IMPACT OF PRICING POLICIES ON THE PROFITABILITY LEVEL OF AN ORGANIZATION

(A CASE STUDY OF KAMWIRE INDUSTRIAL LTD ILORIN, KWARA STATE)

BY

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HND/23/BAM/FT/1089

BEING A RESEARCH PROJECT SUBMITTED TO
BUSINESS ADMINISTRATION AND MANAGEMENT DEPARTMENT,
INSTITUTE OF FINANCE AND MANAGEMENT STUDIES (IFMS)
KWARA STATE POLYTECHNIC ILORIN.

IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF HIGHER NATIONAL DIPLOMA (HND) IN BUSINESS ADMNISTRATION DEPARTMENT.

JUNE, 2025

CERTIFICATION

This project work has been examined and approved as meeting the requirements of Department of Business Administration and Management, Institute of Finance and Management studies, Kwara State Polytechnic, Ilorin, Kwara State. In Partial Fulfilment of the Requirement for the Award of Higher National Diploma (HND) in Business Administration and Management.

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DEDICATION

This project is dedicated to Almighty Allah for His infinite mercy and support over my life. And it is also specially dedicated to everyone that has in one way or the other contributed to the success of this project.

ACKNOWLEDGEMENT

I want to thank Almighty Allah for the successful completion of this project and for his unlimited blessings over me.

Special appreciation to my parent for their guidance towards my academic career MR. and MRS. ORIOLA for their support always.

My special gratitude and appreciation goes to my supervisor MR. AWE ISREAL and my Mentor DR. POOPOLA for positive involvement in my academic learning and my class rep FERRA and my able Ass rep AISHAT and co class member and my great lecturer in the department of business administration and also appreciate my co Executive in the department I appreciate you all for been in your midst

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CHAPTER ONE

1.0 INTRODUCTION

1.1 BACK GROUND TO THE STUDY

One of the most crucial operating decisions management must make is establishing a setting price for its products but this is quiet unfortunately that many firms are still mismanaging pricing causing lots of money and anticipated profit to be unexplored and wasted. However in explaining the importance of pricing, Egbunike (2007) sustained that setting the price for an organizations product or service is one of the most difficult, due to some number of variety of factors that must be considered. The primary decision arises in virtually all types of organization, just to mention but a few of them such as manufacturers set prices for their products, they manufacture, merchandising companies set prices for their goods, service firms set prices for such services as insurance policies, bank loans etc.

A company’s survival and profitability depends upon its pricing decisions, thus price is the only element in the marketing mix that produce s revenue and thus ensures profit ability (Kotler and Keller, 2006) Price adopted by firms must be able to cover all cost in the long run as well as to leave a profit margin to reward management.

Profiteering has often been the watch word of most organizations in Nigeria, leading to the indiscriminate application of marketing strategy (price discrimination) regardless of the effect, to achieve their well-articulated maxim - profit maximization. Their equivocation on dispersed pricing on a product (tangible or intangible) based on exigencies of making huge profit, irrespective of the socio-economic disposition of the market, has left some consumers to doubt organizations in delivering value as expected without necessarily posing as exploiters. The Price discrimination which entails charging different people at different prices based on value they get and their willingness to pay, has been misapplied by practitioners and evoked so much negative feelings that it is hard to justify if price discrimination is legal, ethical and fair.

Presently, the practice of charging different customers, with different prices have instigated considerable outcry in the news media and in the social media, as they unanimously question this strategy while asking ‘what will become of organization if they charge unison price or adopt price harmonization for a product’. The advantages of price harmonization on organization’s profitability has been left in abeyance by extant literature, whereas the policy of price discrimination has persistently breed customer resentment and refusal to buy, leading to less patronage, loss of market share to decreased profitability level despite product-availability and product-quality.

It is against this backdrop, this study inclined to answer the following research questions: The Price of a Product has a direct relationship with many operations of the firm’s activities. A price decision will affect demand and this in turn affects the revenue generated by the firm. Similarly, a firm which makes profit has the propensity of attracting more new capital. This shows that the public has confidence in the ability of the firm to yield return to them. So, the performance of management is usually measured by the amount of revenue it generates to satisfy the share holders of the organization. It is evident that management has a big responsibility before them in setting and adopting the most advantageous pricing policy and the most effective profit plan for their firms, since prices are not set arbitrarily therefore management must focus on all the important factors in setting its price. Thus, it has become imperative to investigate the effectiveness of pricing policy and profit planning in Nigerian industries.

1.2 STATEMENT OF THE PROBLEM

Hilton (1991) observed that both the market forces of demand and supply and the cost of production have a Significant bearing on determining prices. Equally he explained that there are other variables that influence pricing decisions according to him, this includes: Manufacturer's pricing objective, economic situation, level of competition, and availability of close substitute. For pricing to be effective, firms must incorporate all these factors in selecting the most advantageous price for its product. At times, firms are not in the habit of considering these factors and this has led to the shutting down of many factories, downsizing of workforce and in most cases, winding up of firm's (Hilton, 1991). Profit plan are made in form of budget and they help firms to forecast the level of profit, cost and revenue, they intend to generate in order to gain competitive advantage. Unfortunately many firms still do not prepare these plans, thus, this has led firms undertaking unplanned ventures resulting in escalation and inability of firms to foresee shortage in resources or finance or personnel needed in the future operation of the firm. Where no plans exist, there will be no basis for firm to compare or evaluate their performance. Based on the foregoing, the problem of this study is in three (3) folds.

Firstly, the failure of some firms to incorporate factors such as economic situation, level of competition, availability of close substitute, among others in their pricing decisions, may have resulted to the minding up of several industry in Nigeria.

Secondly, the practice of charging different customers, with different prices have instigated considerable outcry in the news media and in the social media, as they unanimously question this strategy while asking ‘what will become of organization if they charge unison price or adopt price harmonization for a product’. The advantages of price harmonization on organization’s profitability has been left in abeyance by extant literature, whereas the policy of price discrimination has persistently breed customer resentment and refusal to buy, leading to less patronage, loss of market share to decreased profitability level despite product-availability and product-quality. It is against this backdrop, this study inclined to answer the following research questions:

Thirdly, and most importantly, the problem that strangulated this study is the knowledge gap, that is, it looks as if industry is not aware that pricing policy and profit planning impact positively on firm performance.

Lastly, it has been shown in accounting literature that profit planning is a potential tool for achieving profit objectives and efficiency of which many manufacturing firms seems to have ignore the use of profit planning (or budget) in their operations. This has led to far reaching problem such as huge unforeseen operating cost as well as shortages in good financial and human resources.

1.3 RESEARCH QUESTIONS

(i) To what extent does effective pricing policy has significant effect on firms’ performance of Kamwire Plc Ilorin?

(ii) Is there a significant difference between price discrimination and price harmonization on corporate performance of Kamwire Plc Ilorin?

(iii) Does pricing decision have significant effect on firm’s performance of the Kamwire Plc Ilorin?

(iv) What is the significant effect of profit planning on cost reduction in the selected Kamwire Plc Ilorin?

1.4 OBJECTIVES OF THE STUDY

This research is aimed at achieving the following objectives.

(i) To establish whether effectiveness of pricing policy has significant effect on firm's performance.

(ii) Is there a significant difference between price discrimination and price harmonization on corporate performance of Kamwire Plc Ilorin?

(iii) To determine if pricing decision(s) can make an impact on a firm's performance.

