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PRICINGSTRATEGIESFOREACHSTAGEOFPRODUCTLIFECYCLEASTUDYOFNIGERIABOTTLINGCOMPANYOWERRIIMOSTATE

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Section 1

I. Introduction

a) Background of the Study

Pricing is the process whereby a business sets the price at which it will sell its products and services, and may be part of the business's marketing plan. In setting prices, the business will take into account the price at which it could acquire the goods, the manufacturing cost, the market place, competition, market condition, brand, and quality of product.

It is a fundamental aspect of financial modeling and is one of the four Ps of the marketing mix, the other three aspects being product, promotion, and place. Price is the only revenue generating element amongst the four Ps, the rest being cost centers. However, the other Ps of marketing will contribute to decreasing price elasticity and so enable price increases to drive greater revenue and profits.

It can be a manual or automatic process of applying prices to purchase and sales orders, based on factors such as; fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. Automated pricing systems require more setup and maintenance but may prevent pricing errors. The needs of the consumer can be converted into demand only if the consumer has the willingness and capacity to buy the product. Thus, pricing is the most important concept in the field of marketing, it is used as a tactical decision in response to changing competitive, market and organizational situations.

Part of being a small business owner is strategizing pricing, creating and marketing products or services, and paying attention to industry trends. If you sell goods, you need to know about the product life cycle.

Product life cycle is a model that the majority of business owners recognize and follow. It helps small business owners to strategize and predict product success from the time they release it. What is the product life cycle? A product's life cycle is its progress from when it is created to when it is discontinued. There are four stages in the cycle, which are development, growth, maturity, and decline. The product life cycle helps business owners manage sales, determine prices, predict profitability, and compete with other businesses.

Product life cycle management, or PLM, is the process of observing a product throughout its life cycle. Track each product's activities and successes to keep profits high and avoid steep losses.

i. *Objectives of pricing*

The objectives of pricing should consider:

- The financial goals of the company (i.e. profitability)
- The fit with marketplace realities (will customers buy at that price?)
- The extent to which the price supports a product's market positioning and be consistent with the other variables in the marketing mix
- The consistency of prices across categories and products (consistency indicates reliability and supports customer confidence and customer satisfaction)
- To meet or prevent competition

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b) Statement of the Problem

Price is influenced by the type of distribution channel used, the type of promotions used, and the quality of the product. Where manufacturing is expensive, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns, then prices are likely to be higher. Price can act as a substitute for product quality, effective promotions, or an energetic selling effort by distributors in certain markets.

From the marketer's point of view, an efficient price is a price that is very close to the maximum that customers are prepared to pay. In economic terms, it is a price that shifts most of the consumer economic surplus to the producer. A good pricing strategy would be the one that could balance between the price floor (the price below which the organization ends up in losses) and the price ceiling (the price by which the organization experiences a no-demand situation). This is what the study set out to investigate on the pricing strategies for each stage of Product Life Cycle.

c) Objectives of the Study

The broad objective of the study is to investigate the pricing strategies for each stage of Plc., other sub-objectives include;

1. To examine the sensitivity and consumer psychology of pricing.
2. To investigate the methods of setting price at any stage of Plc.
3. To investigate the adoption of cost-based pricing strategy and direct positive impact on profit margin.
4. To investigate the pricing mistakes at any stage of Plc.

d) Research Questions

1. How are the sensitivity and consumer psychology of pricing?
2. What are the methods of setting price at any stage of Plc?
3. Does adopting cost-based pricing strategy has a direct positive impact on profit margin?
4. What are the pricing mistakes at any stage of Plc?

e) Research Hypotheses

The following null hypotheses will be tested at a significant level of 0.05

H_{01}: There is no significant relationship between sensitivity and consumer psychology and pricing.

H_{02}: There are no effective methods of setting price at any stage of Plc.

H_{03}: Adopting cost-based pricing strategy has no direct positive impact on profit margin.

f) Justification

1. This study will ascertain the pricing strategies for each stage of Plc which will aid public limited liability companies to know which pricing strategy is suitable at any stage of the business.
2. It will enable management to know the various effective methods of setting price at any stage of the company.
3. It will also be of help to Plc., as it will be an eye-opener for them to know the pricing mistakes at any stage of the business.
4. Finally, it will enable firms to ascertain the sensitivity and consumer psychology of pricing, that will aid them to know how to fix their product price to suit the need of the consumers.

Section 2

II. Literature Review

The related literature will be reviewed under conceptual framework, theoretical background and empirical studies.

a) Conceptual Framework

i. *Pricing*

Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others. It is targeted at the defined customers and against competitors. There are several pricing strategies: *premium pricing, penetration pricing, economy pricing, skimming strategy etc.* Marketers develop an overall pricing strategy that is consistent with the organisation's mission and values. This pricing strategy typically becomes part of the company's overall long-term strategic plan. The strategy is designed to provide broad guidance for price-setters and ensures that the pricing strategy is consistent with other elements of the marketing plan. While the actual price of goods or services may vary in response to different conditions, the broad approach to pricing (i.e., the pricing strategy) remains a constant for the planning outlook period which is typically 3–5 years, but in some industries may be a longer period of 7–10 years. The pricing strategy established the overall, long-term goals of the pricing function, without specifying an actual price-point.

Broadly, there are six approaches to pricing strategy mentioned in the marketing literature:

Operations-oriented pricing: Where the objective is to optimise productive capacity, to achieve operational efficiencies or to match supply and demand through varying prices. In some cases, prices might be set to de-market.

Revenue-oriented pricing: (Also known as *profit-oriented pricing* or *cost-based pricing*) - where the marketer seeks to maximise the profits (i.e., the surplus income

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over costs) or simply to cover costs and break even. For example, dynamic pricing (also known as yield management) is a form of revenue oriented pricing.

Customer-oriented pricing: Where the objective is to maximize the number of customers; encourage cross-selling opportunities or to recognise different levels in the customer's ability to pay.

Value-based pricing: (Also known as *image-based pricing*) occurs where the company uses prices to signal market value or associates price with the desired value position in the mind of the buyer. The aim of value-based pricing is to reinforce the overall positioning strategy e.g. premium pricing posture to pursue or maintain a luxury image.

Relationship-oriented pricing: Where the marketer sets prices in order to build or maintain relationships with existing or potential customers.[5]

Socially-oriented pricing: Where the objective is to encourage or discourage specific social attitudes and behaviours. e.g. high tariffs on tobacco to discourage smoking.

Pricing Tactics/Strategies

When decision-makers have determined the broad approach to pricing (i.e., the pricing strategy), they turn their attention to pricing tactics. Tactical pricing decisions are shorter term prices, designed to accomplish specific short-term goals. The tactical approach to pricing may vary from time to time, depending on a range of internal considerations (e.g. such as the need to clear surplus inventory) or external factors (e.g. a response to competitive pricing tactics). Accordingly, a number of different pricing tactics may be employed in the course of a single planning period or across a single year. Typically line managers are given the latitude necessary to vary individual prices providing that they operate within the broad strategic approach. For example, some premium brands never offer discounts because the use of low prices may tarnish the brand image. Instead of discounting, premium brands are more likely to offer customer value through price-bundling or give-aways.

