, 2008:1308-1630) . As at April of 2008, only 210 companies' names appeared in the register of ATWAP - Alimosho/Ejigbo chapter (see Appendix I), but only 185 with verifiable addresses. The operationability of the balance of 25 (210-185) could not be ascertained. Because NAFDAC compilation was from its inception (1993), it may have contained companies that may have liquidated.

#### **3.2 Sampling Design**

Quota/stratified sampling was adopted. Since the phenomena under study were homogeneous and stratified, a small sample size was considered adequate (Osuala, 1987:110). Therefore, 30 percent (56 companies) were considered adequate sample size and hence proportionally and judgmentally selected from the 185 among the 16 catchment areas in Alimosho/Ejigbo as per Appendix II. The actual companies sampled were systematically selected where the required proportion is smaller than the number of companies in that area. Consideration was given to companies' age and 'visibility' in its area of operation.

#### **3.3 Sources of Data**

The data required for the study were generated from primary sources-self-administered questionnaire and oral interviews.

#### **3.4 Administration of Data Collection Tool**

The questionnaire was divided into two sections: Biometric and likert scale [ranked in six scales starting from very strongly agree (VSA) to very strongly disagree (VSD)] to test the hypotheses.

The questionnaire was administered to 56 proportionately and judgmentally selected companies on the basis of geographical location. The questionnaires were hand delivered and completed by either the owner/manager. Each company was given one questionnaire to complete.

Oral interview was used on three executives of the association to complement the questionnaire method.

Data generated from respondents were later collated, analyzed, interpreted using descriptive statistics.

**3.5 Validity/Reliability of the Research Instrument**

Experts validated the research instrument. To achieve reliability (consistency) of the research instrument, the researchers adopted Test-Retest Reliability Method with a Cronbach Alpha of,  $r=0.72$ . This result showed a high degree of correlation, indicating consistency.

**3.6 Data Analysis**

Responses for each of the questions were categorized and summarized in tables using frequency and percentages. The Chi-Square test statistic was applied at a confidence level of 5 percent, using the statistical package for social sciences (SPSS) Version 20, in order to minimize any unintended errors arising from manual computation.

Forty two (42) usable responses, representing 75 percent of the administered questionnaires (56) were collected, filled and returned.

**IV. Findings**

**4.1 Biodata of Respondents/Firm**

- i. Sex: The male respondents constituted 40.5 percent, while female were 59.5 percent.
- ii. Age: None of the respondents falls within the ages 18-25, 19 percent were within the age range 26-35, 50 percent between 36-45, while 31 percent were from 46 years and above.
- iii. Educational Qualifications: 11.9 hold SSCE/GCE, 16.7 have OND/NCE, 47.6 hold either BSC/BA or HND, 19 acquired MBA/MSC, while 4.8 have other qualifications.
- iv. Position of Respondents : 11.9 were supervisors, 42.9 managers, 35.7 managing directors and 9.5 owners.
- v. Length of service: 73.8 percent below 6 years in the sub-sector, 11.9 percent above 10 years.
- vi. Type of Firm: 76.2 percent limited liability companies; 23.8 were enterprises.
- vii. Age of Firm: 69 percent fall between 6 and 15 years.
- viii.No. of Employees: 88 percent employ more that ten workers.

**4.2 Test of Hypotheses with Spss Chi-Square Analysis**

**Table 4.2.1**

**Business Failure and Increasing Factor Inputs**

	Observed N	Expected N	Residual
2.00	15	67.2	-52.2
3.00	29	67.2	-38.2
4.00	87	67.2	19.8
5.00	68	67.2	.8
6.00	137	67.2	69.8
Total	336		

**Test Statistics**

<b>Business failure and increasing factor inputs</b>	
Chi-Square	140.607 <sup>a</sup>
Df	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 67.2.

Table 4.2.1 above shows the result of the Chi-Square SPSS analysis. The P-Value is 140.607, while the critical (Table value) of  $X^2 = 0.05$  at  $df = 4$  is 9.488. This shows that statistically, the calculated value is higher than the critical value and therefore we reject the null hypothesis and accept the alternative hypothesis which says that there is a significant relationship between producers' inability to reflect increases in the price of factor inputs in product price and business failure.