(iv) To investigate if profit planning (or budgeting) has a significant effect on cost reduction in Kamwire Plc Ilorin.

1.5 FORMULATION OF HYPOTHESES

To achieve the objective of the study, the following hypotheses are formulated in null form.

H01: Effective pricing policy has no significant effect on firm's performance of Kamwire Plc Ilorin.

H02: There is no significance difference between price discrimination and price harmonization on corporate performance of the Kamwire Plc Ilorin.

H03: Pricing decision has no influence on the degree to which Kamwire Plc Ilorin can achieve optimum corporate performance.

H04: Profit Planning has no significance impact on the degree to which Kamwire Plc Ilorin can reduce costs of production.

1.6 SCOPE OF THE STUDY

Since no single research can validly cover all areas of the topic the researcher tends that thrust of this project will be limited within the scope of how management's performance of manufacturing firms are influenced by the choice of its pricing policy and its profit planning. The study will focus primarily on manufacturing firm in Kamwire Plc Ilorin to be precise and its environs from where Kamwire Plc Ilorin Sole Distributors were drawn to enable the researcher carryout on extensive investigation on this subject.

1.7 SIGNIFICANCE OF THE STUDY

This research will serve as a guide to firms in setting the most advantageous pricing policy giving its individual unique situation which will enhance profitability in the short and long run situation. It will help them to avoid choosing arbitrary prices without considering its distinctive situation and important factors. It will serve as a guide in choosing pricing strategy which strikes a balance between what the consumers wants to pay for a product and the price the firm is willing to sell; also this research will expose them (the firm) to the need for accounting information in carrying out this decision. The research work will also be useful for the economy in the sense that if firms have substantial control over price setting, then their pricing behavior can influence national output/income and hence community welfare. Finally, the research work will be useful for those carrying on further research on this or related topic.

1.8 DEFINITION OF TERMS

Pricing Policy: It is a guiding philosophy or course of action designed to influence and determine pricing decisions. Pricing policies set guidelines for achieving objectives.

Profit Plan: The profit plan is the operating plan detailing revenue expenses and resulting to net income for specific period of time. It is the firm's optimal plan in the light of management expectation in future.

Cost: Expenses incurred to procure something which may be labour, material, facilities or resources

Efficiency: Ability to work or produce well, without wasting time or resources.

Effectiveness: Producing the intended result.

Fixed Cost: Cost that remains constant within a level of production. It does not vary with production.

Marketing Mix: The combination of the far primary element that comprises a company's marketing programme which are price, product, place and promotion (advertising)

Variable Cost: They are cost that varies with level of production. They are constant per unit but vary with total production.

Strategy: Strategy is a general statement of the vary in which an organization plans to achieve its objectives. The strategy contains the basic approach but not the details of how a firm plans to attain its objective.

Short Run: It is a period of time that is less than one year. The firm is unable to vary all its input in this span of time.

Long Run: It is a period of time sufficiently long to allow the firm to change the physical amounts of all resources in its production. It is usually five (5) years and above.

CHAPTER TWO

LITERATURE REVIEW

2.1 CONCEPTUAL CLARIFICATION

According to Stanton (2011) price is the amount (or possibly goods) that is needed to acquire some come bination of production. Price is value expressed in dollars, cent or any other monetary medium of exchange value is the quantitative measure of the worth of a product to attract other products in Pricing is the act of setting or determining the price of a particular good or service. Pricing must be done when a firm develops or acquires a new product, when it introduces its regular product into a

new distribution channel or geographical area and when it enters bid on new contract work.

According to Marking, (2009) Pricing Policies are broad guidelines that allow the firm to approach its pricing decision consistently. He sustained that it is a guiding course of action designed to influence and determine pricing decision.

Pricing strategy is one of the most difficult areas of marketing decision making (Roth, 2007). It deals with the methods of setting profitable and justifiable prices. A firm's pricing strategies may be based on costs, demand, or the prices of competing products. However, where knowledge is required on product that would provide the highest profits, the manager must be interested in assigning costs incurred in the entire value chain to the different products before a meticulous determination of the overall profitability of the products (Horngren, et al., 2008). Too many businesses have been lost because they priced themselves out of the marketplace (Gregson, 2008). Consumers' standard of living is closely tied to the reigning prices of goods and services, while in some other cases the price of a commodity may confer some prestige or feeling of importance or superiority on the buyer or consumer of the product (Agbonifoh, et al., 2007).

Determination of prices is paramount to take into consideration the multiplicity of variables, such as the cost of the product —its inputs—including the cost of product development, testing, and packaging (Tanner Jr., 1996). Before price is fixed, the entire cost incurred must be critically evaluated and the profit margin reviewed to see if it meets consumers' socio-economic prevalence. Cost evaluation is inextricably linked with revenue and profit planning. As such pricing evaluation and fixture are expected to take cognizance of customers' ability and willingness to pay for the products. Where the product is overpriced beyond the customer's ability, sales would be affected and competitors will creep in to take advantage of the moment. Firms are therefore expected to set their prices to match those of established industry price leaders, competitors and also focus on non-price variables (Anyanwu, 2003).

Price is not end in itself but a means to an end and should be seen as such. Companies set prices for a variety of reasons. Price affects and is affected by the other three elements of the marketing mix: product, promotion, and place (distribution).

Moderandi (2009) however specified that, Pricing is a complex subject – there are many factors to consider, both short- and long-term. For example, your prices need to, reflect the value you provide versus your competitors, considers what the market will truly pay for your offering, enable you to reach your revenue and market share goals and maximize your profits. While pricing objectives vary from firm to firm, most organizations are profit oriented, hence, the adoption of profitability objective among others such as: sales volume objectives and customer satisfaction objectives.

When pricing strategies are determined by profit objectives, the focus is on a target level of profit growth or a desired net profit margin. A profit objective is important to firms that see profit as what motivates shareholders to invest in a company. Theoretically, accountants use marginal costing to identify the price that maximizes profits. Profit is maximized when marginal cost is equal to marginal revenue. Relatively, few firms actually hit this elusive target, however. Consequently, marketers commonly set target-return objectives, short-run or long-run pricing objectives of achieving a specified return on either sales or investment. This return is usually stated as percentages of sales or investment. ICAN (2010) added that, the major underpinning of profitability objectives is the maximization of the present value of future cash flows as a measure to ascertain organization's survival and perpetual existence (Anyanwu, 2003).

According to Osisioma (2006) Pricing means different thing to different people;

1. To a buyer of a product, the price is the cost factor representing his outlay for that purchase.
2. To a seller, price represents the cost of production plus a margin on profit and it is a source of revenue.
3. To a marketer, price is one of the 4P'S of marketing. Price in this sense becomes the exchange value of good or service in terms of money.
4. To a lawyer, price is money consideration given or received to affect a sole of good and or receive. In a free market economy, Price is a measure and

indicator of the value and utility that a consumer expects to derive form a product or service.

5. To the economist, price is an equilibrium factor in the market, harmonizing the demand in that market with the supply, and is therefore selective tool for allocating scarce resources.
6. The accountants understanding of price is simply cost plus mark-up (on cost). In this sense, price is thus a factor that incorporates cost and profit.

According to him, there are two types of pricing decision. It includes: Those for sales external to the firm that is those relating to customers and those relating to prices internal to the firm. This refers to transfer pricing within the same organization.