When setting individual prices, decision-makers require a solid understanding of pricing economics, notably break-even analysis, as well as an appreciation of the psychological aspects of consumer decision-making including reservation prices, ceiling prices and floor prices. The marketing literature identifies literally hundreds of pricing tactics. It is difficult to do justice to the variety of tactics in widespread use. Rao and Kartono carried out a cross-cultural study to identify the pricing strategies and tactics that are most widely used. The following listing is largely based on their work.

ARC/RRC pricing

A traditional tactic used in outsourcing that uses a fixed fee for a fixed volume of services, with variations on fees for volumes above or below target thresholds. Charges for additional resources ("ARC's") above the threshold are priced at rates to reflect the marginal cost of the additional production plus a reasonable profit. Credits ("RRC's") granted for reduction in resources consumed or provided offer the enterprise customer some comfort, but the savings on credits tend not to be equivalent to the increased costs when paying for incremental resources in excess of the threshold.

Complementary pricing

The purchase of a printer leads to a lifetime of purchases of replacement parts. In such cases, complementary pricing may be considered. Complementary pricing is an umbrella category of "captive-market" pricing tactics. It refers to a method in which one of two or more complementary products (a deskjet printer, for example) is priced to maximise sales volume, while the complementary product (printer ink cartridges) are priced at a much higher level in order to cover any shortfall sustained by the first product.

Contingency pricing

Contingency pricing is the process where a fee is only charged contingent on certain results. Contingency pricing is widely used in professional services such as legal services and consultancy services. In the United Kingdom, a contingency fee is known as a conditional fee.

Differential pricing

Differential pricing, also known as *flexible pricing*, *multiple pricing* or *price discrimination* , occurs where different prices are charged to different customers or market-segments, and may be dependent on the service provider's assessment of the customer's willingness or ability to pay. There are various forms of price difference including: the type of customer, the geographic area served, the quantity ordered, delivery time, payment terms, etc.

Discrete pricing

Discrete Pricing occurs when prices are set at a level that the price comes within the competence of the decision making unit (DMU). This method of pricing is often used in B2B contexts where the purchasing officer may be authorised to make purchases up to a predetermined level, beyond which decisions must go to a committee for authorization.

Discount pricing

A discount is any form of reduction in price. Discount pricing is where the marketer or retailer offers a reduced price. Discounts in a variety of forms - e.g. quantity rebates, loyalty rebates, seasonal discounts, periodic or random discounts etc.

Diversionary pricing

Diversionary Pricing is a variation of loss leading used extensively in services; a low price is charged on a basic service with the intention of recouping on the

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extras; can also refer to low prices on some parts of the service to develop an image of low price.

Everyday low price

"Everyday Low Prices" are widely used in supermarkets. Everyday low prices refers to the practice of maintaining a regular low price-low price - in which consumers are not forced to wait for discounting or specials. This method is used by supermarkets.

Exit fees

Exit Fees refer to a fee charged for customers who depart from the service process prior to natural completion. The objective of exit fees is to deter premature exit. Exit fees are often found in financial services, telecommunications services and aged care facilities. Regulatory authorities, around the globe, have often expressed their discontent with the practice of exit fees as it has the potential to be anti-competitive and restricts consumers' abilities to switch freely, but the practice has not been proscribed.

Experience curve pricing

Experience curve pricing occurs when a manufacturer prices a product or service at a low rate in order to obtain volume and with the expectation that the cost of production will decrease with the acquisition of manufacturing experience. This approach which is often used in the pricing of high technology products and services, is based on the insight that manufacturers learn to trim production costs over time in a phenomenon known as experience effects.

Geographic pricing

Geographic pricing occurs when different prices are charged in different geographic markets for an identical product. For example, publishers often make text-books available at lower prices in Asian countries because average wages tend to be lower with implications for the customer's ability to pay. In other cases, geographic variations in prices may reflect the different costs of distribution and servicing certain markets.

Guaranteed pricing

Guaranteed pricing is a variant of contingency pricing. It refers to the practice of including an undertaking or promise that certain results or outcomes will be achieved. For instance, some business consultants undertake to improve productivity or profitability by 10%. In the event that the result is not achieved, the client does not pay for the service.

High-low pricing

High-low pricing refers to the practice of offering goods at a high price for a period of time, followed by offering the same goods at a low price for a predetermined time. This practice is widely used by chain stores selling homewares. The main disadvantage of the high-low tactic is that consumers tend to become aware of the price cycles and time their purchases to coincide with a low-price cycle.

Honeymoon pricing

Honeymoon Pricing refers to the practice of using a low introductory price with subsequent price increases once relationship is established. The objective of honeymoon pricing is to "lock" customers into a long-term association with the vendor. This approach is widely used in situations where customer switching costs are relatively high such as in home loans and financial investments. It is also common in categories where a subscription model is used, especially if this is coupled with automatic regular payments, such as in newspaper and magazine subscriptions, cable TV, broadband and cell phone subscriptions and in utilities and insurance.

Loss leader

A loss leader is a product that has a price set below the operating margin. Loss leading is widely used in supermarkets and budget-priced retail outlets where the store as a means of generating store traffic. The low price is widely promoted and the store is prepared to take a small loss on an individual item, with an expectation that it will recoup that loss when customers purchase other higher priced-higher margin items. In service industries, loss leading may refer to the practice of charging a reduced price on the first order as an inducement and with anticipation of charging higher prices on subsequent orders. Loss leading is often found in retail, where the loss leader is used to drive store traffic and generate sales of complementary items.

Offset pricing

Offset pricing (also known as *diversionary pricing*) is the service industry's equivalent of loss leading. A service may price one component of the offer at a very low price with an expectation that it can recoup any losses by cross-selling additional services. For example, a carpet steam cleaning service may charge a very low basic price for the first three rooms, but charges higher prices for additional rooms, furniture and curtain cleaning. The operator may also try to cross-sell the client on additional services such as spot-cleaning products, or stain-resistant treatments for fabrics and carpets.

Parity pricing

Parity pricing refers to the process of pricing a product at or near a rival's price in order to remain competitive.

Price bundling

Price bundling (also known as product bundling) occurs where two or more products or services are priced as a package with a single price. There are several types of bundles: *pure bundles* where the goods can only be purchased as package or *mixed bundles* where the goods can be purchased individually

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or as a package. The prices of the bundle is typically less than when the two items are purchased separately.

Peak and off-peak pricing: Peak and off-peak pricing is a form of price discrimination where the price variation is due to some type of seasonal factor. The objective of peak and off peak pricing is to use prices to even out peaks and troughs in demand. Peak and off-peak pricing is widely used in tourism, travel and also in utilities such as electricity providers. Peak pricing has caught the public's imagination since the ride-sharing service provider, Uber, commenced using *surge pricing* and has sought to patent the technologies that support this approach.

Price discrimination: Price discrimination is also known as variable pricing or *differential pricing*.