**Table 4.2.2**

**Consumer resistance to price increases and business failure**

	Observed N	Expected N	Residual
2.00	13	49.6	-36.6
3.00	22	49.6	-27.6
4.00	68	49.6	18.4
5.00	42	49.6	-7.6
6.00	103	49.6	53.4
Total	248		

**Test statistics**

	Consumer resistance to price increases and business failure
Chi-Square	107.847 <sup>a</sup>
Df	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 49.6.

Table 4.2.2 above shows the result of the Chi-Square SPSS analysis. The P-Value is 107.847, while the critical (Table value) of  $\chi^2 = 0.05$  at  $df = 4$  is 9.488. This shows that statistically, the calculated value is higher than the critical value and therefore we reject the null hypothesis and accept the alternative hypothesis which states that there is a significant relationship between consumers' resistance to price increases and business failure.

**V. Discussion Of Findings**

- i. Sex: The finding shows that females are more involved in managing this type of business, either as wives of owners or employed as professionals in food related courses to meet part of NAFDAC requirements. It would appear that many men still on paid employment set up such business as a 'fall back' position and allow their wives manage the concern.
- ii. Age: It is evident from the distribution of responses that the category of people managing the businesses are of middle age. Majority of the respondents between 26-35 years seems to be professional employees who may just be picking their first or second jobs after their higher education. Some may as well be self-motivated entrepreneurs. The bulk of the respondents, 50 percent, between the ages of 36-45, would appear to be wives of owners and perhaps those men on either early voluntary retirement or may have lost their jobs. Those 31 percent above 46 years may still be men who have lost their jobs or retired to engage in entrepreneurship. Some may still be those who have run a successful outfit over the years.
- iii. Educational Qualification: It would appear that many of those managing the organizations, either as employees, surrogate owners or actual owners are highly educated. This is also in tandem with the earlier observation that many of those managing the businesses are either professional employees, perhaps highly educated people retired or fired from where they work or self motivated entrepreneurs. The implication is that given the right operating environment, the caliber of managers in the system has the mental capacity to effectively manage the place, other things being equal.
- iv. Position of Respondents: It can be deduced that 78.6 percent of the responses came from supervisors and managers. The sub-sector appears to be conservative in the choice of designations. Supervisors and managers seem to be the people running the organizations. Therefore, a designation may not necessarily be co-terminus with the power the officer holds. In practice, the positions of chairmen and managing directors, where applicable, are reserved for the owners and their wives.
- v. Length of Service: Low length of service highlights a possible high rate of labour turnover in the system. It may also portend high rate of business failure if one considers that only 4.8 percent (2 out of 42) remained above 16 years in a sub-sector formally established since 1993. Some

- implication of high labour turnover is instability, when experienced people do not stay, and expenses in training are often wasted.
- vi. Type of Firm: With majority of the firms being limited liability, the implication is that most of the businesses are well structured legally, to avail them of numerous financing options. However, effective performance may not be correlated with any particular type of business registration. Other environmental factors may have influence (Deeson, 1972; Cochran, 1981; Berryman, 1982; Breshnahan, 1987; Bygrave and Zacharkis (eds.), 1997; Archer, 1999; Barnes, 2004).
  - vii. Age of the Firm: Each of the companies pooled was at least 5 years old. Such age in any business should confer the requisite experience in that field. It would appear that some of these companies were also involved in other businesses. A diversified company has the potential for growth due to cross operational synergy. It also seemed to refute the notion that small businesses die before five years (Bygrave and Zacharkis, 1997). The deliberate choice of companies of at least 5 years old was to benefit from their years of experience, especially in response to the questionnaire.
  - viii. No. of Employees: That 88 percent employ more than ten workers is indicative of the important role small businesses play in generating employment. But beside that, companies employing below 15 workers are marginal players, when it is noted that one truck that carries say 400 bags of sachet water will require a driver and two motor boys. Two such trucks already require 6 workers in addition to the production, maintenance and administration staff. The interview pointed at an average of 17 workers exclusive of management staff, to be able to generate enough turnover to sustain the business.
  - ix. The result of hypothesis 1 indicated that business failure is predictable where
  - x. producers are unable to factor-in overall input costs when pricing their product. This position is rational and is supported by literature (Ferrell and Pride, 1989; Hill, 2008).
  - xi. Finally, hypothesis 2 tested whether consumers' resistance to price increases causes business failure. Respondents overwhelmingly agreed. The success of every business comes from achieving market fit. Joshi, (2005), Oyedijo, et al. (2010), Perreault and McCarthy (2005), and Swarming (2006) concurred. Whenever consumers refuse to purchase a product because of its price increase, the producer has no choice but retain the old price; otherwise he is out of business. However, retaining the old price has serious implications for business survival, growth, profitability and sustainability.