2.1.1 The Importance of Pricing

Pricing is considered to be the key activity within the capitalist system by free enterprise. Price is a basic regulator of the economic system because it influences the allocation of the factors of production. In its role as an indicator or allocator of scarce resources, price determines what will be produced (supply) and who will get how much of these goods and services (demand). An individual firm's price of a product or service is a major determinant of the market demand for the item. Price affects the firm's competitive position and its share of the market. The prices at which a company offers its product has a direct relationship to the company's revenue and not profit (Kotler and Keller 2005. Drury 2000).

2.1.2 Objective of Price

The clearer a firm's Objective the easier it is to set price. The following reflects what a firm's objective is likely to be for it to survive. Companies pursue survival as their major objective if they are plagued with over capacity. Intense competition or changing consumer wants. Profits are less important with the survival objective but this (survival) is only a short run objective in the long run, the firm must learn to earn profit or short down (markin, 1979).

The following are the possible reasons or objectives that firm seek in setting their prices:-

1. To maximize Profit:- To achieve this objective firms try to estimate demand and cost associated with alternative prices and choose the price that produce maximum current profit, cash flow or return on investment.
2. To maximize or improve share of market sales:- Market share which is a firm's sale in relation to the total industry sales is a very important bench mark of success. Some companies believe that maximizing sales or increasing sales volume will lead to lower unit cost and higher long run profit. They may achieve this by setting the lowest price by assuming market, is price sensitive.
3. To achieve target return on investment or net sales:- A firm may price to achieve a contain percentage returns on investment or on net sales. The percentage markup is large enough to cover anticipated operating cost plus a desired profit for the year.
4. Stabilize price:- Price stabilization is often the goal in industries with a price leader. In industries where demand fluctuates frequently, considerably large companies will to maintain stabilization in the pricing price leaders means that there is some relationship between the leaders and those charged by other firms. A major reason for seeking stability in prices is to avert price war whether demand is increasing or decreasing.

2.1.3 Factors Influencing Price Determination

The manager has the responsibility of establishing price for products already in existence, pricing decision are pose with little difficulty but with pricing for new product decisions are difficult.

Factors that management should consider according to Drury (2000) are:

1. Demand for the product:- This is the first stage in pricing of product this is easier to achieve for an established product than for a new one.

   Two steps involved in demand estimation include:

(i) To determine whether there is a price that the market expects.

(ii) To estimate the sales volume at different prices

(a) The expected price:- The expected price for a product is the price which customer consciously or unconsciously value it. It is what they think it is worth.

(b) Estimate of sales at various prices:- By estimating the demand for its products at different prices, management is in effect determining the demand curve for the item and its demand elasticity.

2. Target share of market:- The market target by a company is a major factor to consider when determining the price of a product or services. A company may price more aggressively (cover base price, larger discount) than a firm that wants to maintain the present share.
3. Competitive reaction:- Present and potential competition is an important influence in determining base price. The threat of potential competition is greater when the field is easier to enter and profit prospects are encouraging. The more competitive a market is the more competitive will be the pricing policies pursued by the supplier, in that, the market will ultimately develop

into a state which the economist call perfect competition. A perfect market competition is that market that leads to prices being established at a point where supply equates demand.

4. Cost consideration:- Cost are often an important element in price decision making. A price should be able to cover the cost of production if the product will continue. Two basic costs to be considered are fixed cost and variable cost and they determine the direction of pricing decision. The other set of factor are the external variable which are largely not controllable by firm. They include legal considerations, the nature of competition, the kind and characteristics of buyer's price, elasticity of demand, kind of buyer's economic condition and suppliers and so on. These two considerations are important in developing price policies and procedures.

According to Egbunike (2006) The following are the factors to be consider in pricing decisions.

(i) The firm's Objective
(ii) The market in which the firm operates
(iii) Demand for the firm's product.
(iv) Elasticity of demand for the product.
(v) Cost structure of the firm and the product.
(vi) Competition
(vii) The Product
(viii) The relative position of the firm. (Market Share).
(ix) Government restrictions or legislation.
(x) Inflation.

ICAN (2006) maintained that the main factors in pricing decisions are as follows:

1. Pricing Objectives
2. Relationship between price and Output.
3. Selling price/demand relationship and
4. Other factors.
5. Pricing Objectives:-

The pricing objective of companies fail into three categories (Ican, 2006). These are:

(a) To achieve a target return on investment.

(b) To stabilize price and output, and

(c) To realize a target market share.

1. Relationship between price and output.

The element of price is always instrumental to level of demand. In most cases, the lower the selling price for an item, the higher is the quantity demanded. Therefore, a company should consider their relationship between price and demand when deciding on an efficient or optimal plan of action. However, the level of profit made by company is a function of the output levels agreed for the company products. It is reasonable to say that changes in output affect both total revenue and total costs, which are the determinants of the profit level to be made at a given point in time.

2. Relationship between selling price and demand.

The relationship between the selling price for a set of item and the quantity demanded at that price is influenced by a group of factors among which are:

(a) Variation in quantity

(b) Advertising and other promotional techniques

(c) Buyers choice and the manner in which they overcome them. And

(d) Pricing and advertising policy decisions comptitors.

3. Other factors

The other factors, among a host of factors, which interfere in pricing decision and at the same time exercise fundamental effect, are;

(a) Overall company goals: These may include target objectives such as investment, sales or sales profitability and man-profit oriented objectives which may include increase in firm status or goodwill.

(b) Costs:- These play and indirect role in that it secures the profitability of alternative price to be determined and also ensure a comparison of the profit margin at a present price with expected return. However, costs play a direct role in setting prices in tactical situation, that is contribution pricing.

(c) Demand:- This factor cannot be over looked in the pricing decisions of a firm. It is based on two economics principles, that is the law of demand and supply, and the price elasticity of demand.

(d) Legal:- This considered from the point of view of government interfering in price control, antimonopoly measures, interest rates, taxation, and so on.

(e) Social Responsibility:- The social impact of a firm who sells on national scale or basis is expected to be falt in the price changed on the goods.

2.2 THEORETICAL FRAMEWORK

This study is anchored only on two theories below:

Price Bargaining Theory as opined by Kottler & Kelly 2006 that Hence the tendency of being able to bargain is being influenced by ones knowledge with the prevailing market price, his social status, experience and purchasing power. Price can be discriminated on the basis of the customers, product version place and time (Kotler, 1988).

Price discrimination on customer basis is quite common for example, barber charge different prices. A customer who is good at bargaining or haggling can get a service or buy a product at a lower price, while others may buy the same product, getting it at a higher price (Kotler & Keller, 2006).

Price discrimination on product version is not new in the Nigerian context, as a new version of car, handsets, clothing, food items are highly priced compared to their old version even though, the differences are difficult to justify. Price discrimination by place is visible in the airline industry where we have economic class and the first class paying different prices because of the different location of seat. Same can be said of price discrimination in cinema, stadia and relaxation spots. Price discrimination is permissible if differences in prices can be justified by differences in cost (Glautier, Underdown & Morris, 2011). And it is illegal only if the intent is to lessen or prevent competition.

Price Harmonizing Theories by Vendavo (2009) that Price harmonization ensure minimization of pricing conflicts and caters for consumers' resentments and cutting down unnecessary cost of multiple pricing techniques. The theory further explained that harmonizing pricing processes across an organization means establishing a standard process while allowing a managed degree of variation from the standard. This practice ensures greater visibility, commonality of metrics and lower operating costs.