Price lining: Price lining is the use of a limited number of prices for all product offered by a business. Price lining is a tradition started in the old five and dime stores in which everything cost either 5 or 10 cents. In price lining, the price remains constant but quality or extent of product or service adjusted to reflect changes in cost. The underlying rationale of this tactic is that these amounts are seen as suitable price points for a whole range of products by prospective customers. It has the advantage of ease of administering, but the disadvantage of inflexibility, particularly in times of inflation or unstable prices. Price lining continues to be widely used in department stores where customers often note racks of garments or accessories priced at predetermined price points e.g. separate racks of men's ties, where each rack is priced at $10, $20 and $40.

Penetration pricing: Penetration pricing is an approach that can be considered at the time of market entry. In this approach, the price of a product is initially set low in an effort to penetrate the market quickly. Low prices and low margins also act as a deterrent, preventing potential rivals from entering the market since they would have to undercut the low margins to gain a foothold.

Prestige pricing: Prestige pricing is also known as *premium pricing* and occasionally *luxury pricing* or *high price maintenance* refers to the deliberate pursuit of a high price posture to create an image of quality.

Price signaling: Price signalling is where the price is used as an indicator of some other attribute. For example, some travel resorts promote that when two adults make a booking, the kids stay for free. This type of pricing is designed to signal that the resort is a family friendly operation.

Price skimming: Price skimming, also known as *skim-the-cream pricing* is a tactic that might be considered at market entry. The objective is to charge relatively high prices in order to recoup the cost of product development early in the life-cycle and before competitors enter the market.

Promotional pricing: Promotional pricing is a temporary measure that involves setting prices at levels lower than normally charged for a good or service. Promotional pricing is sometimes a reaction to unforeseen circumstances, as when a downturn in demand leaves a company with excess stocks; or when competitive activity is making inroads into market share or profits.

Two-part pricing

Two-part pricing is a variant of captive-market pricing used in service industries. Two part pricing breaks the actual price into two parts; a fixed service fee plus a variable consumption rate. Two- part pricing tactics are widely used by utility companies such as electricity, gas and water and services where there is a quasi- membership type relationship, credit cards where an annual fee is charged and theme parks where an entrance fee is charged for admission while the customer pays for rides and extras. One part of the price represents a membership fee or joining fee, while the second part represents the usage component.

Psychological pricing

Psychological pricing is a range of tactics designed to have a positive psychological impact. Price tags using the terminal digit "9", ($9.99, $19.99 or $199.99) can be used to signal price points and bring an item in at just under the consumer's reservation price. Psychological pricing is widely used in a variety of retail settings.

Premium pricing

Premium pricing (also called prestige pricing) is the strategy of consistently pricing at, or near, the high end of the possible price range to help attract status-conscious consumers. The high pricing of a premium product is used to enhance and reinforce a product's luxury image. Examples of companies which partake in premium pricing in the marketplace include Rolex and Bentley. As well as brand, product attributes such as eco-labelling and provenance (e.g. 'certified organic' and 'product of Australia') may add value for consumers and attract premium pricing. A component of such premiums may reflect the increased cost of production. People will buy a premium priced product because:

- They believe the high price is an indication of good quality
- They believe it to be a sign of self-worth - "They are worth it;" it authenticates the buyer's success and status; it is a signal to others that the owner is a member of an exclusive group
- They require flawless performance in this application - The cost of product malfunction is too high to buy anything but the best - for example, a heart pacemaker.

The old association of luxury only being for the kings and queens of the world is almost non-existent in today's world. People have generally become wealthier,

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therefore the mass marketing phenomenon of luxury has simply become a part of everyday life, and no longer reserved for the elite. Since consumers have a larger source of disposable income, they now have the power to purchase products that meet their aspirational needs. This phenomenon enables premium pricing opportunities for marketers in luxury markets. Luxurification in society can be seen when middle class members of society, are willing to pay premium prices for a service or product of the highest quality when compared with similar goods. Examples of this can be seen with items such as clothing and electronics. Charging a premium price for a product also makes it more inaccessible and helps it gain an exclusive appeal. Luxury brands such as Louis Vuitton and Gucci are more than just clothing and become more of a status symbol. (Yeoman, 2011).

Prestige goods are usually sold by companies that have a monopoly on the market and hold competitive advantage. Due to a firm having great market power they are able to charge at a premium for goods, and are able to spend a larger sum on promotion and advertising. According to Han, Nunes and Dreze (2015) figure on "signal preference and taxonomy based on wealth and need for status" two social groups known as "Parvenus" and "Poseurs" are individuals generally more self-conscious, and base purchases on a need to reach a higher status or gain a social prestige value. Further market research shows the role of possessions in consumer's lives and how people make assumptions about others solely based on their possessions. People associate high priced items with success. (Han et al., 2010). Marketers understand this concept, and price items at a premium to create the illusion of exclusivity and high quality. Consumers are likely to purchase a product at a higher price than a similar product as they crave the status, and feeling of superiority as being part of a minority that can in fact afford the said product. (Han et al., 2010).

A price premium can also be charged to consumers when purchasing eco-labelled products. Market based incentives are given in order to encourage people to practice their business in an eco-friendly way in regard to the environment. Associations such as the MSC's fishery certification programme and seafood ecolabel reward those who practice sustainable fishing. Pressure from environmental groups have caused the implementation of Associations such as these, rather than consumers demanding it. The value consumer's gain from purchasing environmentally conscious products may create a premium price over non eco-labelled products. This means that producers have some sort of incentive for supplying goods worthy of eco-labelling standard. Usually more costs are incurred when practicing sustainable business, and charging at a premium is a way businesses can recover extra costs.

Sensitivity and Consumer Psychology

In their book, *The Strategy and Tactics of Pricing*, Thomas Nagle and Reed Holden(2016) outline nine laws or factors that influence how a consumer perceives a given price and how price-sensitive s/he is likely to be with respect to different purchase decisions:

- Reference price effect: Buyer's price sensitivity for a given product increases the higher the product's price relative to perceived alternatives. Perceived alternatives can vary by buyer segment, by occasion, and other factors.
- Difficult comparison effect Buyers are less sensitive to the price of a known/more reputable product when they have difficulty comparing it to potential alternatives.
- Switching costs effect: The higher the product-specific investment a buyer must make to switch suppliers, the less price sensitive that buyer is when choosing between alternatives.
- Price-quality effect: Buyers are less sensitive to price the more that higher prices signal higher quality. Products for which this effect is particularly relevant include: image products, exclusive products, and products with minimal cues for quality.
- Expenditure effect: Buyers are more price sensitive when the expense accounts for a large percentage of buyers' available income or budget.
- End-benefit effect: The effect refers to the relationship a given purchase has to a larger overall benefit, and is divided into two parts:
- Derived demand: The more sensitive buyers are to the price of the end benefit, the more sensitive they will be to the prices of those products that contribute to that benefit.
- Price proportion cost: The price proportion cost refers to the percent of the total cost of the end benefit accounted for by a given component that helps to produce the end benefit (e.g., think CPU and PCs). The smaller the given components share of the total cost of the end benefit, the less sensitive buyers will be to the component's price.
- Shared-cost effect: The smaller the portion of the purchase price buyers must pay for themselves, the less price sensitive they will be.
- Fairness effect: Buyers are more sensitive to the price of a product when the price is outside the range they perceive as "fair" or "reasonable" given the purchase context.
- Framing effect: Buyers are more price sensitive when they perceive the price as a loss rather than a forgone gain, and they have greater price sensitivity when the price is paid separately rather than as part of a bundle.