Majority of the respondents agreed that business failure results in loss of confidence; very strongly agree that it has serious health implications; though opinion was divided that it could provide better opportunity elsewhere. It is arguable that business failure is highest in small businesses. Literature supports the views that business failure has both physical and psychological consequences (Hisrich, et al., 2008 and Bruno, McQuarrie and Torgrimson, 1992). Bygrave and Zacharkis, (1997) disagreed on the often quoted high mortality rate of small businesses at infancy, while Deeson (1972) talked about the failed giants like Enron, WorldCom, among others.

The oral interview with three ATWAP executives produced the following enlightening position: That the business of table water is unprofitable in Lagos, except you have the capability to influence your prices like the multinationals and to some extent, the local large companies. Attention was drawn to the fact that since 1993, that the price of sachet water has remained the same in Lagos State whereas, some factor input prices had quadrupled. That the sub-sector is not growing because of lack of cooperation among producers, they cited the 2008 aborted effort by its association to increase the sachet water price. That government and its agencies are contributing significantly in the collapse of many table water producing companies, they cited an instance where a marginal producer is forced to pay as high as one hundred and fifty thousand naira, inclusive of tax, if his truck is towed for say traffic obstruction. Often times, some companies abandon such trucks while some fold up as a result of such payment. That poor infrastructure especially power, is continuously increasing cost of doing business, while bad roads contribute to the wear and tear of their trucks thereby increasing cost of maintenance. Of great concern to them is the increasing militancy of their host communities in forcing their businesses to be socially responsible, even when business is not doing well. On a fatalistic note, they predicted that their poor financial position will not improve until their few surviving members will see the need to unite to fight for their survival and perhaps growth.

## VI. Conclusion

Managed mainly by highly educated females of middle age, the TWPPCs' contribution to the economic development of the country is incontestable. This is by way of employment generation, competitive spirit and econo-social relevance in its operating communities. It could also be concluded that producers' inability to factor-in the costs of their factor inputs into their product price has a significantly relationship with business failure. Consumers' resistance of either proposed or actual product price increases is a knell that summons any affected organization to death. It is concluded that for any business to be efficient and effective, the issue of product (goods or services) pricing must be taken seriously. More so now that the internet has commoditized almost every product and price has become almost the most important purchase consideration.

All the ATWAP executive members interviewed agreed that the inability of their members to factor-in all their costs in pricing their products as a result of customers' price resistance was the primary cause of their business failure. However, other factors they highlighted were activities of government and its agents in areas of multiple taxation, extortion and corruption. They also blamed some of their members they called, 'black legs' who they said were fond of undermining the associations' efforts to stabilize prices.

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## APPENDICES

### APPENDIX I

#### List of Companies in ATWAP Register (Population Size)

	AREA	S/N	COMPANIES	ADDRESSES
Abaranje		1	Afiel water	13, Daramola olaleye street, okerube, Abaranje
		2	Aqua Tee water	Not Available (N/A) in NAFDAC Publication
		3	Callis water	14, Tayo Lawal close, Off Abaranje Rd. Abaranje
		4	Cask water	3, Onitire Ave. Off Abarange Rd.
		5	Cooland water	7, Alhaji Oladire Str. , Okereube, Off Abaranje Rd.
		6	Femmot water	18, Awawu Str., Awawu B/Stop, Off Abaranje Rd.
		7	Jo-Dafo water	13B, Tapa Str. Omolayo B/Stop, Abaranje Rd.
		8	Kaff water	3, Thomas Otobija Str. Off K&S , Abaranje
		9	Livion water	19, Mustapha Str. Off Asalu B/Stop, Abaranje
		10	Ranc water	Plot 33, Mulmaco Estate, Okereube, Abaranje
		11	Simark water	2, Sodium Str. K & S B/Stop Abaranje
		12	Somto water	Not Available (N/A)
Aboru		1	AKM water	Not A vailable (N/A)
		2	ASOM water	8,Anuoluwapo Str,Off Alabede Str,Aboru Iyana-
Ipaja		3	Jord water	7, Edun Street, Aboru
		4	Sunnelo water	2,Kolawole Akande Str,Aboru ,Iyana Ipaja,Lagos.
		5	Sunrise water	Not Available (N/A)
		6	Walex water	36,Seniu Tiamiyu Str,Aboru Housing Estate,Lagos.
		7	Walex water	36,Seniu Tiamiyu Str, Aboru Housing Estate,Lagos.
Abule/Egba				