It also requires diligent focus because too much harmonization reduces flexibility to support local market conditions, and can be both expensive and time consuming to deploy. The right level of harmonization will depend on the individual business. For example, a manufacturing company that sells primarily to customers that out-source, needs a high degree of pricing consistency, and should therefore be highly centralized with limited local variability. A more regionally-oriented customer base is best served with a less centralized approach, where global processes and tools are harmonized in one model, but also allow local variations. The Project goals of Harmonization of prices include:

(a) Optimize prices levels across regions
(b) Optimize profits across regions
(c) Minimize parallel imports.

Price Harmonization has a nice positive ring (harmony) to it and is cryptic enough that it conveys nothing about the true intention of the marketer. Harmony does not have to mean homogeneity, it just has to mean "compatible, consistence, coincide in their characteristics". You can look at it as making price compatible with customer willingness to pay. By extension, price harmonization appears to be doing something nobler than one practicing price discrimination. Harmonization of prices of goods and service can also be seen as an innovative means of responding to consumers' plights, who having raised objectives as to variations in the prices of goods and services to customers with similar socio economic standings or intensity of demand, and some privileged buyers taking the 'spur of the moment' to buy cheap in one segment and resell at the higher segment.

2.3 EMPERICAL EVIDENCE

Prices have been recognized as one of the major reasons why many organizations lose their customers to competitors (Kleyn & Issenmann, 2011). Empirical evidence of pricing policy and profitability in Nigeria context is scanty. Few of existing studies were culled from conceptual and theoretical studies and a considerable amount of empirical studies were traced to international journal and foreign evidence from manufacturing industries. Among which are discussed thus:

Beredugo, (2014) revealed in his study the extent to which price harmonization affects companies' profitability level and to know if there was a significant difference between price discrimination and price harmonization on companies' profitability. Survey research design was adopted to elicit data from 274 respondents of five Commercial Banks in Calabar, Cross River State Nigeria. Correlation coefficient and independent t-test were used for the hypothetical tests. The findings revealed that, price harmonization significantly affects companies' profitability level and, there was a significant difference between price discrimination and price harmonization on profit of the selected firms; in that, where consumers' resentments abound, price discrimination might increase profit in the interim, but would pose the organization as an exploiter leading to customers desertions in the long run; whereas, with the adoption of price harmonization, the organization will be doing something nobler and would invoke increased patronage and maximize the present value of future cash flows.

Horngren, Datar, Foster, Rajan & Ittner (2008) opined that, discriminating a product price in a homogenous market could dissuade purchase - causing buyers to look for alternatives – leading to depletion of turnover and profitability, despite product-quality, awareness creation and product- availability

Okwandu & Ekerete, (2001) opined that, different types of pricing strategy such as: price discrimination, price penetration; skim pricing and price harmonization etcetera, have different significance to different companies in the peculiar market they intend to serve.

Kleyn & Issenmann, (2011) focuses on selling products and services, retaining current customers, acquiring new customers, improving processes and/or managing costs which in this case, has much correlation with value based pricing in which customers' expectations and willing to pay, forms a key driver in determining product (or service) value and hence its price.

Roth (2007), the price you assign will impact how consumers view your product and whether they will purchase it. A price which is considered unusually high, significantly different in the same firm (price discrimination), under same circumstances of exchange, in the same state or country, may confer unpleasant image of exploiter on a seller. On the contrary, uniformity of prices (price harmonization) in a homogenous and same circumstances of exchange, though with different branches may give a seller the image of a fair trader.

According to Beredugo & Mefor (2012), managers must monitor the marketplace to determine prices that customers are willing to pay for products or service, if they must succeed. While, Agbonifoh, Ogwo, Nnolim & Nkemnebe (2007) added that, they should embrace prices that would not bring about acrimony among buyers.

According to Morley (2012) 'Price harmonization' is what the retailers call it, while some consumers may see it instead as 'anti-price gouging' or 'fair pricing'. It is a system, particularly used by marketers, whereby all form of different pricing strategies - adopted by it different segment or department to different/similar social class of customers of the organization are leveled up. It is resolution of inequalities in prices paid for goods and services that are offered by an organization within a state, region or nation. Consideration of customers' price expectations must not be taken lightly, as it is the only variable that generates revenue and where effectively managed, helps in improving an impoverished dispersed pricing system that had a negative hold on firms' profitability level.

Moderandi, (2009), if you use multiple channels, carefully map out the price for each step in your channel and include a fair profit for each type of partner. Then compare the price that the end-user will pay; if a customer can buy from one channel at a lower price than another, your partners will rightfully have concerns. Pricing conflict is common but it can jeopardize your entire strategy, so do your best to map out the price at each step and develop the best solution possible which in some cases is harmonization of prices. Since in today's business environment, organizations simply can't afford to operate without a strategic approach to regional pricing for some obvious reason, hence the price discriminations be harmonize within local markets to cater for customers expectation and willing to pay and not to see the organization posing as an exploiter.

CHAPTER THREE

METHODOLOGY

3.1 RESEARCH DESIGN

The study adopted the survey research design, as inference about relations among variables is made without direct intervention from concomitant variation of independent and dependent variables. It employed more of quantitative case study method to answer the research questions and used some qualitative information to know the current conditions of the selected companies with regard to pricing and profitability. This quantitative approach was applied to identify the impact of pricing on profitability. Some qualitative information was gathered from the organization by using well structured interview. The related data with questionnaire were collected and analyzed. In this research project, a quantitative approach by using the management and distributors/customers' of the company as respondents of the questionnaires was considered. The study was undertaken to examine the impact of pricing policy on the profitability growth of Kamwire Plc Ilorin measured through customer satisfaction survey of the industry.

3.2 POPULATION SIZE FOR THE STUDY

They were considered appropriate for the study because of their relevance and on the assumption that they understood the instrument for data collection. Based on the above total population, the study will devise a method of sample size determination to arrive at a sample size of respondents which will be taken a representative to answer the schedules that will be distributed with the help of enumerators.

3.3 SAMPLE SIZE DETERMINATION& SAMPLING TECHNIQUES

Classification	Respondents	Percentage	Total sample size n = 160	Final sampling units from each industrial classification/stratum
Management	***60***	***0.2190***	***0.2190 x 160***	***35***
Distributors/Customers	***214***	***0.7810***	***0.78101 x 160***	***125***
Total	***274***	***1.0000***		***160***

Source: Author's Computation, 2025

However, the study adopted two (2) sampling techniques which include stratified and simple random techniques. The first stage employed stratification followed by Simple Random and Sampling technique in selecting number of respondents from each industry. Sample size determination was done by using Krejcie& Morgan (1970) method of selecting sample size, the study was able to arrive at 160 sample size in the final selection obtained through the use of the following statistical formula adopted and adapted from Kreijcie & Morgan, (1970).

(P = 50%, d = degree of accuracy expressed as a proportion, 0.05).