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Approaches to Pricing

Pricing is the most effective profit lever. Pricing can be approached at three levels: the industry, market, and transaction level.

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

A "price waterfall" analysis helps businesses and sales personnel to understand the differences which arise between the reference or list price, the invoiced sale price and the actual price paid by a customer taking account of contract, sales and payment discounts.

Pricing Mistakes

Many companies make common pricing mistakes. Jerry Bernstein's article *Use Suppliers' Pricing Mistakes* outlines several sales errors, which include:

- Weak controls on discounting (price override)
- Inadequate systems for tracking competitors' selling prices and market share (Competitive intelligence)
- Cost-plus pricing
- Price increases poorly executed
- Worldwide price inconsistencies
- Paying sales representatives on sales volume vs. addition of revenue measures

Methods of Setting Prices

Demand-based pricing

Demand-based pricing, also known as dynamic pricing, is a pricing method that uses consumer demand - based on perceived value - as the central element. These include price skimming, price discrimination and yield management, price points, psychological pricing, bundle pricing, penetration pricing, price lining, value-based pricing, geo and premium pricing.

Pricing factors are manufacturing cost, market place, competition, market condition, quality of product.

Price modeling using econometric techniques can help measure price elasticity, and computer based modeling tools will often facilitate simulations of different prices and the outcome on sales and profit. More sophisticated tools help determine price at the SKU level across a portfolio of products. Retailers will optimize the price of their private label SKUs with those of National Brands.

Uber's pricing policy is an example of demand-based dynamic pricing. It uses an automated algorithm to increase prices to "surge price" levels, responding rapidly to changes of supply and demand in the market. By responding in real time, an equilibrium between demand and supply of drivers can be approached. Customers receive notice when making an Uber reservation that prices have increased. The company applied for a U.S. patent on surge pricing in 2013, though airlines are known to have been using similar techniques in seat pricing for years.

The practice has often caused passengers to become upset and invited criticism when it happens as a result of holidays, inclement weather, natural disasters or other factors. During New Year's Eve 2011, Uber prices were as high as seven times normal rates, causing outrage. During the 2014 Sydney hostage crisis, Uber implemented surge pricing, resulting in fares of up to four times normal charges; while it defended the surge pricing at first, it later apologized and refunded the surcharges. Uber CEO Travis Kalanick has responded to criticism by saying: "...because this is so new, it's going to take some time for folks to accept it. There's 70 years of conditioning around the fixed price of taxis."

Multidimensional pricing

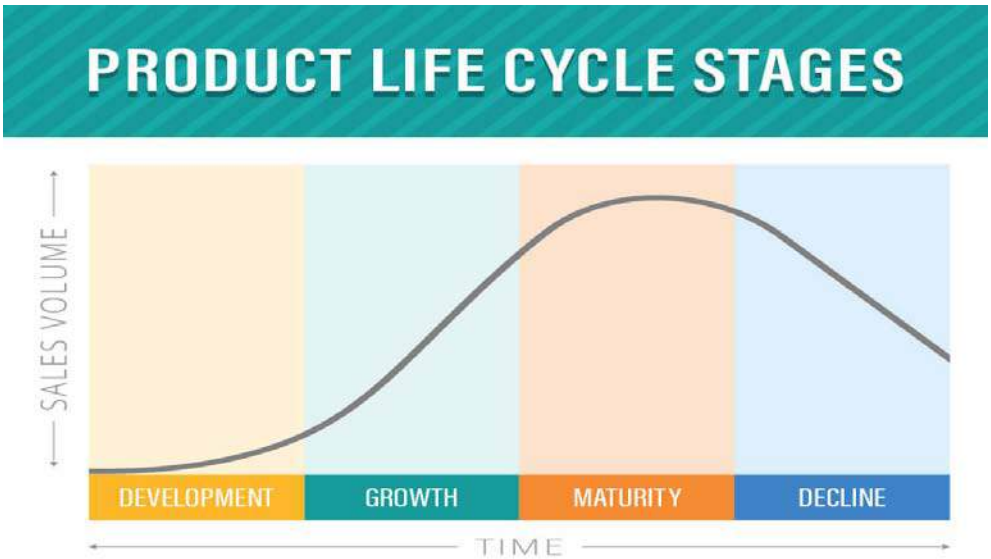
Multidimensional pricing is the pricing of a product or service using multiple numbers. In this practice, price no longer consists of a single monetary amount (e.g., sticker price of a car), but rather consists of various dimensions (e.g., monthly payments, number of payments, and a downpayment). Research has shown that this practice can significantly influence consumers' ability to understand and process price information.

Micromarketing: Micromarketing is the practice of tailoring products, brands (microbrands), and promotions to meet the needs and wants of microsegments within a market. It is a type of market customization that deals with pricing of customer/product combinations at the store or individual level.

Pricing Strategies for Each Stage of PLC.

Every product progresses through different stages between its beginning and end on the market. To better manage the product's life cycle, you need to know these four stages.

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Understanding how to deal with each new product is important. And, the different stages of the product life cycle helps a firm with strategic pricing. Strategic pricing is when a business decides how to price products or services based on what will attract buyers.

Development

The initial stage of a product's life cycle, development, is when the product is first introduced to the market. Typically, sales are slow during this stage because consumers are unfamiliar with the new product.

Sales are especially slow when the product is unique because consumers might not have an instant demand for it. But, there is generally low competition.

During this stage, you might choose to increase your marketing efforts to raise awareness about the new product. You can promote the product on a budget through outlets like social media channels and your business website. You will need to explain the product in your marketing materials.

Developing a product is expensive, so you might be desperate to make sales. Therefore, you will need to come up with a pricing strategy that fits your business.

Pricing strategy in this stage: Many businesses either price their products low or high, depending on their industry and financial projections.

Pricing products low (market penetration) helps a business penetrate the market and gain consumer attention. Once the business has a loyal customer base, it typically increases prices.

Businesses might choose to introduce products with high prices. You might price products high (price skimming) to try to turn a quick profit and make up for the costs of developing. Pricing products high is especially good if there is a demand for a product and lack of competition.

Growth

During the growth stage of the life cycle of a product, there is high demand for the product and a lot of sales. Though this is a really great stage for the product, there are some drawbacks.

When you sell a product in its growth stage, your competition might begin to duplicate it. Competitors might release the same product you sell at a lower price, or they might work on making the product better.

You might need to work on getting your customers to choose your product over the competition. This could require more marketing and lowering your prices. You might try to market to new customers.

Pricing strategy in this stage: Because of the competition, you might need to lower your prices and adopt a competitive pricing strategy.

Maturity

In the maturity stage, there isn't as much sales growth. When the product is mature, most of your target customers already have the product, so there is not as much demand.

Your sales volume will not be climbing like during the growth stage. Some businesses continue making additions to their products during this stage.