Lagos	1	De-Zaks water	12 ,Shogaolu Close,Off Ekoru Road,Abule Egba,
Akesan/Obadore	1	Clarity water	Not Available(N/A)
	2	Denma water	5,Olajumoke Marble Cresc,Ologuro
B/Stop,Igando,Lagos	3	De-Barge water	Pacific Ave Behind Construction Co Akesan Lagos
	4	Nokets Water	Plot 18, Abisogun Street, Afolabi B/Stop, Akasan
	5	Witto Water	3, Kassim Achombi Street, Akasan
Akuwonjo	1	Atila Rapha water	38,Abdul Salawu Street,Isheri –Olofin,Lagos
	2	Chizor water	149,Akowonjo Road ,Akowonjo Agege ,Lagos
	3	Flowin water	2,Obadere Close,Santos Layout,Akowonjo,Lagos
	4	Jetis water	1,Kao Close,Santos Layout ,Dopemu,Agege,Lagos
Egbe/Agodo	1	Aabee water	9,Ajisehiri Street,Agodo Egbe,Lagos
	2	Chev water	11,Oke-Owo Str,Off Liasu Rd, Egbe ,Lagos
	3	Chev water	11,Oke-Owo Str,Off Liasu Rd, Egbe,Lagos
4		Diamond Aquarius	Sab Alhaji Lateef Lasisi Street,Egbe,Lagos
5		Gooba water	25,Ademoye Street Ele-Epo B/Stop Ikotun Lagos
6		Kings and Queen water	Not Available (N/A)
7		Lobay water	Not Available (N/A)
8		Long life water	Not Available (N/A)
9		Mec water	26,Shoremekun Str,Welder B/Stop,Egbe,Lagos
10		Mica water	31 ,Ogbewi Str Egbe,Lagos
11		Shas water	5,Agbolade Str,Agodo Egbe Lagos
12		Ve-Royal water	5 Ona Ara Str, Egbe, Lagos
Egbeda	1	Ade dova water	34,Road G Close,Plot 406,Gowon Estate,
Ipaja,Lagos	2	CitiGold water	Plot 270,A Close,122 Rd,1 <sup>st</sup> Ave,Gowon Estate,
	3	Islanders water	2/4,Adebila Str,Off Okun Ola B/Stop,Egbeda ,Lagos
	4	Jeal water	Not Available (N/A)
	5	Kasella water	Not Available (N/A)
	6	Lenco water	172, Idimu Rd,Egbeda Lagos
	7	Lizzy water	Plot 18, Agbonifo Crescent,Egbeda,Lagos
	8	Palace water	23,Okunola Rd, Egbeda Alimosho,Lagos
	9	Wendy water	Not Available(N/A)
Ejigbo	1	Afro beat water	N/A
	2	Angelos water	17, Pastor Oyediran Str., Orilowo Ejigbo
	3	Belhany water	18, Chris Idowu Street, Ejigbo
	4	Bio water	N/A
	5	Bisam water	1, Tennis Club Road, Opp. NNPC Depot
	6	Bislad water	33, Alafia Avenue, Near Ile-Epo B/Stop
	7	Darrey water	11, Prince Adeleke Adebayo Str., Oke-Afa
	8	De-Ritz water	2A, Olele street, Ejigbo
	9	Fagoz water	N/A
	10	Funmade water	56, Alhaji Kudirat Adenekan Ave.Ilamoshe Est.