N = Population size = 274

X^2 = *table value of chi-square at degree of freedom of 1 for 5% confidence level i.e. (0.05 = 3.84)*

the Statistical formula is

$$n = \frac{x^2 N P (1 - P)}{d^2 (N - 1) + X^2 P (1 - P)}$$

$$n = \frac{3.84 \text{ x } 274 \text{ x } 0.5 (1 - 0.5)}{(0.05)^2 (274 - 1) + 3.84 \text{ x } 0.5 \text{ x } (1 - 0.5)}$$

$$n = \frac{3.84 \text{ x } 274 \text{ x } 0.5 \text{ x } 0.5}{0.0025 \text{ x } 273 + 3.84 \text{ x } 0.5 \text{ x } 0.5}$$

$$n = \frac{263.04}{0.6825 + 0.96}$$

$$n = \frac{263.04}{1.6425}$$

$$n = 160$$

Prior to the actual data collection, emphasis was made on the determination of sample size that was mainly dependent on the purpose of the study, available resource and precision (variance) required. Sample size is one of the four interrelated features of a study design that can influence the detection of significant differences relationships or interactions (Peers, 1996). Generally these survey designs try to minimize both alpha error (finding a difference that does not actually exist in the population) and beta error failing to find a difference that actually exists in the population (Peers, 1996).

Because of the homogeneity of respondents within an Industrial classification and difference between class categories, stratified random sampling is selected. The selection of respondents from each industrial category was made following proportional allocation of stratified random sampling techniques as calculated above.

As indicated in the above table, the size of the sample in each stratum was determined in proportion to the size stratum termed as proportional allocation. Finally, the sampling units of 274 was selected for the study, following a simple random sample. Stratification was employed due to administrative convenience and a gain in precision in the estimate of the characteristics of the whole population over the simple random sampling technique.

3.4 DATA COLLECTION INSTRUMENT

Questionnaires is the instrument used for data collection in this study which was assessed by using a five point Lickert scale. Each question of the questionnaire is assigned a number indicating strongly disagree measured as 1, disagree measured as 2, undecided measured as 3, agree measured as 4, and strongly agree measured as 5. The independent variable is pricing policy measure through companies' decision and strategies while dependent variable is profit growth of the firms' measure through business expansion/outlets.

3.5 METHOD OF DATA ANALYSIS

Regression and correlation models were the inferential statistical tools used to analyze the collected data. Regression analysis was used to know by how much the independent variable i.e. pricing explains or influences the dependent variable which is profitability. Correlation analysis also was conducted to measure the strength of the association between pricing and profit growth. The result of structured interview questions was analyzed quantitatively. Data analysis was performed by using SPSS software version 23.0.

3.6 MODEL SPECIFICATION

The general form of the model was as follows:

$PG = \alpha + \beta_1 X_1 + e$

Where,

PG = Profit Growth,

X_1 = Pricing,

α = constant

β_1 = coefficient of the regression parameter

e = error term

CHAPTER FOUR

4.0 DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

This research study shall examine the Impact of pricing policy on profitability of manufacturing industry with a special reference to Kamwire Plc in Kwara State. In this chapter, the test of hypotheses will focus on the data extracted from returned questionnaires using the statistical tools discussed in chapter three. A total of 160 questionnaires were distributed to the management & distributors/customers unit division of Kamwire Plc distributors for the purpose of executing this research, out of which completed and correctly filled will be retrieved for processing with the hope that the response rates will be a very good one. The implication of good response rate is that the researcher and other policy makers can therefore strongly rely on the results of the data analyses and findings of the research from data collected on the basis of the research survey questionnaires. It is also worth stating here that all tests of hypothesis in this research will be carried out using a level of significance of 0.05 (i.e. 5%) with 95% confidence level in the findings.

4.2 FACTOR ANALYSIS

A factor analysis was performed in assessing the impact of pricing on profit growth with a minimum factor loading of 0.50. To test for the reliability, a coefficient was computed for each of the dimensions of pricing strategies and its decision, profits growth of the companies' measure from garnering data on business expansion/outlets. Addressing the problem of likely common method variance, the Cronbach Alpha reliability test was performed for all the measures. The resulting reliability for the independent and dependent variables indicating that the internal consistency of the adapted instrument was reliable with a Cronbach's Alpha of 0.695.

Table 4.2.1: Questionnaire

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Returned	155	96.9	96.9	96.9
	Not Returned	5	3.1	3.1	100.0
	Total	160	100.0	100.0	

Source: SPSS Computation, 2025

Table 4.2.1 show that out of the 160 copies of questionnaires distributed to some selected customers and management of Kamwire Company, 3.1% were not used in this study due to incomplete information by some respondents while 96.9% were returned as duly completed and used for further statistical analysis and by implication the response rate was good to further enhance the accuracy of the results and findings.

Table 4.2.2: Demographic Characteristics of the Respondents

Question	Response	Frequency	Percentage (%)
Ages	20-30years	43	27.7%
	31-40 years	89	57.4%
	41-50year	23	14.9%
	Total	155	100.0%
Gender	Male	56	36.1%
	Female	99	63.9%

	Total	155	100.0%
Marital status	Married	107	69.03%
	Single	48	30.97%
	Total	155	100.0%
Educational qualification	Literate	88	56.8%
	Illiterate	67	43.2%
	Total	155	100%
Ethnicity/Tribe	Yoruba	70	45.2%
	Hausa	35	22.6%
	Igbo	3	1.9%
	Nupe	10	6.5%
	Others	37	23.9%
	Total	155	100%

Source: Author's Computation, 2025

Table 4.2.2 shows the age classification of the respondents. 57.4% of respondents between the ages 31 to 40 years dominated as the major participants in this study, while 27.7% of the respondents were in between the age class of 20-30 years and 14.9% represent respondents' age between 41-50 years. This directly implies that the respondents are mature and should be capable of providing objective responses in the study. The table also reveals the distribution of the respondents' gender by indicating 63.9% of the participants in the study as female and 36.1% as male and by implication the more female than male that took part in the study. The population of the respondents is also dominated by married people representing 69.03% of the total respondents. The distribution of the respondents' qualification is equally dominated by those with formal education representing 56.8% of the sampled respondents and about 43.2% of respondents were average illiterates. Out of the total respondents of 155, only 45.2% respondents are Yorubas and they formed the major distributors in the selected areas. The implication of the above analysis is that there is high possibility of obtaining objective responses from the respondents due to their high level of maturity, Knowledge of pricing and its effect on customers patronage and business growth of the selected industries. This is justifiable basically from their age as well as educational status which depicts their relative exposure to the importance of this research study and will enable them appreciate the relevance of the study to the health sector and thus made them provide unbiased responses to the questions contained in the questionnaires.

4.3 DATA ANALYSIS ACCORDING TO THE RESEARCH QUESTIONS

RESEARCH QUESTION 1: To what extent does effective pricing policy has significant effect on firms' performance of Kamwire Plc Ilorin**?**

Table 4.3.1: Price harmonization aligns prices of goods and services with value proposition and what the market is willing to offer.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	9	5.8	5.8	5.8
	DISAGREE	12	7.7	7.7	13.5
	NEUTRAL	12	7.7	7.7	21.3
	AGREE	93	60.0	60.0	81.3

STRONGLY AGREE	29	18.7	18.7	100.0
Total	155	100.0	100.0	

Source: SPSS Computation, 2025

13.5% of respondents fully dissatisfied that Price harmonization aligns prices of goods and services with value proposition and what the market is willing to offer in the selected areas. 5.2% of respondent do not disclose their view on this and not more than 78.7% of respondents agreed on price harmonization of the market values of the goods and services. This shows that more than two-thirds of respondents accept that prices of goods and services can be aligned with value proposition and what the market is willing to offer through price harmonization.