Typically, the maturity stage has the most competition. Once products are developed, they are more unique from competitor to competitor. Many businesses work on marketing their product and emphasizing its uniqueness as well as any discounts.

Pricing strategy in this stage: Many businesses continue using the competitive pricing strategy in the maturity stage. In fact, competition is usually more fierce than in the growth stage. Consider cutting your prices to keep customers, but don't go below your break-even point. You could also use a discount pricing strategy so that consumers will prefer your product. With a discount pricing strategy, you need to mark down the price.

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Decline

The final stage in a product's life cycle is decline. There is less demand for the product, and businesses must decide if they want to discontinue the product or keep producing and selling it.

Some businesses that don't pull the product add features to make it stand out more and give it fresh life.

There are a few different reasons for the decline of a product:

- Competitors' products are getting more attention than yours.
- Consumers are no longer interested in the product.
- You aren't profiting off the product anymore.

Pricing strategy in this stage: During a product's decline, many businesses choose to lower its price. In fact, there are a few different pricing strategies you can try in this stage.

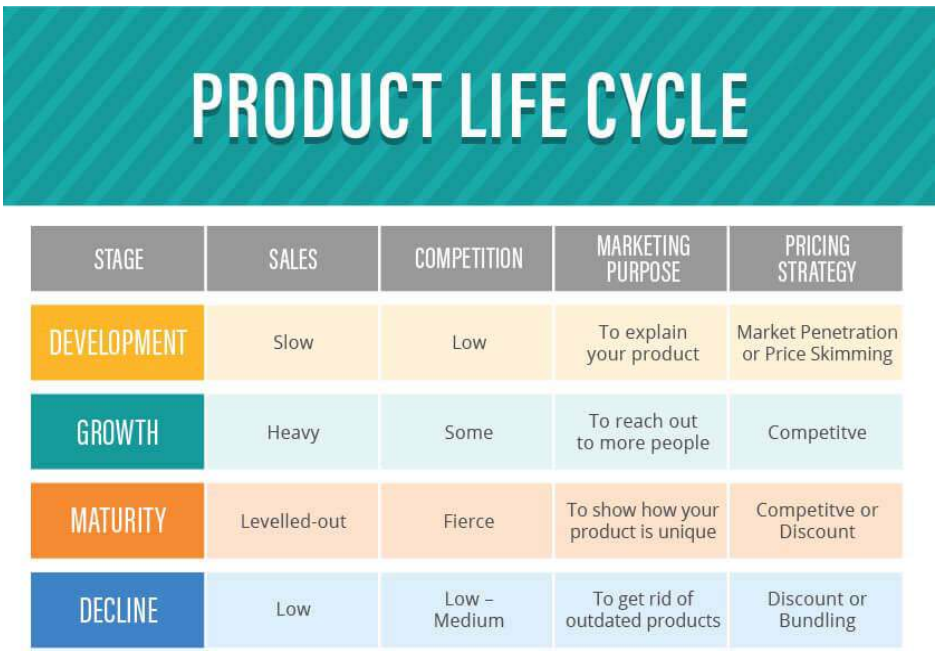
You can try a discount pricing strategy to increase customer traffic. This will help free up space at your business for new products.

Another pricing strategy option is bundling. With bundling, you could include the declining product in a deal with other products. This can help get rid of the declining product and increase sales.

Be aware that some businesses choose to do nothing during the decline stage, especially if they are unsure if the product is declining for good or just going through a temporary dip in sales.

Preparing for the product life cycle

There is no definite way you can prepare for the product life cycle. You can't predict the exact amount of time the product will be in each stage. But, understanding the product life cycle will help you know how to handle pricing strategies, competition, and marketing. Strategic *pricing* is when a business decides how to *price* products or services based on what will attract buyers.



b) Theoretical Framework

Price/Quality Relationship Theory

Propounded by Vigneron & Johnson, 1999

The price/quality relationship theory centers on consumers' perceptions of value. High prices are often taken as a sign of quality, especially when the product or service lacks search qualities that can be inspected prior to purchase. In relation to the study, understanding consumers' perceptions of the price/quality relationship is most important in the case of complex products that are hard to test, and experiential products that cannot be tested until used (such as most services in MTN). The greater the uncertainty surrounding a product, the more consumers depend on the price/quality signal and the greater premium they may be prepared to pay.

Consumers can have different perceptions on premium pricing, and this factor makes it important for the marketer to understand consumer behaviour.

According to Vigneron and Johnson's figure on "Prestige-Seeking Consumer Behaviours", Consumers can be categorized into four groups. These groups being; Hedonist & Perfectionist, snob, bandwagon and veblenian. These categories rank from level of self-consciousness, to importance of price as an indicator of prestige. The Veblen Effect explains how this group of consumers makes purchase decisions based on conspicuous value, as they tend to purchase publicly

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consumed luxury products. This shows they are likely to make the purchase to show power, status and wealth. Consumers that fall under the "Snob Effect" can be described as individuals that search for perceived unique value, and will purchase exclusive products in order to be the first or very few who has it. They will also avoid purchasing products consumed by a general mass of people, as it is perceived that items in limited supply hold a higher value than items that do not. (Vigneron & Johnson, 1999). The bandwagon effect explains that consumers that fit into this category make purchasing decisions to fit into a social group, and gain a perceived social value out of purchasing popular products within said social group at premium prices. Research shows that people will often conform to what the majority of the group they are a member of thinks when it comes to the attitude of a product. Paying a premium price for a product can act as a way of gaining acceptance, due to the pressure placed on them by their peers. The Hedonic effect can be described as a certain group of people whose purchasing decisions are not affected by the status and exclusivity gained by purchasing a product at a premium, nor susceptible to the fear of being left out and peer pressure. Consumers who fit into this category base their purchasing decisions on a perceived emotional value, and gain intangible benefits such as sensory pleasure, aesthetic beauty and excitement. Consumers of this type have a higher interest on their own wellbeing. (Vigneron & Johnson, 1999). The last category on Vigneron and Johnson's figure of "Prestige-Seeking Consumer Behaviours" is the perfectionism effect. Prestige brands are expected to show high quality, and it's this reassurance of the highest quality that can actually enhance the value of the product. According to this effect, those that fit into this group value the prestige's brands to have a superior quality and higher performance than other similar brands. Research has indicated that consumer's perceive quality of a product to be relational to its price. Consumers often believe a high price of a product indicates a higher level of quality.

Even though it is suggested that high prices seem to make certain products more desirable, consumers that fall in this category have their own perception of quality and make decisions based upon their own judgment. They may also use the premium price as an indicator of the product's level of quality.

c) *Empirical Studies*

i. *Investigation on Impact of Pricing Strategies and Levels on Corporate*

According to Monroe (2003), to investigate on pricing strategies and levels on corporate, price decisions are one of the most important decisions of management because it affects profitability and the companies' return along with their market competitiveness. Thus, the task of developing and defining prices is complex and challenging, because the managers involved in this process must understand how their customers perceive the prices, how to develop the perceived value, what are the intrinsic and relevant costs to comply with this necessity, as well as consider the pricing objectives of the company and their competitive position in the market (De Toni and Mazzon, 2013a, De Toni and Mazzon, 2013b, Hinterhuber and Liozu, 2014, Monroe, 2003).