	11	Henry Best water	19, Onasanya street, Ejigbo
	12	High Rise water	6, Unubi Close, NNPC B/Stop.
	13	Kachis water	34, Brethren Road, Ejigbo
	14	kenstel water	Plot 51, Mafon Estate, Idimu Ejigbo Road.
	15	kiz water	N/A
	16	Lachin water	N/A
	17	Link water	1, Ikeazu Street, king's Car Wash, Ejigbo
	18	Odita water	12B, Saint Augustine Rd. By Mafon B/Stop
	19	Providence water	2, Sunmonu Street, Off NNPC Road
	20	Ray water	N/A
	21	Richie water	N/A
	22	Samflex water	8/10, Odumayo Eniola Street, Ejigbo
	23	Splash water	1, Splash Ave., Behind Lawn Tennis Court, Jakande
Est.	24	Sun Sparkle water	N/A
	25	Tipee water	10, Etop Okoko Bucknor Street, Ejoigbo
	26	Uga land water	105, Allegun Road, Bucknor Ejigbo
	27	U-Merit water	6/7, Philip Esan Street, Ejigbo
	28	Vee Vee water	10, Iyabo Titilayo Street, Ejigbo
	29	Vok water	N/A
<b>Idimu</b>			
	1	Aliya water	N/A
	2	Atila water	38, Abdul Salawu Street, Isheri-olofin
	3	Casbul water	Blk.33B, Good Home Estate, Idimu
	4	Boltos water	N/A
	5	Coliben water	N/A
	6	Comfort water	N/A
	7	Mimi water	Plot 5, Block LK Civic Fed. Govt.
Layout, Isheri	8	PARBAMS water	28, Adeoye Fafore Street, Council
	9	Vivante water	5, Iseru Close, Idimu
	10	Vivaxe water	5, Azeez Adepo Street, Ile-Epo B/Stop
<b>Igando/Egan</b>			
	1	Amol Dash water	2, Ilesanmi Adeola street, Lasu Igando, Lagos
	2	Anos water	1, Joseph Udeh street, Egan, Lagos
	3	Ato water	6, Taiwo Adediran street, Igando, Lagos.
	4	Bayas water	Igando
	5	Dakos water	8, Segun Alaka street ,Off lasu Ojo road,
Igando, Lagos	6	Damtee water	7 Ifelodun street, Off Omu-Aran
street, Igando	7	Datsunina water	1 Mosalashi Road, Egan Via, Ikotun, Lagos.
	8	Detees water	23, Lamide Oshadiyi street, off salami
str., Egan	9	Dimtee water	N/A
	10	Evans water	3, Akeem Oke street, Igando, Lagos
	11	F-one water	2, Egunjobi street, Egan, Lagos.
	12	Gogel water	10, Wole Oluwumi strre, Egan, Igango, lagos.
	13	Helem water	14, Busari street, Egan, Lagos.
	14	Hocs water	N/A

Igando,	15	Muria water	30, Taiwo Ibrahim str., Iyana Ile-Oba bus stop,
	16	OL water	N/A
	17	St Dominic water	5, Yakubu Omugua street, By Obaimi bus stop, Egan
	18	Sunny water	N/A
	19	Wadamts water	Wadamts food close, Agric estate, Egan town,
Ikotun Ijegun/Ijedodo			
	1	Adi Gold water	5,Obokun Avenue, Ijegun, Alimosho,Lagos.
	2	Akcord water	N/A
	3	Beyi water	N/A
	4	Bright water	N/A
	5	Dutan water	4, Idikashu Street, Ijedodo
	6	Funky Royal water	12, Binuoyo Street, Ijegun
	7	Gnes water	N/A
	8	Hadis water	3, Akinpelu Street, Ijegun
	9	Harolds water	Fagile Estate, Isheri Osun, Ijegun Road
	10	He's Lord water	N/A
	11	La Voir water	N/A
	12	MKMOFE water	N/A
	13	Namis water	3, Irepodun Street, Ijegun
	14	Stanley water	N/A
	15	Temis water	44, Ijegun Road, Ijegun
	16	Vale water	8, Temilope Street, Off Ijegemo Road
	17	Wally water	137, Ijegemo Road, Ijegun
Ikotun			
	1	Bas water	4, Gboye Ventures Street, College B/Stop
	2	Camola water	13, Abiodu Ibadapo Str., Off Asalu Str.
	3	Jubi water	8, Iwajowa Street, Off Gov's Road
	4	Kamok water	25, Pipeline Road, Off Arida B/Stop, Idimu Rd.
	5	Livcord water	18, Richard Ibikunle Str. Off Gov's Road
	6	Mitchel water	N/A
	7	Nival water	131, Governor's Road, ikotun
	8	Pab water	1, Oyinlola Olajide Street, Pab B/Stop
	9	Top water	N/A
	10	Victoryde water	30, Amidu Jimo Street, Ikotun
Ipaja/Ayobo			
	1	Affi-suru water	Ipaja Road, Ayobo
	2	Afo's water	44 Fagbemi street, igbogila, Lagos
	3	Alexall water	House block 73 street, Federal housing scheme,
Abesan, B/Stop, Abesan, Ipaja, Lagos	4	Aluya water	121 new Ipaja road, Pako
	5	Arex water	3, Munratu street, megida, Ayobo, Lagos.
	6	Champion water	N/A
	7	Civelt water	4 El-shaddai close, Off Owolabi street, Atan -Nla,
	8	Dale water	24, Moboji close, New era, Ipaja ,lagos.
	9	DE Authentic water	10, Akinfewa street, Ipaja, Ayobo, lagos.
	10	De Fountain water	House 32, Be Street, Federal housing Estate, Ipaja,
	11	De Val water	N/A