Table 4.3.2: Consistent price mechanisms encourage customers' patronage of the products of the Kamwire Plc Ilorin

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	5	3.2	3.2	3.2
	DISAGREE	3	1.9	1.9	5.2
	NEUTRAL	8	5.2	5.2	10.3
	AGREE	85	54.8	54.8	65.2
	STRONGLY AGREE	54	34.8	34.8	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

5.2% of respondents disagree on the consistent price mechanisms. 5.2% of respondent do not disclose their view on this and not more than 89.6% of respondents were fully satisfied that pricing policy of the selected industries were not consistent and has been fluctuating in the market and not commendable and this lead to loss of customers to some competitors of the same line of products in the selected areas. This implies that majority of respondents concede on the use of consistent price mechanisms in order to ensure more customer patronage.

Table 4.3.3: Price harmonization makes sales and profits compatible with organization's prestige.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STONGLY DISAGREE	2	1.3	1.3	1.3
	DISAREE	5	3.2	3.2	4.5
	NEUTRAL	6	3.9	3.9	8.4
	AGREE	61	39.4	39.4	47.7
	STRONGLY AGREE	81	52.3	52.3	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

7 respondents representing 4.5% disagree on price harmonization which makes sales and profits compatible with organization image. 6 respondents representing 3.9% neither disagree nor agreed while 91.7% of respondents agreed that price harmonization makes sale and profit compatible with organizational image. This

indicates that more than two-thirds of respondents accept that sale and profit can be made compatible with organization image through price discrimination.

Table 4.3.4: Increased profit can rest on being noble in harmonizing prices of goods and services and preventing consumer resentment.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	5	3.2	3.2	3.2
	DISAGREE	13	8.4	8.4	11.6
	NEUTRAL	8	5.2	5.2	16.8
	AGREE	80	51.6	51.6	68.4
	STRONGLY AGREE	49	31.6	31.6	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

11.6% of respondents were fully dissatisfied that increased profit can rest on being noble in harmonizing prices of goods and services and preventing consumer resentment. 5.2% of respondents do not disclose their view on this and not more than 83.2% of respondents agreed that increased profit can be a tool to be used to harmonize prices of goods and services and preventing consumer resentment. This implies that majority of respondents accept that increased profit can rest on being noble in preventing customer resentment.

RESEARCH QUESTION 2: Is there a significant difference between price discrimination and price harmonization on corporate performance of Nigerian product in Ilorin?

Table 4.3.5: Affordable price encourage customer patronage of the company's products.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	6	3.9	3.9	3.9
	DISAGREE	3	1.9	1.9	5.8
	NEUTRAL	9	5.8	5.8	11.6
	AGREE	86	55.5	55.5	67.1
	STRONGLY AGREE	51	32.9	32.9	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

9 respondents representing 5.8% disagreed on affordable price encourage customer patronage of the company’s products.5.8% of respondents did not show their view on this while 88.4% of respondents agreed that customer patronage of company’s products can be encouraged by affordable prices of goods and services. This shows that more than two-thirds of respondents accept that customer patronage could be encouraged by affordable prices of goods and services.

Table 4.3.6: The organization was able to reduce operating cost by taking budgeting as a priority at the end of years.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	2	1.3	1.3	1.3
	DISAGREE	5	3.2	3.2	4.5
	NEUTRAL	7	4.5	4.5	9.0
	AGREE	68	43.9	43.9	52.9
	STRONGLY AGREE	73	47.1	47.1	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

Table 4.3.6 shows that 4.5% of respondents were dissatisfied that operating cost are reduced by taking budgeting as a priority at the end of year.4.5% of respondents neither agreed nor agreed while 91% of respondents agreed that operating cost are reduced by taking budgeting as a priority at the end of years. This implies that more than two-thirds of respondents concede on operating cost reduction by prioritizing budgeting at the end of years.

Table 4.3.7: Price discrimination is permissible regardless of difference in cost.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STONGLY DISAGREE	11	7.1	7.1	7.1

	DISAGREE	9	5.8	5.8	12.9
	NEUTRAL	13	8.4	8.4	21.3
	AGREE	94	60.6	60.6	81.9
	STRONGLY AGREE	28	18.1	18.1	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

20 respondents representing 12.9% disagreed on price discrimination is permissible regardless of difference in cost.8.4% of respondents did not reveal their view on this while 78.7% of respondents agreed that price discrimination is permissible regardless of difference in cost. This shows that more than two-thirds of respondents accept that difference in cost does not stop price discrimination.

RESEARCH QUESTION 3: Does pricing decision have significant effect on firm's performance of the selected Flour Mill?

Table 4.3.8: customer desires and satisfaction increase because the company makes the distribution and transport easier.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	6	3.9	3.9	3.9
	DISAGREE	4	2.6	2.6	6.5
	NEUTRAL	9	5.8	5.8	12.3
	AGREE	84	54.2	54.2	66.5

STRONGLY AGREE	52	33.5	33.5	100.0
Total	155	100.0	100.0	

Source: SPSS Computation, 2025

10 respondents representing 6.5% were dissatisfied that making distribution and transport easier could increase customer desire and satisfaction while 9respondents representing 5.8% neither agreed nor disagreed.136 respondents representing 87.7% were satisfied that making distribution and transport easier could increase customer desire and satisfaction. This implies that majority of the respondents are satisfied with decision that customer desires and satisfaction could be increased by easier distribution and transport.

Table 4.3.9: Price discrimination makes it possible for some customers to avail themselves products and services that would not have been possible with single price.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	4	2.6	2.6	2.6
	DISAGREE	5	3.2	3.2	5.8
	NEUTRAL	6	3.9	3.9	9.7
	AGREE	72	46.5	46.5	56.1
	STRONGLY AGREE	68	43.9	43.9	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

Table 4.3.9 shows that 5.8% of respondents disagreed on price discrimination makes it possible for some customers to avail themselves products and services which would not have been possible with single price.3.9% of respondents neither agreed nor agreed while 90.4% agreed that price discrimination makes it possible for some customers to avail themselves products and services that would not have been possible with single price. This indicates that more than two-thirds of respondents accept that customer avail themselves to the opportunity accrued to bargaining price.

Table 4.3.10: The organization use of budgeting procedures and implementation is of more benefits to reduce operating costs than the competitors in the same products line.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	2	1.3	1.3	1.3
	DISAGREE	11	7.1	7.1	8.4
	NEUTRAL	6	3.9	3.9	12.3
	AGREE	75	48.4	48.4	60.6
	STRONGLY AGREE	61	39.4	39.4	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

8.4% of respondents were fully dissatisfied that the organizational use of budgeting procedures and implementation is of more benefits to reduce operating costs than the competitors in the same products line. 3.9% of respondent do not disclose their view on this and not more than 87.8% of respondents agreed on the organizational use of budgeting procedures and implementation is of more benefits to reduce operating cost than the competitors in the same products line. This implies that more than two-thirds of the respondents concede on the use of budgeting procedures and implementation.

Table 4.3.11: There is a noticeable significance difference between price discrimination and harmonization policy of this company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	11	7.1	7.1	7.1
	DISAGREE	12	7.7	7.7	14.8
	NEUTRAL	14	9.0	9.0	23.9
	AGREE	76	49.0	49.0	72.9
	STRONGLY AGREE	42	27.1	27.1	100.0
	Total	155	100.0	100.0	

Source: SPSS Computation, 2025

23 respondents representing 14.8% were dissatisfied with decision that there is a noticeable significant difference between price discrimination and harmonization policy of this company while 14respondents representing 9.0% neither agreed nor disagreed. 118 respondents representing 76.1% were satisfied with the decision that

there is a noticeable significant difference between price discrimination and harmonization policy. This implies that majority of the respondents accept that price discrimination and harmonization policy are significantly different.