In this way, Nagle and Hogan (2007) also argue that companies which do not manage their prices lose control over them, impairing their profitability and cost effectiveness mainly due to the customers will on paying a determinate price, which not only does it depend on the perceived value, but also depends on the prices set by the leading competitors. Consequently, mistaken or inexistent pricing policies could lead buyers to increase the volume of information while allowing them to augment their bargaining power thus forcing price reductions and discounts. The difference between conventional price setting and strategic pricing consists on setting prices by reacting to the market conditions or managing them proactively, being their sole purpose to exert the most profitable pricing by generating more value for customers without the obligation of increasing the business' sales volume (Nagle & Holden, 2003)

Logically, there is not a unique way for defining prices. Before setting a price, the company must decide what is going to be the strategy for the product in addition to what will be the proposed objectives, since the clearer these decisions, the easier it will be to establish prices (Hinterhuber & Liozu, 2013).

According to Hinterhuber (2008), prices have a high impact on companies' profitability, and pricing strategies vary considerably between sectors and market situations. Nonetheless, researchers mostly agree that pricing strategies can be categorized in three big groups: cost-based pricing, competition-based pricing and customer value-based pricing (Nagle & Holden, 2003).

Nagle and Holden (2003) argue that there must be a balanced consideration of information, perception and intrinsic behavior of the 3C's of this process (Cost, Competition and Customers) as a way to reach the optimal price. The management of such information is a crucial factor for the success of the pricing definition strategy and the price settlement. In some cases, these practices have also been designated as pricing methods (Avlonitis, Indounas, & Gounaris, 2005).

ii. *Assessing the Impact of Customer value-based pricing strategy on Corporate*

Value establishment can be defined as the offer of benefits of equal or superior value to the sacrifices incurred by the purchaser for a product and/or service. Within the possible sacrifices, there is the financial sacrifice, which is translated by the price to be charged

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or actually paid by the buyer (Juran and De Feo, 2010, Porter, 1986, Zeithaml, 1988). Besides, the process of value settlement includes the transformation of the results from the organizational strategy on programs aimed to extract and deliver value to the company's customers. In addition, it identifies the benefits and costs (or sacrifices) of products and experiences resulting from the relationship between the customers and the organization. The superior value proposal represents an offer for the customers which increases the value or solves a problem in a better way than those offered by similar competitors (Payne & Frow, 2014).

Perceived value-based pricing is a pricing practice in which the managers take decisions based on the perception of benefits from the item being offered to the customer and how these benefits are perceived and weighted by the customers in relationship to the price they pay (Ingenbleek, Frambach, & Verhallen, 2010). Therefore, as a cultural orientation of businesses, value-based pricing is derived from a set of routine philosophies and organizational strategies that a specific company could use in order to focus on customer satisfaction and, as a result, increases their profitability (Cressman, 2012). Because of this, Liozu (2013) highlights that using prices based on customer's perception of value is a more modern pricing approach, although sometimes it incites a profound organizational change on the established organizational structure, the current corporate structure or the pre-existing processes and systems.

In this sense, Ingenbleek, Debruyne, Frambach, and Verhallen (2003) affirm that perceived value-based pricing, along with pricing practices that refer to the use of information about costs and competitors' prices, are intimately related to the product's performance, the service and the business as a whole. These authors demonstrated that the usage of value-based pricing is a key pricing practice for obtaining larger returns and for creating some kind of comparative advantage for the companies offers. This was demonstrated in a study conducted by Füreder, Maier, and Yaramova (2014), on medium-sized companies in Austria which used with higher frequency the perceived value-based pricing strategy. These authors identified that these companies had larger contribution margins, between 11–30%, against 0–10% of those companies that did not use this same strategy. Thus, the approach of a value-based pricing strategy is considered superior to other approaches in relationship to the results obtained by other companies (Hinterhuber, 2004, Ingenbleek et al., 2003, Liozu and Hinterhuber, 2013). Therefore, we propose that adopting a value-based pricing strategy has a direct and positive impact on profit margin.

The constant changes in the market, influenced by technological advances and by increasing change in the customers' expectations, are leading organizations to constantly search for new products in order to continue being profitable and competitive (Boehe et al., 2009, Cooper, 2000).

The innovation and development of new products are ways of adding value to the products or services while differentiating them from their competitors, thus providing better results. Therefore, in order for a business to maintain itself as competitive and profitable in the market, the development of new products (DNP), and the innovation of their products and processes are fundamental factors for an organization's performance (Cooper & Kleinschmdt, 1987). Thus, a new product that grants value to the customer, due to its quality, cost reduction or innovation constitutes a competitive advantage contributing to a better performance of the organization.

In a study developed by Milan, De Toni, Larentis, and Gava (2013) about pricing and expenditure strategies, the authors identified that the factor that mostly influences an organization's performance is related to the achievement of their objectives by the development of new products. In other words, businesses that achieved their sales, market participation and profit margins objectives exhibited a better organizational performance. Therefore, it is identified that the success of many organizations is linked to the development of new products (DNP) that add customer value (Cooper, 2000). It is observed that a company which adopts a constant innovative strategy, mainly on the products released on the market, can add more value to the customer and, consequently, obtain better profitability (Boehe et al., 2009, De Toni et al., 2011). Considering this, we coclude that level of development of new products (DNP) moderates the relationship between customer value-based pricing strategy and profit margin, and such relationship is stronger in those companies which launch more products into the market.

iii. *Studies on Competition-based pricing strategy*

Competition-based pricing uses as key information the competitors' price levels, as well as behavior expectations, observed in real competitors and/or potential primary sources to determine adequate pricing levels to be practiced by the company (Liozu & Hinterhuber, 2012). The main advantage of this approach is considering the actual pricing situation of the competitors, and its main disadvantage is that the demand related aspects are not considered. Furthermore, a strong competitive focus among the competitors can increase the risk of starting a price war among competitors in the market (Heil & Helsen, 2001). Liozu, Boland, Hinterhuber, and Perelli (2011) conducted a research mapping the pricing processes of companies which based their prices on competitors and they found that managers use their knowledge and experiences to define prices, as well as models of costs, contribution margin goals, and well-structured profit

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goals. In addition, these companies were strongly considering the prices of their main competitors while adding a price reward by always sharing the decision based on the manager's intuition, which is not a scientific method to define prices.

In this sense, competition-based pricing strategies are very dangerous because the company does not effectively have clear cost or profit information from its competitor who, in some instances, may be working with very low margins (Nagle & Holden, 2003). In some situations, the competitor developed a more efficient production process, thus the costs would not be equivalent, even because of the scale gains. Therefore, by following this strategy, the company is at risk of operating with minimal margins or even having negative profits. Pricing reduction strategies based on competition, in which companies may seek to increase the volume of sales, can also encourage the competitors to lower their prices while contributing to a predatory competition and a price war, resulting in reduced profit margins and smaller companies' profitability (Diamantopoulos, 2005).