	12	Dimo water	82 Ashipa Road, Amule Bus Stop, Ayobo,Lagos.
	13	Dip water	1-3 Lifeline Road, Igbo Ilugbo, Ayobo,Lagos.
	14	Elated water	2, Ogunsheye Street, Ikola, Ipaja
	15	Fofaan water	N/A
	16	Fresh D water	30, Kosemani Street, Mosan, Ipaja
	17	Kidron water	N/A
	18	LAE Bright water	24, Lawrence Adebuji Street, Ipaja
	19	LanBim water	5, Ataru Ajayi Street, Ayobo
	20	Limbog water	3, Akinsinde Street, Off Atan Nla B/Stop, Ipaja
	21	Loni water	N/A
	22	MB water	1, Bolaji Oludaiye Street, Ipaja
	23	MOT Kleen water	19, Ogunmiyi Ilo Street, Ipaja
	24	Olivera water	13, Unity Road, Ikola Ilumo, Ipaja
	25	Osmisa water	N/A
	26	Plaza water	267, Ayobo Road, Ipaja
	27	Probe water	N/A
	28	Quest water	Block 6, Plot 2, Gemade Estate, ipaja
	28	Rani water	47/49, Bakare Street, Ipaja
	29	Ruling water	6, Emmanuel Ayoola Str. ,Off Osoba Rd. Ipaja
	30	Settle water	House 18, Db FHC, Abasan Estate, ipaja
	31	Signet water	8, Powerline Street, By Command. Sec. Ipaja
	32	SIWA water	3, Uwagboe Close, Baruwa Candos, Ipaja
	34	Springville water	Plot 11, Omolara DanmoleStr., Spring Valley Est.
Ipaja	35	Vicky water	26, Uwagboe Street, BARUWA, Ipaja, Lagos
M/Village- Jakande			
	1	Fin water	N/A
	2	Jones water	6, Edith Street, Jakande Estate
	3	Shina water	Plot 21, Mechanic Village, jakande Est.
Oke-Afa	1	Babes water	4, Alhaji Ganiyu Yusuf way, Oke-Afa
	2	Bako water	10, Bestford Avenue, Oke-afa
	3	Debolat water	N/A
	4	Di-Yem water	N/A
	5	Everyday water	N/A
	6	Fresh gift water	8, Adegoke Street, Powerline, Oke-Afa
	7	Jonag water	6, Fredrick Rorobi street, Oke-Afa
Shasha	1	Bestoling water	Plot 252, ShaSha road, Akowonjo,Lagos
	2	Choozy water	9, Elsie magchuka street, ShaSha, akowonjo, Lagos.
	3	Elnino water	12, Alhaji Azeez ashambe Street,
Orisumbare,ShaSha	4	Esbow water	N/A
	5	Rolajoe water	79, Bandy ShaSha Road, akowonjo,Lagos.
	6	Spazz water	21b Kasali Street, Orisumbare-ShaSha, Lagos.
	7	Talia water	N/A