4.4 TESTING OF HYPOTHESES

H_{O1}: There is no significant impact of effective pricing on firms' performance of KAMWIRE plc Ilorin

Table 4.4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671[a]	.450	.449	.39751

a. Predictors: (Constant), Effective pricing

To assess the level of relationship between effective pricing policy and firm performance (in the form of fierce competition), simple regression analysis was carried out. The result of the regression model in the table 4.4.1 shows the value of the regression coefficient R= .671, R- square = .450 and adjusted R-square = .449. From this result, the extent of relationship between effective pricing policy and company's performance is clarified by the value of the R-square. The R-square value denotes 45% of company's performance is accounted definitely by the effective pricing policy and not more than 55% is caused by others not included in this model. These other factors might include budgeting, management decision & strategies, infrastructures and organization climate etc.

Table 4.4.2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	103.719	1	103.719	125.11	.000[b]
	Residual	126.768	153	.829		
	Total	230.487	154			

a. Dependent Variable: Firm performance

b. Predictors: (Constant), Effective pricing

The F-calculated value of (125.11) is greater than the tabulated value of (3.84) indicating a significant relationship. More so, is the significant value of P (0.000) is smaller than (0.05) which means that the independent variable (effective pricing policy) is positively related with the dependent variable (firm performance). Hence, it is posited that there is significant relationship between effective pricing policy and the firms' level of performance at 95% confidence level.

Table 4.4.3: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.513	.056		-9.161	.000

Effective Pricing	.769	.091	.671	8.450	.000

a. Dependent Variable: Firm performance

The beta value of the constant is -0.513 whereas; the beta value for the predictor variable (effective pricing policy) is 0.769. The t-value of 8.450 and the p-value of .000 indicates the model is significant at $p<0.05$. Therefore, the beta coefficient (Beta= 0.769) implies firm performance will increase by 76.9% if pricing policy effectiveness increase by one. And peradventure as pricing policy is not effective i.e is zero, firm performance will be badly affected and this will further reduce profit/market share of the companies by 51.3% as shown by the constant value (-0.513) in the table.

H_{O2}: There are no significant differences between price discrimination and price harmonization on corporate performance of Kamwire Plc Ilorin.

Table 4.4.4: Tests to ascertain effect of price discrimination and harmonization techniques

Dependent Variable: Corporate performance

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	21.946[a]	2	4.389	54.373	.000
Intercept	.845	1	.845	10.471	.001
Price discrimination	.555	1	.555	6.870	.010
Price harmonization	.465	1	.465	5.758	.018

Error	12.028	152	.079		
Total	2257.000	155			
Corrected Total	33.974	154			

a. R Squared = .646 (Adjusted R Squared = .634)

The test between subject effect of price discrimination & harmonization techniques using generalized linear model of Univariate analysis in the table illustrated above confirms the significance difference on corporate performance. The results indicate that price discrimination (0.010<0.05), and Price harmonization (0.018<0.05) all have significant relationship with corporate performance in the management decision of the pricing strategies at 5% level. Hence, the null hypothesis is rejected and the alternative hypothesis is hereby concluded that there are significance differences between price discrimination and price harmonization policy of the selected companies. Although it is however noted from this result that price discrimination policy were most time used by the manufacturing company to measure corporate performance than harmonization policy at 95% confidence level based on this analysis i.e. (P-value=0.010<0.05).

H_{O3}: There are no significant influences of pricing decision on organization performance at KAMWIRE Plc Ilorin

Table 4.4.5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.772[a]	.596	.588	.30165

a. Predictors: (Constant), Centralized decision, Monopolized decision

To assess the extent of impact pricing decision in form affective commitment on the part of management; multiple regression analysis was carried out. The result of the regression model shown in table above indicates the value of multiple correlation coefficient R= .772 and the adjusted R- square = .596 give us some idea of how well our model generalizes and ideally we would like its value to be the same, or close to the value of R-square. In the above summary, the difference for the final model is a fair bit (0.596-0.588=0.008 or 0.8%). This shrinkage means that if the model were derived from the population rather than a sample it would account for approximately 0.8% less variance in the outcome. Thus, the aggregated effect of predicting pricing decision on organization performanceis explained by the value of the R-square, which indicates that 59.6% of organization performance is clarified specifically by their choice of pricing decisionin the process.

Table 4.4.6: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.235	2	10.117	111.181	.000[b]
	Residual	13.740	151	.091		
	Total	33.974	154			

a. Dependent Variable: Organization performance

b. Predictors: (Constant), Centralized decision, monopolized decision

ANOVAs table above test whether the model is significantly better at predicting the outcome than using the mean as a ‘best guess’. Specifically, the F-ratio represents the ratio of the improvement in prediction that the results from fitting the model (labeled 'Regression' in the table), relative to the inaccuracy that still exists in the model (labeled 'Residual' in the table). And by dividing the regression sum of square value by the Total sum of square in the table, indicating a significant relationship by returning the value of R^2=0.596, and the fact that the final model is significantly improve our ability to predict the outcome variable. However, the significant value of P (0.000) is smaller than (0.05) which means that the independent variables (pricing decision) are positively related with the dependent variable (Organization performance). Hence, we posited that there is significant relationship between the predictors and the response at 5% level of significant.

Table 4.4.7 Regression Coefficients[a]

Awareness & Knowledge		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.628	.293		2.139	.034
	Centralized decision	.752	.059	.709	12.704	.000
	Monopolized decision	-.123	.054	-.122	-2.283	.024

a. Dependent Variable: Organization performance

The result of the regression analysis above implies that Centralized decision (Beta=0.709) has direct influence on Organization performance with the exception of monopolized decision (Beta=-0.122) having inverse relationship with Organization performance. This means with the increase effect of centralized decision, the chances of Organization performance increases significantly while the higher the monopolized decision the lower the organizational performance at 5% level of significant. It is however posited that the null hypothesis is rejected and the alternative hypothesis accepted by concluding that there are significant influences of pricing decision on the organization performance.

H04: There is no significant effect of profit planning on operating cost reduction in KAMWIRE Plc Ilorin

Table 4.4.8: Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.250	.033		-7.575	.000
	Profit Planning (BUDGETING)	.892	.062	.863	14.387	.001

a. Dependent Variable: Operating Cost

Based on the R square explained above, the independent variables explain 74.5% of the variance of depended variable “Cost reduction”. Using non-standardized weight of regression, simple regression of equation can be presented as below:

$\hat{Y} = -0.381 + 0.702x_1 + \varepsilon_i$

$\hat{Y}$ = dependent variable “Cost reduction”

x_1 = independent variable “Budgeting”

ε_i = stochastic error.

From the formula presented above, cost reduction is equal to the sum of non-standardized beta coefficients with the average of using the appropriate method and non standardized weight constant. From the regression analysis results, the independent variable (Profit planning) is statistically meaningful for the model. Ithas regression coefficient positive which means with the raise of the independent variable (budgeting) will have even raise of the dependent variable in "cost reduction".