Besides, in highly competitive markets, the price information from competitors becomes obsolete very quickly (Ingenbleek et al., 2010). In this case, it is necessary to manage the capacity that competitors have to react to the pricing strategy defined by the company, while noting that in competitive markets this can increase the risk of starting a price war and decreasing profit margins (Simon et al., 2008). Therefore, we recommend that adopting a competition-based pricing strategy has a direct and negative impact on profit margin.

iv. *Studies on Cost-based pricing strategy*

Cost-based pricing is the most simple and popular method for setting prices. Historically, it is the most common pricing strategy because it carries a sense of financial prudence (Simon et al., 2008). This involves adding a profit margin on costs, such as adding a standard percentage contribution margin to the products and services. First, the sales level (revenue) is determined, and then the unit and total costs are calculated, followed by checking the company's profit objectives and finally establishing the prices. Thus, for the professionals involved in this process, it is necessary to show to customers enough value on products and commercialized services in order to justify the prices charged by the company (Urdan, 2005).

According to a study by Guilding, Drury, and Tayles (2005) in 187 companies in the United Kingdom and in 90 companies in Australia, three factors that can interfere with a cost-based strategy were identified:

i. *Intensity of competition:* In a highly competitive market, the intensity of competition may result in a loss of contribution and profit margins due to the pressure to equal their prices to the competition, which turns costs in a highly relevant element since it provides the limits of prices to be charged;

ii. *Company size:* larger companies have a greater capacity of influencing prices, because they have the propensity to act as a guide for the price ranges prevailing in the market, even because they frequently have scale gains; and

iii. *Type of industries:* Manufacturing industries have higher expenses due to their high investments on physical facilities and on resources used in manufacturing processes, which makes it difficult to accurately define the individual costs of products and potentially force an increase on the total cost.

Similarly, a study of 84 companies performed by Milan et al. (2013) showed that in these companies there is a greater focus on price setting based on costs. Thus, this strategy encourages companies to use better expenditure techniques.

In addition, Liozu et al. (2011) conducted a study on fifteen small and medium-size American companies by interviewing forty-four of their managers. In such study, they addressed the three main pricing strategies: customer value-based pricing (in four companies), cost-based pricing (in six companies) and competition-based pricing (in five companies). They identified that the majority of the companies basing their prices on costs developed advanced cost models, all of which used contribution and profit margin goals in order to set their prices. In this matter, recommendation is made that adopting a cost-based pricing strategy has a direct and positive impact on profit margin.

Based on the innovation economy, it can be inferred that a higher level of competition in the market encourages companies to innovate; therefore, they do their best to increase their performance. Companies that interact more with the foreign market either by importing or exporting have a stronger concern with the company's cost than those that do not have foreign activities (Milan et al., 2013). Starting from this premise, it is assumed that companies that look for a cost-based pricing strategy are always searching for alternatives for cost reduction. Among these alternatives, the import of raw materials and supplies has emerged as a strategy for cost reduction and, consequently, for the improvement of the profit margins (Boehe et al., 2009). Hence, it is assumed that the relationship between the cost-based pricing strategy and the profit margin could be stronger at the companies that operate with imported raw materials and supplies. Considering this, the import of raw materials and supplies moderates the relationship between cost-based pricing strategy and profit margin, and this relationship would be stronger for companies that import.

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v. *Studies on Price Levels*

According to Hinterhuber (2004), the impact of price levels on profitability is high, which means that even the impact of small increases of price on profits and corporate profitability by far exceeds the impact of other leverages in managing best results. In his study, it was possible to detected that a 5% increase in average sales prices may increase the earnings before interest and taxes (EBIT) by 22%, on average, compared to a 12% increase on the sales volume and a 10% cost reduction of sold goods, respectively. In other words, of all the elements available to managers, the price is what has the larger impact on corporate results, reflecting on representative gains (Kohlia & Surib, 2011). Evidence of this nature suggests that managers should abandon the rationale of having a greater market share and an increased business volume (sales, revenues) in favor of a vision more focused to profits (Simon et al., 2008). The results indicate that companies that practice a higher price against the price of their competitors obtain greater profits, which probably is related to superior customer value. This justifies the charge of higher prices and, as a result, enhances the business performance.

As reported in a study developed by Milan et al. (2013), market penetration-based pricing strategies, meaning the practice of lower or smaller prices, presented a significant and negative relationship with the business performance of the companies investigated. Such fact could be explained by its relationships to offering lower prices than the competition. Therefore, low prices are more strongly associated with lower profits and vice versa (Simon et al., 2008). Thus, we propose that adopting high or price levels has a direct and positive impact on profit margin.

Section 3

III. Research Method

a) Design of the Study

The descriptive survey research design was adopted in this study. The study was designed to provide answers to the research questions as well as generate data to explain the basic variables of the study.

b) Study Area

The area of study is Nigeria Bottling Company Plc. located along Onitsha Owerri Road Imo State. Owerri (Igbo: *Owèrrè*) is the capital of Imo State in Nigeria, set in the heart of Igboland. It is also the state's largest city, followed by Orlu and Okigwe as second and third respectively. Owerri consists of three Local Government Areas including Owerri Municipal, Owerri North and Owerri West, it has an estimated population of about 1,401,873 as of 2016 and is approximately 100 square kilometres (40 sq mi) in area.

Furthermore, NBC is the largest bottling company in Nigeria today that bottles varieties of drinks like coca-cola, fanta, sprite, Schweppes and five alive. It operates under the franchise of Coca-Cola International that has its head office in Nigeria since the year 1993 (Source: coca-cola year preview, vo. 17, 198).

The choice of the company is because of its application of the undifferentiated marketing strategies and promoting images aim at benefiting the buyers that seeks the products. Hence, they serve as true representative sample of the entire population companies Target Population, Sample Size, Sampling Technique.

The target population, for study purposes, NBC, represented approximately 2598consumers from the three different depots of company totaling around 866 thousand users divided among the three telecommunication service companies.

The sample size for this study comprised of 156, multi task procedure was used to arrive at this. Stage 1 involved clustering the respondents into male and female. Stage 2 involved purposive sampling of three sets of the three group of companies picked. Stage 3 was simple random selection of fifty two (52) respondents from each of the three (3) selected sets to arrive at one hundred and fifty six (156) as the sample size. Out of the 156 questionnaire, one hundred and thirty five (135) was well filled and returned. This stand as the basis for analysis.

c) Data Collection

The data collection process occurred by a structured survey which was validated through a pre-test (Malhotra, Birks, & Wills, 2012). The questionnaires were electronically sent to THE companies. With the objective to formalize the request to participate in the research, we sent along an explanatory text which requested that the questionnaire would be directed to the person responsible of defining the prices of the company or to someone who acted directly in the pricing process. With this approach, we sought to direct the research instrument to a responsible person in the company who had greater control and relative experience in the analyzed context.

The data collection was performed between June and August of 2019. In order to increase the return of respondents, we sent follow-up messages via e-mail in order to raise awareness of the potential respondents. As for the larger companies on the list, we made telephone calls reinforcing the research relevance and the importance of obtaining the manager's perception. At the end of the process, 156 questionnaires were obtained (valid cases), having a 21.5% return.

d) Data Analysis Process

The Kruskal-Wallis non-parametric analysis of variance was used to examine differences in responses. The Kruskal-Wallis is estimated using the following formula.

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$$H = \frac{12}{n(n+1)}\sum\frac{Rj2}{nj} - 3(n+1)$$

Where

Nj= Number of measurements in sample j

Rj= Rank sum for sample j, where the rank of each measurement is computer according to its relative magnitude in the totality of data for the ρ samples.

n=Total sample size = $n_1 + n_2 + \ldots + n_p$

The chi-square test of independence was used as an approximate to Kruskal-Wallis test for difference in response involving categorical dependent variables for the between subject analysis. This was done at the 5% level of significance.

The decision rule is that, with (p-1) degrees of freedom If H $>^{x2}$

α

We reject the null hypothesis and accept the alternative. Otherwise we accept the null hypothesis.

Hypothesis One

H_{01}: There is no significant relationship between sensitivity and consumer psychology and pricing.

Table 1: Relationship Between Sensitivity and Consumer Psychology (Ranks)

	N	Mean Rank
Reference price effect Difficult comparison effect	37 96 133	59.93 69.72
Switching costs effect Price-quality effect	37 104 141	62.18 74.14
Expenditure effect Shared-cost effect	37 102 139	64.35 72.05

Source: Field Study, 2019

Table 1 presents the mean ranks of the various respondents under the sensitivity of consumer psychology on pricing.

Table 1.1: Statistics [a,b]

	Reference price effect Difficult comparison effect	Switching costs effect Price-quality effect	Expenditure effect Shared-cost effect
Chi-Square	3.887	4.990	4.148
Df	1	1	1
Asymp. Sig.	.089	.084	.143

Source: Field Study, 2019

a. Krusakal-Wallis Test

b. Grouping variable: Please indicate your profession

Source: Field Study, 2019-Author's Computation Using SPSS 17.0

Table 1.1 presents the result of the Kruskal-Wallis test and its corresponding Chi-square value: how many degrees of freedom (df) are associated with it: and the significance level for a degree of freedom. It shows that for a df =1 at 5% level of significance, the values of x^2 calculated are 3.887, 4.990 and 4.148 for *Reference price effect, Difficult comparison effect, Switching costs effect Price-quality effect, Expenditure effect, Shared-cost effect t* respectively. These are all equal than the value of x^2 tabulated of 3.841. Therefore, we accept the alternative hypothesis which states that there is significant relationship between sensitivity and consumer psychology and pricing.

Hypothesis Two

H_{02}: There are no effective methods of setting price at any stage of Plc.

Table 2: Respondents Perception on Effective Methods of Setting Price

Competition-based	Demand base-pricing	Cost-based pricing
66.2%	55.4%	76.5%
6.1%	25.7%	4.1%
11.5%	6.8%	5.4%
6.1%	7.4%	8.1%
89.9%	95.3%	93.9%

Source: Field Study, 2019-Author's Computation Using SPSS 17.0

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From the table above, the firm shows the effective methods of setting price.

Hypothesis 3

H_{03}: Adopting a cost-based pricing strategy has a direct and positive impact on profit margin.

Table 3: Percentage of the consumer Perception on Pricing Strategy.

Cost-based pricing strategy	Demand base pricing	Multidimensional pricing	Micromarketing	Competition based pricing	Market-penetration strategy
S	S	S	S	S	S
83.8%	69.8%	73.0%	52.9%	89.2%	78.4%
2.7%	8.3%	10.8%	32.7%	5.4%	3.9%
13.5%	12.5%	10.8%	5.8%	0.0%	7.8%
0.0%	6.8%	5.4%	8.6%	5.4%	9.8%
100%	97.4%	100%	100%	100%	99.9%

Source: Field Study, 2019-Author's Computation Using SPSS 17.0

The table was further broken down to report the individual opinions of the Consumers. In Table 3, the perception of consumers varies. Majority of the consumers (97.4%) expect cost-based pricing. Again, (99.9%) consumers against said market-penetration strategy (100%) felt it answered multidimensional, cost based and micro marketing respectively . we conclude that adopting a cost base pricing strategy among others has a direct and positive impact on profit margin.

e) Discussion of Findings

From table 1 above, it shows that *reference price effect, difficult comparison effect, switching costs effect price-quality effect, expenditure effect, shared-cost effect* respectively shows that there exist a significant relationship between sensitivity and consumer psychology and pricing. This is in agreement with the view of Thomas Nagle and Reed Holden(2016).

From the table2 above, the firm shows the effective methods of setting price, thus, signifying that there are effective methods of setting price to sooth the needs of consumers. In agreement to this, Rao and Kartono (2016) When setting individual prices, decision-makers require a solid understanding of pricing economics, notably break-even analysis, as well as an appreciation of the psychological aspects of consumer decision-making including reservation prices, ceiling prices and floor prices.

In Table 3, the perception of consumers varies. The variation in their opinions shows the significant impact of various pricing strategy on profit margin. But in all, stresses further that among others cost based pricing strategy has a direct and positive impact. This is in consonance with Kohlia & Surib, 2011) and (Simon et al., 2008), who asserts that"Evidence of this nature suggests that managers should abandon the rationale of having a greater market share and an increased business volume (sales, revenues) in favor of a vision more focused to profits . The results indicate that companies that practice a higher price against the price of their competitors obtain greater profits, which probably is related to superior customer value. This justifies the charge of higher prices and, as a result, enhances the business performance.

f) Conclusion and Recommendation

Regarding the business performance, an analysis based on the profit margin reported by the companies was implemented. This variable was also used in the study developed by Milan et al. (2013), which was built based on the scales proposed by Ingenbleek et al. (2003). The results indicate that the surveyed companies' average net profit is between 5% and 10%, and that 25 companies (16.4% of the sample) showed a profitability above 15%.

In order to have a better performance than their competitors, companies should establish a set of superior resources, such as, abilities, skills and knowledge, because the role of the price fixing capacity as a way of effectively improving the company's performance is vital (Dutta et al., 2003, Liozu and Hinterhuber, 2013). Therefore, a more strategic approach to the companies' pricing process excels as a relevant element for the companies' better performance and for the construction of a possible source of competitive advantage (Hinterhuber & Liozu, 2014).

The profitability and cost effectiveness of the companies are highly attached to a pricing strategy that visualizes their internal capacities, skills and corporate advantages against their competitors while also considering their customer's needs or how much they are willing to pay. Setting lower prices could sacrifice profits because a greater sales volume may not compensate for a lower profit margin. Higher prices could also sacrifice profits because greater margins per unit may not compensate for a smaller sales volume (Simon et al., 2008).

Therefore, the results of our study indicate that companies which search for a customer value-based pricing strategy and which set high prices, logically within the market context in which they operate, tend to yield a greater profit margin than their competitors who may adopt a competition-based pricing strategy and set lower prices. Another important fact is that the most

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innovative companies, or those who launch a higher quantity of new products, and operate with imported raw materials and supplies also show a higher profit margin. This indicates that the higher the usage of value-based pricing strategies (in which the company adds more innovation launching new products), the greater are the possibilities of increasing the company's profit margin.

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