## APPENDIX II

## ACTUAL NUMBER OF COMPANIES SAMPLED

AREA	S/N	COMPANIES	ADDRESSES
Abaranje	1	Callis water	14, Tayo Lawal close, Off Abaranje Rd. Abaranje
	2	Cask water	3, Onitire Ave. Off Abarange Rd.
	3	Livion water	19, Mustapha Str. Off Asalu B/Stop, Abaranje
	4	Jo-Dafo water	13B, Tapa Str. Omolayo B/Stop, Abaranje Rd.
Aboru	1	Sunrise water	Aboru
	2	Walex water	36, Seniu Tiamiyu Str, Aboru Housing Estate, Lagos.
Abule/Egba	1	De-Zaks water	12 ,Shogaolu Close, Off Ekoru Road, Abule Egba,
Lagos			
Akesan/Obadore B/Stop, Igando, Lagos	1	Denma water	5, Olajumoke Marble Cresc, Ologuro
	2	Nokets Water	Plot 18, Abisogun Street, Afolabi B/Stop, Akasan
Akuwonjo	1	Chizor water	149, Akowonjo Road , Akowonjo Agege , Lagos
Egbe/Agodo	1	Aabee water	9, Ajisegiri Street, Agodo Egbe, Lagos
	2	Diamond Aquarious	Sab Alhaji Lateef Lasisi Street, Egbe, Lagos
	3	Ve-Royal water	5 Ona Ara Str, Egbe, Lagos
Egbeda	1	Jeal water	Egbeda Akuwonjo Road, Egbeda
	2	Lizzy water	Plot 18, Agbonifo Crescent, Egbeda, Lagos
	3	Palace water	23, Okunola Rd, Egbeda Alimosho, Lagos
Ejigbo	1	Funmade water	56, Alhaji Kudirat Adenekan Ave. Iamoshe Est.
	2	Kachis water	34, Brethren Road, Ejigbo.
	3	Link water	1, Ikeazu Street, king's Car Wash, Ejigbo.
	4	Odita water	12B, Saint Augustine Rd. By Mafon B/Stop.
	5	Providence water	2, Sunmonu Street, Off NNPC Road.
	6	Uga land water	105, Allegun Road, Bucknor Ejigbo.
	7	U-Merit water	6/7, Philip Esan Street, Ejigbo.
	8	Vee Vee water	10, Iyabo Titilayo Street, Ejigbo.
Idimu	1	Pab water	Pab Bus Stop. Idimu Road.
	2	PARBAMS water	28, Adeoye Fafore Street, Council.
	3	Vivaxe water	5, Azeez Adepo Street, Ile-Epo B/Stop.
Igando/Egan	1	Amol Dash water	2, Ilesanmi Adeola street, Lasu Igando, Lagos
	2	Bayas water	Igando Road.
	3	Dakos water	8, Segun Alaka street , Off lasu Ojo road,
Igando, Lagos	4	Datsunina water	1 Mosalashi Road, Egan Via, Ikotun, Lagos.
	5	Evans water	3, Akeem Oke street, Igando, Lagos
	6	Sunny water	Igando New Town, Igando

<b>Ijegun/Ijedodo</b>			
1	Hadis water	3, Akinpelu Street, Ijegun	
2	Funky Royal water	12, Binuoyo Street, Ijedodo	
3	He's Lord water	Ijedodo Road, Ijegun	
4	MKMOFE water	Ijegun Road, Ijegun	
5	Debo water	Ijegun Road, Ijegun	
<b>Ikotun</b>			
1	Kamok water	25, Pipeline Road, Off Arida B/Stop, Idimu Rd.	
2	Livcord water	18, Richard Ibikunle Str. Off Gov's Road.	
<b>Ipaja/Ayobo</b>			
1	Afo's water	44 Fagbemi street, igbogila, Lagos	
2	De Fountain water	House 32, Be Street, Federal housing Estate, Ipaja,	
3	Dimo water	82 Ashipa Road, Amule Bus Stop, Ayobo, Lagos.	
4	Dip water	1-3 Lifeline Road, Igbo Ilugbo, Ayobo, Lagos.	
5	Olivera water	13, Unity Road, Ikola Ilumo, Ipaja	
6	Quest water	Block 6, Plot 2, Gemade Estate, ipaja	
7	Vicky water	26, Uwagboe Street, BARUWA, Ipaja, Lagos	
8	Plaza water	267, Ayobo Road, Ipaja	
9	MB water	1, Bolaji Oludaiye Street, Ipaja	
10	Rani water	47/49, Bakare Street, Ipaja	
11	SIWA Water	3, Uwagboe Street, Baruwa, Ipaja	
<b>M/Village- Jakande</b>			
1	Jones water	6, Edith Street, Jakande Estate	
<b>Oke-Afa</b>			
1	Bako water	10, Bestford Avenue, Oke-afa	
2	Everyday water	Oka Afa	
<b>Shasha</b>			
1	Elnino water	12, Alhaji Azeez ashambe Street,	
<b>Orisumbare, ShaSha</b>			
2	Choozy water	9, Elsie magchuka street, ShaSha, akowonjo, Lagos.	

Onu, Livinus Okpara (Ph.D). " Customers' Behaviour And Business Failure." IOSR Journal of Business and Management (IOSR-JBM) 20.3 (2018): 49-65.