According to the results, the statistical test for beta coefficient control similar observation is taken (t_1= 14.387 and p=0.001), this coefficient show that budgeting strategy have a huge contribution for the model in order to increase firms performance at 5% level of significant. However if the selected industries zeroing the profit planning or budgeting strategy, it is likely for the operating cost to increase by 25% and this might affect the survival and growth of the companies as shown by the intercept (-0.251)of the regression line in the table.

4.5 LIMITATION OF THE STUDY

The researcher is limited by time constraints. Since the semester is very short and has a bulk of academic exercise. The researcher is also constrained in the manufacturing firm that was used in this studies because of lack adequate and organized accounting and decision making system, poor organizational chart and structure also their general unwillingness to corporate or give out information, all, these affect the effectiveness of this research.

4.6 DISCUSSION OF FINDINGS

From the regression result in table 9, the beta coefficient (Beta= 0.769) implies firm performance will increase by 76.9% if pricing policy effectiveness increase by one. And the result further predicted that if pricing policy is not effective i.e. is zero, firm performance will be badly affected and this will further reduce profit/market share of the companies by 51.3% as shown by the constant value (-0.513) in the table.

Using the findings from table 10, with the application of generalized linear test, the result of the generalized Anova-test conducted do compare the difference between price discrimination and price harmonization on corporate performance level of the selected firms and the result proved support for the alternative hypothesis i.e significant value of 0.01<0.05 and 0.018<0.05 shows that difference in price discrimination (M= 0.555, F= 6.870), and price harmonization (M= 0.465, F= 5.758); leading to an outright acceptance of the alternative hypothesis which states that, there is a significant difference between price discrimination and price harmonization on the Corporate performance of the selected firm in Kwara State.

It is equally note from hypothesis 3 that the effect of pricing decision on organization performance is explained by the value of the R-square, which indicates that 59.6% of organization performance is explained specifically by rightfully choice of force of demand and supply on pricing decision in the process. This means that the decision on prices should not be monopolized but should be centralized by the force of demand and supply.

Lastly the findings reveal from hypothesis 4 indicated that whereas the selected industries zeroing the planning & budgeting strategy, it is likely for the operating cost to increase by 25% and the survival and growth of the companies will be worsening as shown by the intercept (-0.251)of the regression line in the equation.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION & RECOMMENDATION

5.1 SUMMARY OF FINDINGS

It was discovered that effective pricing policy play a major roles in firms' organization performance and that price discrimination and harmonization policy significantly affects company's performance in Kamwire Plc in Kwara State. Price harmonization as revealed in this study was used as a means of resolving consumer resentment occasioned by price discrimination that has conferred unpleasant image of exploiter on the organization. This findings is in corollary with the adjudication of Morley (2012) who specified that 'Price harmonization' is a 'fair pricing 'that brings resolution of inequalities in prices paid for goods and services and could spur continuous and increased patronage and profitability for being noble.

Also findings make it known that the decision of management on pricing should not be on monopolized state but should be centralized by carrying along the customers in the process to avoid been wiped away by competition. Finally finding revealed that a well planned budgetary allocation help the manufacturing industry to reduce cost of operation and produce efficiently at a barest minimum without wastage of human and material resources.

5.2 CONCLUSION

The Study concludes that profit maximization could be achieved through maintenance of operational efficiency in pricing based on product cost, budgetary allocation, environmental exigencies, consumers' objections and their propensity to consume; and management practicing price harmonization would appear to be doing something nobler, as it establishes a standard pricing process and profit planning while allowing a managed degree of variation from the standard where possible. This profit planning ensures greater budgetary allocation, commonality of metrics and lower operating costs.

5.3 RECOMMENDATIONS

I. It is therefore recommended that, Managers should always monitor the marketplace to determine prices that customers are willing to pay for products or service, if they must succeed, and that, price harmonization should be adopted on product for a group with similar propensity to consume, and where consumers resentment abound on price discrimination.

II. If price discrimination should be adopted, it must be justified by cost of the product, heterogeneity in the market, free of resentments and competitors should not be able to undersell in the segment charged with higher prices otherwise the best pricing technique to be used is the price harmonization with budgetary allocation that would present the organization as a fair trader.

III. Maximization of the present value of the future cash flow should be planned according to increased profit, increased performance and customers' satisfaction.

5.4 CONTRIBUTION TO KNOWLEDGE

This study add more to the knowledge on pricing discrimination which is permissible if differences in prices can be justified by differences in cost and in some cases where egocentric customers would want to avail themselves products/services that they would not have bought under a single price (Horngren, Datar, Foster, Rajan & Ittner, 2008). But where prices are significantly disproportionate within a group with similarity in propensity to consume, it would lead to consumer desertion in the long run, reduced patronage and decreased profitability level, while the use of price harmonization would provoke long term sales and persistent inflow and increased profit in a growing economy of manufacturing industry like KAMWIRE Plc Ilorin Nigeria, that is mostly characterized with rational consumers of not too dispersed socio-economic status.

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APPENDIX

QUESTIONNAIRE

Kwara State Polytechnic,
Department of Business Administration,
Ilorin,
Kwara State.

To the Chairman:
Kamwire Industrial Ltd,
Ilorin,
Kwara State.

Dear Sir,

QUESTIONNAIRES

I am a final year student in the Department of Business Administration in Kwara State Polytechnic, Ilorin.

I am currently, conducting a research on “Impact of Pricing Policies on the profitability level of an Organization “A Case Study of Kamwire Industrial Ltd, Ilorin, Kwara State”. This is a partial fulfillment of the requirements for the award of National Diploma (ND).

Your sincere responses to the questionnaire shall be highly appreciated. All information given to the statement will be treated with utmost confidentiality.

Thank you for your anticipated cooperation.

Yours faithfully,

The Researcher

Demographic Data

Instruction: please tick (√) as it applies to you.

SECTION A

1. Age:

   20-30 years old ( ), 31-40 years old ( ), 41-50 years old ( ).

2. Gender:

   Male ( ), Female ( )

3. Marital Status:

   Single ( ), Married ( ), Divorced ( )

4. Educational Qualification:

   Literate ( ) Illiterate ( ) Other specify __________________

5. Ethnicity/Tribe:

   Yoruba ( ), Hausa ( ), Igbo ( ), Nupe ( ), Other specify _______________

6.

SECTION B

INSTRUCTION: Kindly tick (√) the box as it applies to you.

1. Price harmonization aligns prices of goods and services with value proposition and what the market is willing to offer

   Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

2. Consistent price mechanisms encourage customers' patronage of the products of the KAMWIRE Plc Ilorin

   Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

3. Price harmonization makes sales and profits compatible with organization's prestige

   Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

4. Increased profit can rest on being noble in harmonizing prices of goods and services and preventing consumer resentment

Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

5. Is there a significant difference between price discrimination and price harmonization on corporate performance of Nigerian product in Ilorin

   Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

6. The organization was able to reduce operating cost by taking budgeting as a priority at the end of years

   Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

7. Price discrimination is permissible regardless of difference in cost

   Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

8. Does pricing decision have significant effect on firm's performance of the selected Flour Mill?

   Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

9. Price discrimination makes it possible for some customers to avail themselves products and services that would not have been possible with single price.

   Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

10. The organization use of budgeting procedures and implementation is of more benefits to reduce operating costs than the competitors in the same products line.

    Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]

11. There is a noticeable significance difference between price discrimination and harmonization policy of this company.

    Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree [ ]