THE IMPACT OF PRICING STRATEGY IN INCREASING SALES VOLUME (THE CASE IN FIREDERIK FACTORY PLC IN WOLKITE BRANCH)



WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MARKETING MANAGEMENT

A RESEARCH PAPER SUBMITED TO DEPARTEMENT OF MARKATING MANAGEMENT FOR THE PARTIAL FULFILEMENT OF BACHELOR ARTS (BA) DEGREE IN MERKATING

SUBMITTED BY: SOSINA ABAYINEH

ADVISOR: ALEM.Z (MBA)

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ENDORSMENT

Confirmation This research paper is conducted under my supervision and fulfills all requirements of research standard of the program I hereby approve the submission of the senior research paper for examination.

Advisors name;

Signature; _____

Date _____

Board of Examiners Approval Sheet

This is to certify that this senior research project prepared by Sosina Abayineh, entitled: “The Impact of Pricing Strategy in Increasing Sales Volume: The Case in Firederik Furniture Factory P.L.C in Wolkite Branch” and Submitted in Partial Fulfillment of the Requirements for the Degree of Bachelor of Art in Marketing Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

1.1.Approved by Board of Examiner

Examiner: _____ Signature: _____ Date: _____

Examiner: _____ Signature: _____ Date: _____

Advisor: _____ Signature: _____ Date: _____

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Abstract

The study was conducted to evaluate the impact of pricing strategy of Firederik Furniture Factory PLC in Wolkite Branch. The purpose of the study was tried to evaluate how the factory use its price strategy, in order to increase sales volume by satisfying its customer and compute with competitors. This study important for researcher, company, and other by changing theoretical knowledge into practical skill and know the impact of pricing strategies. The researcher would use both primary and secondary data to identify the problems that help for pricing strategy. Primary data would collected by using questionnaires and interviews, secondary data also collected from the written document and website of the company and related literature reviews. The researcher would use simple random sampling technique from probability sampling techniques. The data analysis method would use descriptive method to describing the impact of pricing strategy on sales volume of the company. The researcher would collect data from customers, employees, and managers' of Firederik Furniture Factory finally; the researcher was concluded based on the finding that. So among the total respondents most of the respondents 23(48%) of the customers was dissatisfied by current pricing strategy of the factory.so that the researcher recommended that. The factory should be adjusted or improve its current pricing strategy to retain loyal customers and to attract potential and also 6 (55%) of them were said that the current pricing strategy of the factory affect its sales volume by decreasing sales volume. So that the researcher recommended that the factory's sales goals can be achieved by current pricing strategy like using promotional pricing strategies. And also the factory should understand the effects of pricing strategy on sales volume.

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CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

Marketing, more than any other business function, deals with customers. Marketing means the process by which companies create for customers and build strong customer relationship in order to capture value from customers in return. It consists of the firms marketing mix, the set of marketing tools the firm uses to implement its marketing strategy. The major marketing mix tools are classified into four broad groups, called the four P's of marketing: product, price, place, and promotion. The firm must blend all of these marketing mix tools into a comprehensive integrated marketing program that communicates and delivers the intended value to chosen customers (Kotler, 2010:36).

Among these marketing mixes this study focus on price. Price is the perceived value that is exchanged for something else, most commonly expressed in dollars and cents. Price is one of the elements of the marketing mix that generate revenue the other marketing mix elements are produce costs. Price is perhaps the easiest elements for the marketing mix to adjust product features.

Global pricing can also be based other external criteria such as the escalation in cost when good are shipped long distance across national boundary. The issue of global pricing can also fully integrated in the product design process. Pricing in global market must be evaluated at regular intervals and adjust if necessary. And also pricing strategy is applied in any developing country where the characteristically very little cost information. The objective is to maximize the accuracy of the price while minimizing cost.

Change in pricing strategy has resulted into change in sales volume realized by marketing organizations. Higher prices have generated low sales volume compared to low prices which have generated higher sales volume. Companies have either been sensitive or insensitive to the pricing strategy they should adopt when placing their products to the market.

Different pricing strategies have produced different results with regards to sales volume. Different Pricing strategy by different companies has also resulted into price wars, as companies seek to operate on pricing strategy that will maximize their sales volume hence giving them a competitive advantage. All along pricing strategy has been a major factor affecting buyer choices. This is true in rich and poor nations, among poor groups and with commodity products. Pricing strategy has an impact on the

purchasing power of the company's customers; it has either enhanced their purchasing power or limited it, affecting the sales volume any marketing organization.

Firederik furniture company is one of the company in gurage zone that specializes in producing furniture products.it is located in wolkite town southern part of Ethiopia .its product preferred by the general market because of their quality.

1.2 Statement of the problem

Price is an element of marketing mix that can affect the company's success. Price also affects customer demand, price elasticity of demand, or the responsiveness of demand to changes in price. Price elasticity is higher than advertising elasticity. That is, a certain percentage change in price is stronger effects on sales than the same percentage change in advertising expenditures. For these reasons pricing decisions are among the most important decisions that marketers regularly confront. Most companies like Firederik Furniture Factory Pricing strategies are faced problem that cannot consider customer buying

Ability due to these problem the company cannot achieve sales goals and also customers are did not satisfy in this area. Some companies are profit oriented they charge high price to achieve this pricing objectives. This study was tried to fill the gap between customer and organization with related to pricing strategies.

The reason behind the choose of pricing strategy from other is most Ethiopian companies like Firederik Furniture Factory pricing strategies and customer buying ability does not match and the researcher was tried to assess the impact of pricing strategies and to recommend possible suggestion.

1.3 Basic Research Questions

The main purpose of this study is to answer the following question.

1. What are the relationship between price and sales volume?

2. What are the factors affecting the pricing decisions of the company?

3. What are the pricing objectives of Firederik Furniture Factory?

4. Does the current pricing strategy of Firederik Furniture Factory affect the overall marketing practice?

5. What is the attitude of the customers towards the company pricing strategy?

1.4 Research Objectives

1.4.1 General research objective

The general objective of the study is to evaluate the impact of pricing strategy in increasing sales volume in the case of Firederik Furniture Factory.

1.4.2 Specific research objectives

- To assess the relationship between price and sales volume.
- To assess factors that affecting the pricing decisions of the company.
- To identify the pricing objectives of firederik furniture factory.
- To identify the current pricing strategy of firederik furniture factory and the overall marketing practice.
- To identify the attitude of the customers toward the company pricing strategy.

1.5 Significance of the study

By assessing the impact of pricing strategies toward increasing sales volume the study would probably provide to close the gap between customers and organization.

This study expected to provide the following results.

To the researcher

- It might be help to develop knowledge of the researcher
- It might be help to change theoretical to practical skill
- It might be help to develop the way of problem solving.

To the organization

- It might be help to improve pricing strategies
- It might be help to know impact of pricing strategies

To the other

- It would probably help to provide as reference who wants to conduct research on similar issues.

1.6 Scope of the study

Theoretical the study was tried to describe the impact of pricing strategy on sales volume. It has been better if the study covers the industry as a whole due to a shortage of time and budget; geographically the study was delimited to only Firederik Furniture Factory in wolkite town. In addition to this the study was delimited to only pricing strategy rather than dealing with all Marketing mix such as product strategies, promotion strategies, distribution strategies, and pricing strategies due to time and financial constraints.

1.7 Limitation of the study

In conducting this research paper, the researcher would encounter different kind of problems.
The most serious are indicate as follows

- Inadequacy of data and less availability of related information with the factory's current activities performed.
- Lack of strong experience in the way of research undertaking limited the overall organization of the papers as the beginner and students.
- Unwillingness of respondents because of this the researcher would encounter inadequacy of data.

1.8 Organization of the research paper

The research paper would be organized in logical sequence for the sake of the readers to easily understand. The paper contains the following chapters: -chapter one deals about the introduction part background of the study, background of the organization, statement of the problem, objective of the study, significant of the study, limitation of the study, scope of the study. Chapter two discuss with review of the related literature about pricing strategies. Chapter three deals with methodology of the study and chapter four discuss data analysis and interpretation. Finally, based on the finding of the study summary, conclusion and recommendation was presented on chapter five.

CHAPTER TWO

2. LIRTATURE REVIEW

2.1 Theoretical Literature

Successful marketing does not generally come about by accident it needs to be managed effectively. Central to marketing management is the concept of the marketing mix. The traditional marketing mix has comprised the four elements of product, price, promotion and place. A number of authors have additionally suggested adding people, process, and physical evidence decisions. The marketing mix has merely become a convenient framework for analyzing these decisions. (Palmer, 2000: 20-21)

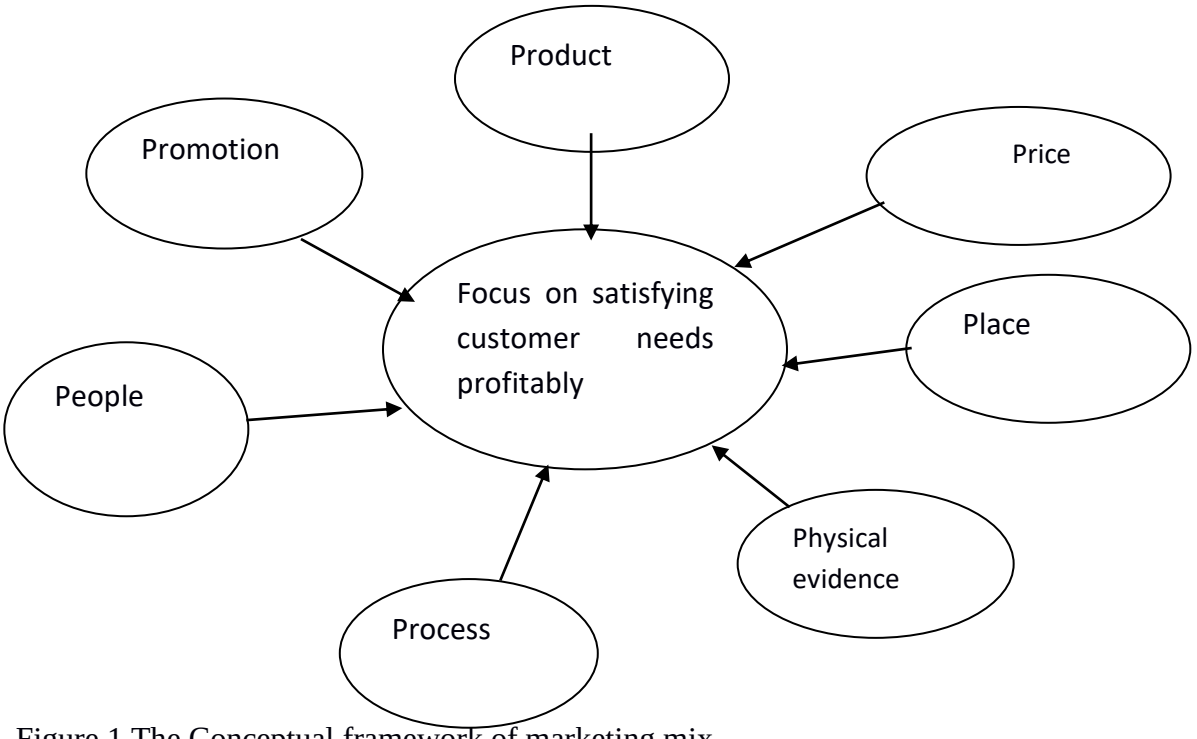


Figure 1 The Conceptual framework of marketing mix

2.2 Meaning of Price

According to Adrian palmer price is the perceived value that is exchanged for something else most commonly expressed in dollars and cents. Price is the only element of the marketing mix that generates revenue the other marketing mix elements produce costs. Pricing can be a very difficult part of the marketing mix to get right, but getting it right can have a big impact on sales volumes and profitability (Kotler, 2004)

Pricing is a critical element of most companies marketing mix, as it determines the revenue that will be generated. If selling price of a product is set too high, a company may not be achieving its sales volume goals. If it is set too low, sales volume goals may be achieved, but no profit earned. Setting prices is a difficult part of the marketing mix. In theory, prices are determined by the interaction of market forces

(buyers and sellers) but, in practice, marketer set prices for individual products on the basis of what they cost to produce, what the competition is charging, and what customers are prepared to pay.

2.3 Pricing Objectives

As Bearden and et'al says that pricing decisions are made to achieve certain objectives consistent with a firm's overall mission and marketing strategy. Five objectives commonly guide pricing decisions: ensuring market survival; enhancing sales growth; maximizing company profits; deterring competition from entering a company's niche or market position; and establishing or maintaining a particular product quality image. Firms may pursue a combination of these objectives.

A. Market survival

In some instances, a firm must set prices to ensure its short-term survival. That is, the firm adjusts prices so it can stay in business. Excess production capacity, for example, may require a firm to lower prices so it can keep plants open and maintain operations. In some instances, a firm may adjust prices upward if increased revenues are required; pricing for survival is a short-term objective, however. At some point, profitability and return on investment must be satisfactory to ensure long term success (Bearden and et'al, 2007:251-254).

B. Sales Growth

Companies set prices to stimulate sales growth, realizing that price and sales volume are inversely related (lower prices will normally increase volume). The benefits from higher volume are based on the assumption that increased sales lower unit production costs, increase total revenues, and enhance profits at lower unit prices. Penetration pricing is often the strategy used to accomplish this objective. Firms set penetration prices low to encourage initial product trial and generate sales growth, often as part of market entry strategies. The assumption is that the market is sensitive to price differences and that low prices will drive up sales. In this case, short term profits are scarified for future growth.

Market share describes the firm's portion, or percentage, of the market or total industry sales. Price setting to maximize market share is similar to price setting in pursuit of sales growth

(Bearden and et'al, 2007:25).

C. Profitability

Maximization of profit is a frequently stated objective for many companies. Yet this objective is difficult to implement. Profit maximization requires complete understanding of cost and demand relationship; and estimates of cost and demand for different price alternatives are difficult to obtain. Increased prices can affect profitability three to four times more than increases in sales volume at constant prices. Price skimming is a strategy often associated with profit maximization. It includes setting prices high initially to appeal to consumers who are not price sensitive. In sequential skimming, the firm subsequently lower prices to appeal to the next most lucrative segments. This strategy allows

companies to maximize profits across segments. Moreover, consumers may associate product prestige and quality with the high introductory prices prevalent in a skimming approach.

Profitability is often related to return on investment (ROI). ROI is the ratio of income before taxes to total operating assets associated with the product, such as plant and equipment and inventory. As for profitability objectives, the evaluation of the effects of alternative prices on ROI requires realistic estimates of cost and demand for a product or services at different prices.

(Bearden and et'al, 2007:253-254)

D. Competitive Pricing

Prices may also be set in reaction to competition. As in penetration pricing, a firm may keep prices low to inhibit competition from entering. Or it may set prices close to those of lower priced competition to avoid losing sales. Price competition Occurs most often when the competing brands are very similar, or when the differences between brands are not apparent to prospective buyers. (Bearden and et'al, 2007:254).

E. Quality and Image Enhancement

Firms often keep prices at a premium to maintain an image of product quality leadership. Prestige pricing is based on the premise that some buyers associate price with quality and avoid products or services for which they perceive prices as too low (Bearden and et'al, 2007:255).

2.4. Influences on Pricing Decisions

To ensure that pricing decisions are effective and consistent with the firm's objectives, marketers should consider costs, customers, channels of distribution, competition, and compatibility. These five elements represent the critical influences on pricing decisions (Bearden and et'al, 2007:255).

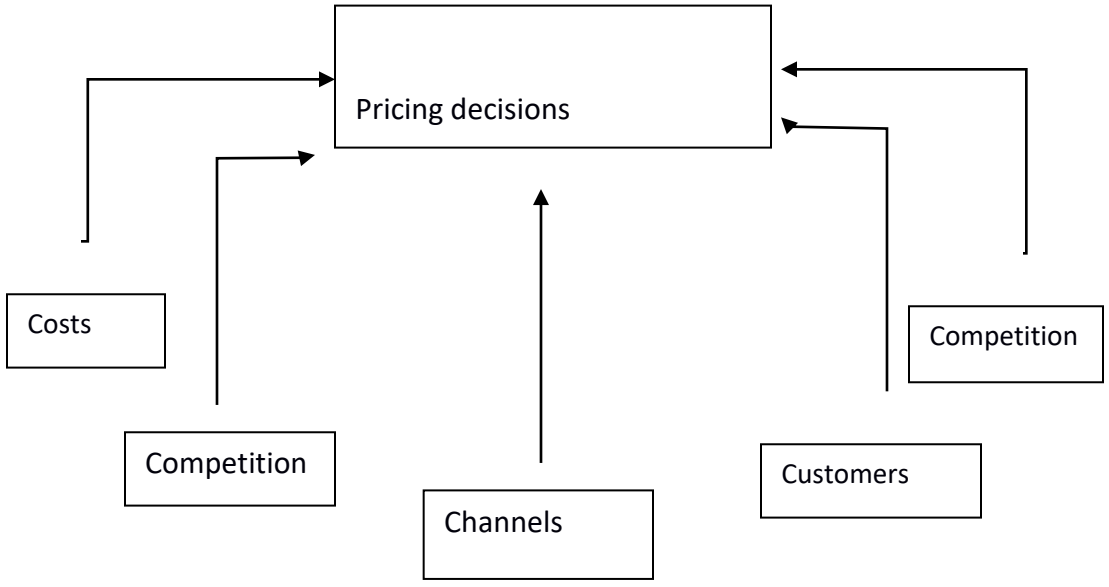


Figure 2 Influences on pricing decisions

2.5Pricing strategies

2.5.1 New Product pricing strategies

Pricing strategies usually change as the product passes through its life cycle. The introductory stage is especially challenging companies bringing out a new product face the challenge of setting prices for the first time. They can choose between two broad pricing strategies market skimming pricing and market penetration pricing.

A. Market skimming pricing

Setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price; the company makes fewer but more profitable sales. Market skimming makes sense only under certain conditions.

First, the products quality and image must support its higher price and enough buyers must want the product at that price. Second, the cost of producing a smaller volume cannot be so high that they cancel the advantage of charging more. Finally, competitors should not be able to enter the market easily and undercut the high price (kotler, 2010:336).

B. Market Penetration

Setting a low price of a new product in order to attract a large number of buyers and to get a large market share. High sales volume results in falling costs, allowing the companies to cut their prices even further.

Several conditions must be met for this low-price strategy to work. First, the market must be highly price sensitive so that a low price produces more market growth. Second, production and distribution costs must fall as sales volume increases. Finally, the low price must help keep out the competition, and the penetration prices must maintain its low-price position. Otherwise, the price advantage may be only temporary (Kotler, 2010:337).

2.5.2 Product Mix Pricing Strategies

The strategy for setting a product's price often has to be changed when the product is part of a product mix. There are five product mix pricing strategies: -product line pricing, product pricing, captive product pricing, By-product pricing and product bundle pricing.

A. Product line pricing

Setting the price steps between various products in a product line based on cost difference between the products, and customer evaluations of different features and competitors prices.

B. Optional product pricing

Optional product pricing is pricing of optional or accessory products along with a main product.

C. Captive product pricing

Setting a price for product that must be used along with a main product.

D. By –product pricing

Setting a price for by-product in order to make the main products price more competitive. Producing products and service often generates by-products. If the by-products have no value and if getting rid of them is costly; this will affect the pricing of the main product.

E. Product bundle pricing

Using product bundle pricing sellers often combine several of their products and offer the bundle at a reduced price (kotler, 2010: page 336-338).

2.5.3 Price adjustment strategy

Companies must adjust their basic prices to adjust for customers and situational differences. there are seven price adjustment strategies these are discount and allowance pricing segmented, psychological pricing geographical pricing dynamic pricing and international pricing (Kotler Armstrong, 2010: page 339-348).

A. Discount and allowance pricing

Most companies adjust their basic price towards customers for certain responses, such as early payments of bills, volume purchase, and off season buying. This price adjustment can take many forms like cash discount, quantity discount trade (functional discount) and seasonal discounts. Allowances like trade in allowance and promotional allowance. According to Kotler and Armstrong this pricing strategy are reducing prices to reward customer response such as paying early or promoting the product.

B. Segmented pricing

Companies will often adjust their basic prices to allow for difference in customers, products, locations. In segmented pricing, the company sells a product or service at two or more prices, even though the difference in prices is not based on difference in costs segmented pricing takes several forms like customer segment pricing product form pricing, location pricing and time pricing.

C. Psychological pricing

In using psychological pricing, seller consider the psychology of prices not simply the economic, the price is used to say something about the product.

D. Promotional pricing

Companies will temporarily be pricing their products below list price and sometimes even below cost to create buying excitement and urgency. Promotional pricing takes several forms such as discounts, special event pricing, cash rebates, low interest financing, longer warranties and free maintenance.

Companies can use several pricing techniques to stimulate early purchase.

Loss- leader pricing: -supermarkets and department stores often drop the price on well-known brands to stimulate additional store traffic. This pays if the revenue on the additional sales compensates for the lower margins on loss leader items. Manufacturers of loss leader brands typically object because this practice can dilute the brand image and bring complaints from retailers who charge the list price. Manufacturers have tried to restrain intermediaries from loss leader pricing through lobbying for retail price maintenance laws, but these laws have been revoked.

Special event pricing: -sellers will establish special price in certain seasons to draw in more customers.

Cash rebates: -Auto companies and other consumer goods companies offer cash rebates to encourage purchase of the manufacturers' products within a specified time period. Rebates can help clear inventories without cutting the stated list price.

Low interest financing: -Instead of cutting its price, the company can offer customers low- interest financing. Automakers have even announced No-interest financing to attract customers.

Longer payment terms: -sellers, especially mortgage banks and auto companies, stretch loans over longer periods and thus lower the monthly payments. Consumers often worry less about the cost (i.e. the interest rate) of a loan and more about whether they can afford the monthly payment.

Warranties and service contracts: -companies can promote sales by adding a free or low-cost warranty or service contract. Psychological discounting: -this strategy involves setting an artificially high price and then offering the product at substantial savings; for example, ‘was $359, now$299."Promotional pricing strategies are often a zero-sum game. If they work, competitors copy them and they lose their effectiveness. If they do not work, they waste money that could have been put into other marketing tools, such as building up product quality and service or strengthening product image through advertising. The company should try to maintain its quality as it cuts prices. Alternatively, the company might maintain its price but raise the perceived value of its offer. It could improve its communications, stressing the relative value of its product over that of the lower price competitors. The firm may find it cheaper to maintain price and spend money to improve its perceived value them to cut price and operate at a lower margin. Or, the company might improve quality and increase price, moving its brand into a higher price value position.

The higher quality creates greater customer value, which justifies the higher price. In turn, the higher price preserves the company's higher margins. Finally, the company might launch a low-price "fighting brand" adding a lower price item to the line or creating a separate lower- price brand. This is necessary if the particular market segment being lost is price sensitive and will not respond to arguments of higher quality. Thus, to counter store brands and other low-price entrants, Proctor and Gamble turned a number of its brands into fighting brands (Kotler, p.350).

E. Geographical pricing

A company also must decide how to price its products for customers located in different parts of the country or world.

According to Kotler there are five geographical pricing strategies: -

FOB-Origin Pricing: it is a geographical pricing strategy in which goods are placed free on board a carrier; the customer pays the freight from the factory to the destination.

Uniform delivered pricing: it is geographical pricing strategy in which the company charges the same price plus freight to all customers, regardless of their location.

Zone Pricing: it is a geographical pricing strategy in which the company sets up two or more zones. All customers with in a zone pay the same total price; the more distant the zone the higher the price.

Basing point pricing: it is a geographical pricing strategy in which the seller designates some city as a basing point and charges all customers the fright cost from that city to the customer location.

Fright absorption pricing: it is geographical pricing strategy in which the seller absorbs all or part of the fright charges in order to get the desired business.

F. Dynamic pricing

Throughout most of history, prices were set by negotiation between buyers and sellers. Fixed price policies are setting one price for all buyers are a relatively modern idea that arose with the development of large-scale retailing at the end of the 19th century. Today, most prices are set this way. However, some companies are now reversing the fixed pricing trend. They are using dynamic pricing it adjusting prices continually to meet the characteristics and needs of individual customer and situations.

G. International pricing

Companies that market their products internationally must decide what prices to in the different countries in which they operate. Costs play an important role in setting international prices. Price has become a key element in the international marketing strategies of companies attempting to enter emerging markets (Kotler, 2010:334-347)

2.6 Price Changes

After developing their pricing structures and strategies, companies often face situations in which they must initiate price changes or respond to price changes by competitors.

Initiating price changes

In some cases, the company may find it desirable to initiate either a price cut or a price increase. In both cases, it must anticipate possible buyer and competitor reactions.

Initiating Price Cuts

Several situations may lead a firm to consider cutting its price. One such circumstance is excess capacity. Another is falling demand in the face of strong price competition. In such cases, the firm may

aggressively cut prices to boost sales and share. But as the airline, fast food, automobile, and other industries have learned in recent years, cutting prices in an industry loaded with excess capacity may lead to price wars as competitors try to hold on to market share.

A company may also cut prices in a drive to dominate the market through lower costs. Either the company starts with lower costs than its competitors, or it cuts prices in the hope of gaining market share that will further cut costs through larger volume.

Initiating price increases

A successful price increase can greatly improve profits. For example, if the company's profit margin is 3% of sales, a 1% price increase will boost profits by 33% if sales volume is unaffected.

A major factor in price increases is cost inflation. Rising costs squeeze profit margins and lead companies to pass cost increase along to customers.

Another factor leading to price increases is over demand; when a company cannot supply all that its customers' needs, it may raise its prices, ration products to customers, or both. Consider today's worldwide oil and gas industry. When raising prices, the company must avoid being perceived as a price gouger. For example, facing rapidly raising gasoline prices, angry customers are accusing the major oil companies of enriching themselves at the expanse of consumers. Customers have long memories and they will eventually turn away from companies or even whole industries that they perceive as charging excessive prices.

In the extreme, claims of price gouging may even bring about increased government regulation.

There are some techniques for avoiding these problems. One is to maintain a sense of fairness surrounding any price increase.

Price increases should be supported by company communications telling customers why prices are being raised.

Making low visibility price moves first is also a good technique; some examples include dropping discounts, increasing minimum order sizes, and curtailing production of low margin products. The company sales force should help business customers find ways to economize. (kotler:348)

Responding to price changes

Here we reverse the questions and ask how a firm should respond to a price change by a competitor. The firm needs to consider several issues; why did the competitor change the price? Is the price change temporary or permanent? What will happen to the company's market share and profits if it does not respond? Are other competitors going to respond? Besides these issues, the company must also consider its own situation and strategy and possible customer reactions to price changes. Suppose the company learn that a competitor has cut its price and decides that this price cut is likely to harm company sales and profits. It might simply decide to hold its current price and profit margin.

The company might believe that it will not lose too much market, or that it would lose too much profit if it reduced its own price. Or it might decide that it should wait and respond when it has more information on the effects of the competitor's price change. However, waiting too long to act might let the competitor get stronger and more confident as its sales increase. If the company decides that effective action can and should be taken, it might make any of four responses.

First, it could reduce its price to match the competitor's price. It may decide that the market is price sensitive and that it would lose too much market share to the lower priced competitor. Cutting the price will reduce the company's profits in the short run. Some companies might also reduce their product quality, services, and marketing communications to retain profit margins, but this will ultimately hurt long run market share.

The company should try to maintain its quality as it cuts prices. Alternatively, the company might maintain its price but raise the perceived value of its offer. It could improve its communications, stressing the relative value of its product over that of the lower price competitors. The firm may find it cheaper to maintain price and spend money to improve its perceived value than to cut price and operate at a lower margin. Or, the company might improve quality and increase price, moving its brand into a higher price value position. The higher quality creates greater customer value, which justifies the higher price. In turn, the higher price preserves the company's higher margins.

Finally, the company might launch a low-price "fighting brand" adding a lower price item to the line or creating a separate lower price brand. This is necessary if the particular market segment being lost is price sensitive and will not respond to arguments of higher quality.

Thus, to counter store brands and other low-price entrants, Proctor & Gamble turned a number of its brands into fighting brands (Philip Kotler:350).

2.7 Setting the Price

A company must consider many factors in setting a product's price. A firm must set a price when it introduces a new product, launches its regular product into a new geographical area, or bids on contract work. The six-step procedure for setting pricing policy is:

1. Select the pricing objectives;
2. Determine demand;
3. Estimating cost;
4. Analyze Competitors Costs, prices and offers;
5. Select a pricing method;
6. Select the final price.

Step 1: - Selecting the Pricing Objective

A company can pursue any of five major objectives through pricing survival, maximum current profit, maximum market share, maximum market skimming, or product-quality leadership.

Survival- is a short-term objective that is appropriate for companies plagued with over capacity, intense competition, or changing consumer wants. As long as prices cover variable costs and some fixed costs, the companies stay in business.

To gain the maximum current profit, companies estimate the demand and costs associated with alternative prices and then choose the price that produces maximum current profit, cash flow, or return on investment.

Maximum market share, believing that higher sales volume will lead to lower unit costs and higher long run profit. With market penetration pricing, the firm sets the lowest price, assuming the market is price sensitive. Other companies favor setting high prices to skim the market.

Market skimming pricing, in which prices start high and slowly drop over time.

Companies that aim to be product-quality leaders can either offer affordable luxuries at prices just high enough not to be out of reach or products combining quality, luxury, and premium prices (Kotler & Keller: 2009 p 234-235).

Step 2: - Determining demand

Each price will lead to a different level of demand and will have a different impact on a company's marketing objectives. A demand curve shows the relationship between price and demand. Normally, demand and price are inversely related. The higher the price, the lower the demand. For prestige goods, the demand curve sometimes slopes up ward demand because some customers take the higher the price to signify a better product Yet if the price is too high demand may fall (Kotler & Keller;2009:235).

The first step in estimating demand is to understand what affects price sensitivity. Generally speaking, customers are fewer prices -sensitive to low cost items or items they buy infrequently.

Some factors leading to less price sensitivity.

- The expenditure is small relative to the buyer's income.
- Others pay part of the purchase price.
- The cost of switching suppliers is high.
- The buyer can't easily compare suppliers
- The cost of not getting the expected benefits is high.
- The product is a small part of the cost to obtain an important benefit.
- The price is a proxy for the product's likely quality
- The price is within the range buyers perceive as" fair" or "reasonable."

  (Kotler &Keller: 2009:235).

Step 3: Estimating Costs

Whereas demand sets a ceiling on the price of a company's product, costs set the floor. The company wants to charge a price that covers its cost of producing, distributing, selling the product, including a fair return for its effort and risk.

Types of costs and levels of production, a company's costs take two forms. Fixed costs(also known as overhead) are costs that don't vary with production or sales revenue, such as payments for rent, heat, salaries and other bills that must be paid regardless of output. Variable costs vary directly with the level of production.

Total costs are the sum of the fixed and variable costs for a given level of production. Average cost is the cost per unit at the level of production. To price intelligently, management needs to know how its costs vary with different levels of production (Kotler & Keller; 2009:236).

Step 4: Analyzing Competitors Costs, Prices and Offers

Within the range of possible price determined by market demand and company costs, the firm must take into account competitors costs, prices and possible price reactions. If the firm's offer contains features not offered by the nearest competitor, the marketer should evaluate their worth to the customer and add that value to the competitor's price. If the competitor's offer contains some features not offered by the firm, the marketer should subtract their value from its own price. Now the firm can decide whether it can charge more, the same, or less than the competitor, remembering the competitors can change their prices at any time.

Step5: Selecting a Pricing Method The three Cs- the customers' demand schedule, the cost function, and competitors' prices are major considerations in selecting a price (Kotler & Keller; 2009:238)

The Three Cs Model for Price Setting

Costs set a floor to the price, and competitors' prices and the price of substitutes provide an orienting point. Customers' assessment of unique product features establishes the price ceiling. We will examine six (6) price setting methods:

1. Markup pricing
2. Target returns pricing
3. Perceived value pricing
4. Value pricing
5. Going -rate pricing
6. Auction type pricing

Step 6: Selecting the Final Price

Pricing methods narrow the range from which the company selects its final price. In selecting that price, the company must consider factors such as the impact of other marketing activities, company pricing policies, gain and risk sharing pricing, and the impact of price on other parties (Kotler & Keller; 2009:243).

2.8 Empirical Review

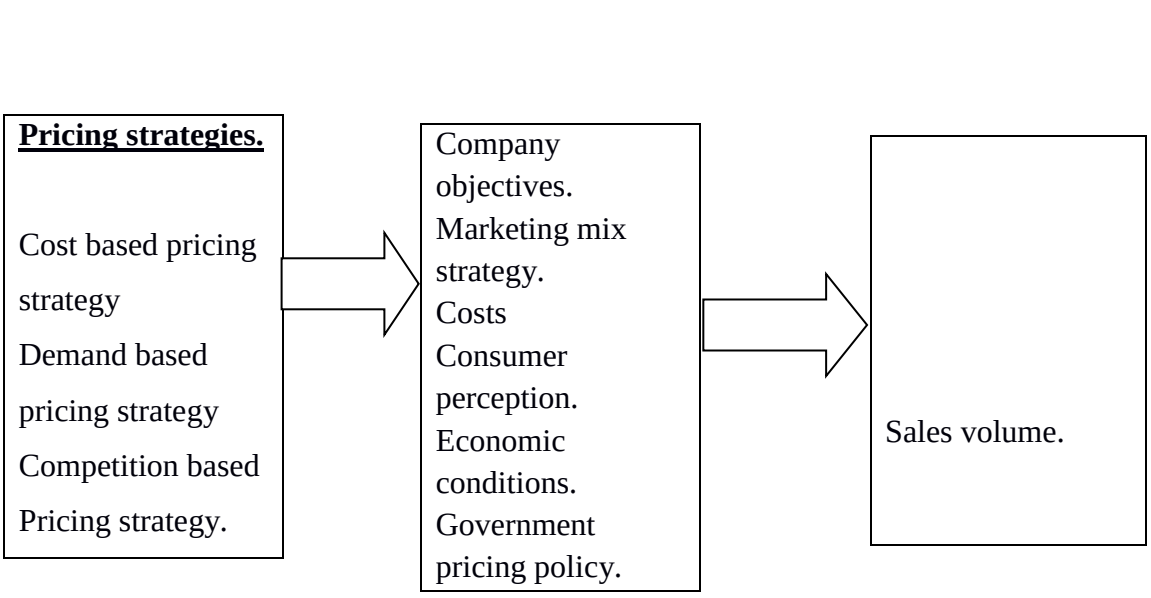
Agw (2014) researched on the impact of of pricing strategies on the sales volume. The researcher utilized a descriptive and historical method and relied heavily and solely on secondary instruments as sources of data. Findings from the researcher's data indicated that consumers have a perception of value reflected in prices of firm's products. It was also found out that competitor' price affects the sales volume and informs purchase decision. Therefore, the researcher recommends that firms should focus on communicating value to customers through prices and should also be on the watch for competitors' prices and examine how much it affects purchase of their products.

Michael et al. (2012) conducted a research on the relevance of pricing strategies on corporate performance in Nigeria. The researchers adopted descriptive research design and secondary method of data collection was used. They used regression model for analysis. The study revealed that pricing strategies have a great influence on the performance of breweries. It further revealed the extent to which both variables are correlated. The sales strategy adopted by the researchers revealed to be negatively related to the performance of the brewery industry in Nigeria. It was recommended that effective cost and discounting system should be adopted by the brewery industry to attract more customers under the condition that product quality will not be compromised.

Victor (2014) carried out a study on price strategies as a determinant of performance on Romanian companies in export markets. Specifically, the study was focused on mark-up pricing strategy and price skimming strategy. The methodology adopted for the study was a cross sectional design method using questionnaire as a major data collection instrument. The target population for the study was 54 exporting companies in Romanian. The study employed stratified random sampling; selecting 22 companies that were used as a study focal point. The data collected was analyzed using SPSS. The study found among others that mark-up and skimming pricing strategy has no positive effect on sales of export products

2.9 Conceptual frame work

From the below figure, a company's sales volume is dependent on the pricing strategies it pursues. A company can pursue cost based pricing strategy, demand based pricing strategy, or demand based pricing strategy to enhance its sales volume. A company has to put into consideration the factors affecting pricing strategy adopted. These factors include company objectives, marketing strategy mix, costs, consumer perception, and economic condition. If these factors are favorable, that is, they support the pricing strategy adopted by a company, higher sales volume will be experienced by the company. However, if these factors limit the pricing strategy adopted, they may result into low sales volume.



CHAPTER THREE

1. RESEARCH METHDOLOGY

1.1Research Type

The researcher would be used descriptive research approach because it is better to describe the impact of pricing strategy on sales volume.

3.2 Target Population

The target populations of the study are customers and employees of Firederik Furniture Factory PLC as well as the person who use and buy the factory product. Therefore, the researcher was tried to cover those target population to get required data and recommendation. The target populations of this study are 600 customers and 11 employees of Firederik Furniture Factory PLC in wolkite branch.

3.3 Sampling Method and Sample Size

From target population of the study (611 individuals) the researcher would be taken a sample. From this target population 600 individuals are customers of Firederik Furniture Factory PLC in wolkite branch and the rest 11 individuals are employees of the factory.

Due to time and cost constraints the researcher would be taken a sample. From 600 customers, the researcher would be taken a sample of 60 individuals or 10% of the target population and from employees, the researcher would be taken the whole employees of the factory in wolkite branch because the number of employees is small and also the researcher would be used simple random sampling techniques from probability sampling techniques due to give equal chance to respondents to be selected.

3.4 Sources of Data

The researcher would be used both types of data primary and secondary data to identify the problems that related to pricing strategy. Primary sources, primary data would be collected from customer and employees of Firederik Furniture Factory PLC in wolkite branch. Secondary sources were gathered from existing and published related materials.

3.5 Data Collection Method

The researcher would have been different types of data from different questionnaires, interview, and other sources. The motive of the student researcher to use this type of data collection method is a primary data collection method is best fit and more reliable than other data collection method.

The researcher would be gathered data from customer and employees of the factory through distributed and gathered important questionnaire. The researcher would also collected secondary data through review of related literature regarding the study. Data would be collected from company written documents and previous research related to pricing strategy.

3.6 Method of Data Analysis

The collected data would be analyzed in clear and précised way to be understandable to readers. The researcher would be used qualitative and quantitative data analysis method. The data would be analyzed through descriptive analysis method. That means the researcher was described the study based on the data collected from employees and customers of the factory. From the descriptive analysis method, the researcher would be used percentage and tabulation to analyze the data because its simplicity and clarity for drawing inferences.

CHAPTER FOUR

2. Data presentation, analysis and Interpretation

This section deals about data analysis and interpretation that were collected from customers and employees of the factory through questionnaires. The questionnaires were distributed to 60 customers and 11 employees, but only 48 customers and all employees have filled the questionnaire properly and returned for subsequent analysis.

4.1 Customer Responses

Table 1 Personal information of factory's customers

Item	Description	Respondents	
		No of response	Percentage (%)
1.	Sex		
	Male	39	81%
	Female	9	19%
	Total	48	100%
2	Age		
	18-25	11	23%
	26-40	23	48%
	41-55	11	23%
	Above 55	3	6%
	Total	48	100%
3	Marital status		
	Married	36	75%
	Unmarried	12	25%
	Total	48	100%
4	Educational level		
	Below 10^{th} grade	8	16.6%
	10-12 grade	9	19%
	Certificate	6	12.4%
	Diploma	11	23%
	Degree	13	27%
	Above degree	1	2%
	Total	48	100%

Source, own survey 2015

According to the above table presents the personal data of customer. Among the respondent's personal data concerning to sex 39(81%) of the respondents were male and 9(19%) of them were females. The survey showed that there were more males as compared to females' respondents. Regarding to age 11(23%) of the respondents were age between 18-25 years, 23(48%) of the respondents were age between 26-40 years, 11(23%) of the respondents were age between 41-55 years and the rest 3(6%) of them were age above 55 a years. From these the researcher concludes that most of the respondents were adult person. Regarding to marital status 36(75%) of the respondents were married and the rest 12(25%) of the respondents were unmarried. From these data the researcher can conclude that most of the respondents were married. When we come to respondents' educational level 8(16.6%) of the respondents were below 10^{th} grade, 9(19%) of the respondents were between 10-12^{th} grade, 6(12.4%) of them were certificate, 11(23%) of the respondents were diploma, 13(27%) of them were degree, and the rest 1(2%) of them were above degree. From this one can understand that the higher percentages of the respondents were diploma and degree, but there are no more educated respondents above degree.

Customer Responses to Close-Ended Questions

Table 2 Purpose of the factory product

Item	Description	Respondents	
		No of responses	Percentage (%)
1	For what purpose do you buy the product from firederik Furniture Factory?		
	For final use	48	100%
	For reselling	-	-
	For raw materials	-	-
	Total	48	100%

Source, own survey 2015

As indicated the above table out of 48 customers 48(100%) of them were said that the reason to purchase the factory product for final use, but there is no one said whether for reselling or for raw materials. Based on this information the researcher can conclude that all sample customers were purchased the factory product for final use.

Table 3 views of customers towards the factory's current pricing strategy

Item	Description	Respondents	
		No of response	Percentage (%)
1	How do you see the current pricing strategy of the factory?		
	Very good	-	-
	Good	11	23%
	Medium	27	56%
	Poor	10	21%
	Very poor	-	-
	Total	48	100%

Source, own survey 2015

From the above table the views of customers on the factory's current pricing strategy 11(23%) of them were said that the factory's current pricing strategy were good, 27(56%) of them were said that medium, 10(21%) of them were poor, and also there is no one can be said that the factory's current pricing strategy is very good, and very poor.

From this the researcher can understand and conclude that most customers said that the current pricing strategy of the factory is medium, but there is no one said that the factory's current pricing strategy is very good. This indicated that the factory's current pricing strategies were not satisfied more and it should be improving their current pricing strategy to get positive response from the customers.

Table 4 the price of the factory product and customers buying ability

Item	Description	Respondents	
		No of response	Percentage (%)
1	Does the price of the factory product match the customers buying ability?		
	Yes	8	17%
	No	40	83%
	Total	48	100%
2	How does the current price of the factory products affect your buying characteristics?		
	Decrease purchase volume	39	81%
	Increase purchase volume	3	6%
	Search another alternative	6	13%
	No effect	-	-
	Total	48	100%
3	Do you think that current pricing strategy of Firederik furniture factory consider customer's buying ability?		
	Yes	6	12.5%
	No	42	87.5%
	Total	48	100%

Source, own survey 2015

As shown in the above table out of 48 customers 40(83%) of them said that the price and the customers buying ability is not match each other, and 8(17%) of them were said that the price of the product and customers buying ability is match each other. Based on this the researcher can conclude that the price of the factory product is not matching the customers buying ability because most of the respondents respond this.

When we come to the effects of current price of the product on customers buying characteristics. Out of 48 customers 39(81%), 3(6%), and 6(13%) of them were said that current price of the factory product affects the customers buying ability by decreases purchase volume, by increases purchase volume, and by searching other alternative respectively. And also, there is no one said that current price of the factory product has no effect on customers buying characteristics. Based on this data the researcher can conclude that the price of the factory product more affects the customer's characteristics by decreasing purchase volume because most of the respondents said this.

As shown in the above table out of 48 customers 6(12.5%) and 42(87.5%) of them were said that the current pricing strategy of the factory considers customer buying ability, and does not considers customers buying ability respectively. From the above information the researcher can conclude that the factory should be considering the customers buying ability.

Table 5 Power in determining the price of the factory product

Item	Description	Respondents	
		No of response	Percentage (%)
1	Who have strong power in determining the price of the factory's product?		
	Buyers	1	2%
	Sellers	45	94%
	Both	2	4%
	Government	-	-
	Total	48	100%

Source, own survey 2015

As shown in the above table out of 48 customers 45(94%) of them were said that sellers have strong power in determining the price of the product, 2(4%) of them were said that both buyers and sellers have equal power in determining the price of the product, and the rest 1(2%) of them were said that buyers have strong power in determining the price of the product, but there is no one said that whether both or government. From the respondent's response the researcher cam conclude that the price of the factory product is determined or set by the factory itself or sellers of the factory and the buyers have less power in setting or determining the price of the product, and also the government is no power in determining or setting the price the factory product.

Table 6 Price and quality of factory product

No	Description	Respondents	
		No of response	Percentage (%)
1	How do you see the quality of Firederik furniture factory product?		
	Very high	39	81%
	High	6	13%
	Medium	3	6%
	Poor	-	-
	Very poor	-	-
	Total	48	100%
2	Do you think that the price and quality of the factory product match each other?		
	Yes	20	42%
	No	28	58%
	Total	48	100%
3	How much the current price of the factory product when you compare with other relative factory, which offer similar product in the town of Wolkite?		
	Very high	42	87.5%
	High	5	10.4%
	Same	1	2.1%
	Low	-	-
	Very low	-	-
	Total	48	100%

Source, own survey 2015

According to the above table 39(81%), 6(13%), and 3(6%) of the respondent's opinion towards the quality of the factory product is very high, high, and medium respectively and there is no one said that the quality of the factory product is poor and very poor. Based on this the one can conclude that the

quality of the factory product is very high because most customers said this. So, the factory should be continuing the quality of the product because high quality products can attract potential customers and retain current customers.

When we come to the opinion of customers towards the price and quality of the product relationship, out of 48 customers 28(58%) of them were said that the current price and the factory product quality is not match each other, but 20(42%) of them were said that the current price and the factory product is match each other. From this the researcher can conclude that most customers were said that the current price and quality of factory product is not matching each other. So, the factory should be matching the price and quality of its product to satisfy current customers and attract potential customers.

As shown in the above table out of 48 customers 42(87.5%), 5(10.4%), and 1(2.1%) of them were said that the level of the factory current price with compare another factory is very high, high, and the same to other factory respectively. And also no one said that the factory product price is low and very low compare to another factory. From this the researcher can conclude that the current price of the factory product is very high based on the respondent's responses. So, the factory should be adjusted or improve its current pricing strategy to retain loyal customers and to attract potential customers.

Table 7 Level of customer satisfactions with current price of the factory product

Item	Description	Respondents	
		No of responses	Percentage (%)
1	How much are you satisfied by current pricing strategy of the factory?		
	Highly satisfied	5	10%
	Satisfied	9	19%
	Moderate	11	23%
	Dissatisfied	23	48%
	Highly dissatisfied	-	-
	Total	48	100%

Source, own survey 2015

As shown in the above table out of 48 customers 5(10%), 9(19%), 11(23%), 23(48%) of them were said that highly satisfied, satisfied, moderate satisfied, and dissatisfied by current price of the factory product respectively, but there is no one said that highly dissatisfied by current price of the factory product. Based on this information the researcher can conclude that most of customers are dissatisfied by current price of the factory product.

Table 8 Reason for preference of the factory product

Item	Description	Respondents	
		No of response	Percentage (%)
1	Why Firederik Furniture Factory's product preferred from other?		
	Due to low cost	1	2.1%
	Better quality	43	89.6%
	Availability	4	8.3%
	Better customer service	-	-
	Tot	48	100%

Source, own survey 2015

According to the above table out of 48 customers 1(2.1%), 43(89.6%), and 4(8.3%) of them were said that the reason for preferred the factory product due to low cost, better quality, and product availability, respectively and there is no one said that better customer service. From this the researcher can conclude that most customers preferred the factory product due to better product quality as said them.

Table 9 Purchasing Occasions of the *factory product*

Item	Description	Respondents	
		No of response	Percentage (%)
1	In which occasions mostly purchased the factory product?		
	During holiday	32	66.7%
	During wedding	8	16.6%
	During other ceremony	8	16.6%
	Total	48	100%

Source, own survey 2015

As indicated the above table out of 48 customers 32(66.7%), 8(16.6%), and 8(16.6%) of them were said that mostly purchased the factory product during holiday, during wedding, and during other ceremony, respectively. From these the researcher can conclude that most customers were purchased mostly the factory product during holiday as said them.

Table 10 Attitude of customers towards the factory current pricing strategy

	Description	Respondents	
		No of responses	Percentage (%)
1	What is the attitude of customer towards the factory pricing strategy?		
	Reasonably high	18	37.5%
	Expensive	30	62.5%
	Cheap	-	-
	Total	48	100%

Source, own survey 2015

As indicated in the above table out of 48 customers 18(37.5%) and 30(62.5%) of them were said that the pricing strategy of the factory is reasonably high and expensive respectively, and there is no one said that the current price of the factory product is cheap. Based on this information most customers said that the current price of the factory product is expensive as said them.

Customer's Response to Open -Ended Questions

Most customers were said that the factory product price is very high to compare with customer buying ability so the factory should be considered customer buying ability to retain current customers and to attract potential customers.

4.2 Employees Responses

Table 11 Personal information of factory's employees

Item	Description	Respondents	
		No of response	Percentage (%)
1.	Sex		
	Male	6	55%
	Female	5	45%
	Total	11	100%
2	Age		
	18-25	5	45.45%
	26-40	4	36.35%
	41-55	2	18.2%
	Above 55	-	-
	Total	11	100%
3	Marital status		
	Married	4	36%
	Unmarried	7	64%
	Total	11	100%
4	Educational level		
	10-12th grade	3	27%
	Certificate	-	-
	Diploma	5	46%
	Degree	3	27%
	Above degree	-	-
	Total	11	100%
5	Service years		
	Below 5 years	11	100%
	5-10	-	-
	11-15	-	-
	Above 15 years	-	-
	Total	11	100%

Source, own survey 2015

According to the above table presents the personal data of employees. Among the respondent's personal data concerning to sex 6(55%) of them were males and 5(45%) of them were females. The survey showed that there were more males as compared to females' employees. Regarding to age 5(45.45%) of the respondents were age between 18-25 years, 4(36.35%) of the respondents were age between 26-40 years, and 2(18.2%) of the respondents were age between 41-55 years. From this the researcher concludes that most of the respondents were adult person. Regarding to marital status 4(36%) of the respondents were married and 7(64%) of the respondents were unmarried. Based on this data the researcher can conclude that most of the respondents were unmarried. When we come to respondents' educational level 3(27%) of the respondents were between 10-12th grade, 5(46%) of the respondents were diploma, and 3 (27%) of them were degree. From this one can understand that most of the factory's employees were diploma and the factory has no more educated employees above degree.

Based on the above table out of 11employee respondents all 11(100%) of them were less than five years work experience, but there is no one have more than five years work experience. Based on the employee's response the factory's branch was opened two years ago and the employees of this factory branch were new.

Employees Responses to Close-Ended Questions

Pricing Objectives of the factory

Item	Description	Respondents	
		No of responses	Percentage (%)
1	Which of the following pricing objectives is the factory currently following?		
	Market survival	-	-
	Profit Maximization	7	64%
	Competitive pricing	-	-
	Sales growth	2	18%
	Quality and Image Enhancement	2	18%
	Total	11	100%

Source, own survey 2015

As shown in the above table out of 11 employees 7(64%) were said that the factory current pricing objectives is profit maximization, 2(18%) were said that sales growth, 2(18%) were said that quality and image enhancement, and there is no employees said that whether market survival or competitive pricing

objectives. From this the researcher can conclude that the current pricing objectives of the factory is profit maximization because more employees were said that.

Table 12 Relationship between price and sales volume

Item	Description	Respondents	
		No of response	Percentage (%)
1	How does the current pricing strategy of the factory affect sales volume?		
	By increasing sales volume	5	45%
	By decreasing sales volume	6	55%
	Total	11	100%
2	Do you think that the factory's sales goals are achieved by its current pricing strategy?		
	Yes	11	100%
	No	-	-
	Total	11	100%
3	How does the factory achieve sales goals?		
	By using promotional pricing strategy	7	64%
	By using mass distribution strategy	3	27%
	By highly promoting their products	1	9%
	Total	11	100%
4	How do you increase sales volume of your factory?		
	By using promotional pricing strategy	10	91%
	By using mass distribution strategy	1	9%
	Total	11	100%

Source, own survey 2015

According to the above table out of 11 employees 5(45%) were said that the current pricing strategy of the factory affect its sales volume by increasing sales volume and 6(55%) of them were said that the current pricing strategy of the factory affect its sales volume by decreasing sales volume.

From this the one can understand that sales volume of the factory more affects by the current pricing strategy of the factory through decreasing its sales volume. As shown in the above table out of 11 employees 11(100%) were said that yes and there is no one said that no answer. Based on the above information the researcher can conclude that the factory's sales volume is affected by its current pricing strategy to decreasing its current sales volume.

As it is clearly stated in the above table from 11 employees 7(64%) were said that the factory sales goals achieved by using promotional pricing strategy, 3(27%) were said that by using mass distribution strategy and the rest 1(9%) of them were said that the factory sales goals achieved by highly promoting their products. From this the one can understand that the factories more achieved its sales goals by using promotional pricing strategy, but promoting their product is less effect to achieve its sales goals.

According to the above table out of 11 employees 10(91%) were said that the current sales volume of the factory increases by using promotional pricing strategy and also 1(9%) of them were said that by using mass distribution strategy. From this the one can understand the factory increase more their current sales volume by using promotional pricing strategy, but the effect of mass distribution strategy is less to increase sales volume of the factory. From the above-mentioned responses, the researcher can be conclude that the factory's sales goals can be achieved by current pricing strategy like using promotional pricing strategies. And also the factory should understand the effects of pricing strategy on sales volume.

Table 13 Influences on pricing decisions

Item	Description	Respondents	
		No of responses	Percentage (%)
1	Which of the following factors more affect the pricing decision of the factory?		
	Customers	1	9%
	Competitors	2	18%
	Channels of distribution	-	-
	Costs of inputs	8	73%
	Government regulation	-	-
	Total	11	100%

Source, own survey 2015

As shown in the above table 8(73%) of the employees were said that the pricing decisions of the factory is more affect by costs of inputs, 2(18%) of them were said that competition, and the rest 1(9%) of them were said that customers, and there is no one said that whether channel of distribution or government regulation. As stated earlier most employees were said that cost of inputs is more effect on the pricing decisions of the factory. Even though all factors affect the pricing decisions of the factory, cost of inputs is the most critical factors that effect on the pricing decision of the factory.

Table 14 Factory's price adjustment strategy

Item	Description	Respondents	
		No of responses	Percentage (%)
1	In which situations the factory mostly uses price adjustment strategy?		
	During holiday	9	82%
	When the cost of inputs increase	2	18%
	When the factory needs competition	-	-
	When the factory needs promotion	-	-
	When the product is highly demanded	-	-
	Total	11	100%

Source, own survey 2015

As indicated in the above table 9(82%) of employees were said that the factory's mostly use price adjustment strategy were during holiday and 2(18%) of them were said that the factory's mostly use price adjustment strategy when the cost of inputs are increase, but there is no one said other responses. From this the researcher can conclude that the factory mostly uses price adjustment strategy during holiday because most customers purchase at this time and to increase sales volume of the factory by using promotional and discounting price.

Table 15 The effects of factory's current pricing strategy on overall marketing practice

Item	Description	Respondents	
		No of response	Percentage (%)
1	In what way does the current pricing strategy of the factory affect the overall marketing practice?		
	Positively	10	91%
	Negatively	1	9%
	Total	11	100%

Source, own survey 2015

As it is clearly stated the above table out of 11employees 10(91%) of them were said that current pricing strategy of the factory is affect positively on the overall marketing practice and the rest 1(9%) of them were said that current pricing strategy of the factory is affect negatively on the overall market in practice. From this the one can understand that current pricing strategy of the factory more affect positively on the overall marketing practice.

Table 16 Factory's Profitability and its current pricing strategy

Item	Description	Respondents	
		No of response	Percentage (%)
1	Do you think that the factory is profitable from its current pricing strategy?		
	Yes	11	100%
	No	-	-
	Total	11	100%
2	How do you rate the profitability of the factory from its current pricing strategy?		
	Highly profitable	9	82%
	Profitable	2	18%
	Moderate	-	-
	Less profitable	-	-
	Not profitable	-	-
	Total	11	100%
3	What are the reasons behind factory's not profitability?		
	Due to increase promotional costs	-	-
	Due to increase production costs	-	-
	Due to decrease sales volume	-	-
	Due to charge less margin	-	-
	Total	-	-
4	What are the reasons behind factory's highly profitable?		
	By charging high margin	2	18%
	By minimizing costs	6	55%
	By selling large volume	3	27%
	Total	11	100%

Source, own survey 2015

According to the above table out of 11 employees 11(100%) were said that the factory is profitable, but there is no one said that the factory is not profitable. From this the researcher can conclude that the factory is profitable because all respondents said this.

When we come to rate of profitability 9(82%) of the employees were said that the factory is highly profitable from its current pricing strategy, 2(18%) of them were said that profitable, but there is no one said that whether moderate, less or not profitable. From the responses the researcher can conclude that the factory is highly profitable from its current pricing strategy because respondents respond this. As

stated earlier the respondent's response about factory's profitability is profitable because of this there is no reason about factory's not profitability.

We proceed to reasons of factory's high profitability rate 2(18%) of the employees were said that the factory is highly profitable by charging high margin, 6(55%) of them were said that by minimizing costs, and the rest 3(27%) of them were said that by selling large volume. From these the one can understand that the factory is highly profitable by minimizing costs because most respondent's response is this. To the sake of long run profitability factory should be made long lasting customer relationship.

Table 17 Rate of Market Share of the factory

Item	Description	Respondents	
		No of response	Percentage (%)
1	How do you rate the market share of Firederik Furniture Factory when you compare with other similar factory in the town of Wolkite?		
	Very high	9	82%
	High	2	18%
	Medium	-	-
	Low	-	-
	Very low	-	-
	Total	11	100%

Source, own survey 2015

As it is clearly stated in the above table out of 11 employees 9(82%) of them were said that the market share of Firederik Furniture Factory is very high in Wolkite town Furniture industry, and, 2 (18%) them were said that the market share of the factory is high as compare that other similar factory in Wolkite town, but there is no one said that the market share of the factory is medium, low, and very low. Because of these the researcher can conclude that the factory have large market share in Wolkite town compare with the industry.

Table 18 Factory's customer price sensitivity

Item	Description	Respondents	
		No of responses	Percentage (%)
1	How much the customer of the factory is price sensitive?		
	Highly sensitive	-	-
	Sensitive	1	9%
	Moderate sensitive	1	9%
	Low sensitive	1	9%
	Not sensitive	8	73%
	Total	11	100%

Source, own survey 2015

As indicated in the above table 8(73%), 1(9%),1(9%), and 1(9%) of the respondents were said that the factory customer is not price sensitive, low price sensitive, moderate price sensitive, and sensitive to the price of the product, respectively. From these the researcher can conclude that most of the factory's customers are not price sensitive because most of the factory's customers were needs quality product rather than low price product.

CHAPTER FIVE

5. Summary, Conclusion and Recommendations

5.1Summary of major finding

This research was conducted to evaluate the impact of pricing strategy on increasing sales volume of Firedrik Furniture Factory PLC in Wolkite branch. To successfully meet the objective of the study, questionnaires were distributed and collected. The researcher have tried to see the impact of pricing strategy on increasing sales volume of the factory in the perspective of customers and employees based on their comparative exposure to the case under the study.

The major findings of the study are summarized as follows.

- From the total respondents all of the customer respondents' 48(100%) were purchase the factory product for final use.
- Among the total respondents 27(56%) of them were said that the current pricing strategy of the factory is medium.
- 42(87.5%) of the total customer respondents responded that the factory didn't consider the customer's buying ability at setting the price of the factory product.
- Regarding the quality of the factory product the majority of the total customers 39(81%) was agreed that the quality of the factory product is very high.
- From the total respondents the majority of the customers 43(89.6%) was preferred the factory product due to better quality.
- Regarding the effect of current price of the factory product on customer's buying characteristics 39(81%) of the total customers was agreed the current price of the factory product affect the customer's buying ability by decrease purchase volume.
- Among the total respondents 11(100%) of employees was agreed the factory achieved its sales goals by current pricing strategy.
- Regarding the pricing objective of the factory the majority of the respondents 7(64%) of employees responded that current pricing of the factory is profit maximization.
- About the factors affecting the pricing decision of the factory most of the respondents 8(73%) of the employees were said the cost of inputs was more effect on the pricing decisions of the factory.
- Regarding to the profitability of the factory from its amount pricing strategy out of 11 respondents all (11) was said the factory is profitable from its current pricing strategy.

- About the power in determining the price of the factory's product most of customers 45(94%) of the total customers respondents were said that the price of the factory determined by sellers. and also most employees respond similar responses as the customers.
- Regarding to the customer's price sensitivity out of 11 respondents the majority of the respondents 8(73%) was said the factory's customer is not price sensitive.
- Among the total respondents most of the respondents 23(48%) of the customers was dissatisfied by current pricing strategy of the factory.

5.2Conclusions

The following conclusions are drawn based on the respondent's questionnaire distributed to employees, customers and manager of Firederik furniture factory PLC in wolkite branch.

- All sample customers were purchased the factory product for final use.
- Majority of the respondents responded that the factory didn't consider the customers buying ability in setting the price of its product.
- Regarding the quality of the factory product majority of customers responded that the quality of factory product is very high.
- Most of the factory customers were responded that the current price of the factory product affect their buying characteristics by decreasing purchase volume.
- Majority of the factory's customer were preferred the factory product due to better quality.
- Most of the factory's employees were responded that current pricing objective of the factory is profit maximization.
- Majority of the factory's employees were responded that the factory was achieved its sales goals by current pricing strategy.
- Even though all factors affect the pricing decisions of the factory cost of inputs is the most critical factors that affect on the pricing decision of the factory.
- Majority of the factory's employees were responded that the factory is profitable from its current pricing strategy.
- The price of the factory products was determined or set by the factory itself or seller of the factory product and the buyers have less power in setting or determining the price of the product.
- Most of the factory's customers were not price sensitive because most of the factory's customer was needs quality product rather than low price product.

5.3 Recommendations

Based on the conclusion of the study the following recommendation are forwarded

- For the sake of long run profitability the factory should be made long lasting customer relationship.
- The factory should be adjusted or improve its current pricing strategy to retain loyal customers and to attract potential.
- The factory should be considering the customers buying ability in setting the price of the product.
- In fact, majority of the respondents i.e. the factory is profitable from its current pricing strategy. But the factory should know the fact that current pricing strategy is not always current or profitable. Therefore the factory should renew itself by showing the existing competitors otherwise the customers of the factory may shift to other competitors.
- Even though the factory achieved its sales goals by current pricing strategy. But the factory should know the fact sales goals are short run objective. Therefore the factory should be considered long run factory's objective, otherwise, the factory may loss its market share.
- The price of the factory's product should be use determined by the market force (seller and buyer).
- The price of the factory should be use different promotional and discounting pricing strategy to increase current sales volume.
- if the factory products quality is very high the factory should be improve the quality of the product continuously to build factory's image and to attract potential customers
- Even though the factory have larger market share in wolkite town compare with the industry. but the factory should know the fact current market share is not enough for the future because the market of the factory is competitive the factory may loss its current market share
- The factory should be modifying its current pricing strategy in order to change the attitude of the customer towards the factory pricing strategy.

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Appendix-1

Wolkite University

Collage OF BUSINESS AND ECONOMICS

DEPARTMENT OF MARKETING MANAGEMENT

Questionnaire to be filled by employee of ferederik in wolkite Town

Dear Respondents

First of all I would like to extend my sincere gratitude for helping me by filling this questionnaire. The purpose of this questionnaire is to gather data that helps for conducting a study on the impact of pricing strategy in increasing sales volume of the company. All information you provide here after will be used at most confidentiality as part of overall response, therefore please feel free to provide your valuable response that will make this research project successful. The data obtained will be used only for academic purpose.

Thank you in advance for your precious time and effort.

Instructions: - 1. No need to write your name

2. Please put "x" in the box for closed ended questions
3. Please write your opinion freely for open ended questions.

PART ONE: Personal Information

1. Sex ☐ Male ☐ Female

2. Age 18-25 years ☐ 26-40years ☐ 41-55 years ☐ above 55years ☐

3. Marital status Married ☐ Unmarried ☐

4. Educational level 10^{Th} grade completed ☐ 12^{th} grade completed ☐
Certificate ☐ Diploma ☐ Degree ☐ above degree ☐

5. Service years in the factory
Less than 5 years ☐ 5- 10years ☐ 11-15years ☐ above15 years ☐

PART TWO:-Research Questions

1. Which of the following pricing objectives is the factory following?

Market survival ☐ Profit maximization ☐ Sales growth ☐

Competitive pricing ☐ Quality and Image Enhancement ☐

2. Which of the following factors more affect the pricing of the factory?

Competition ☐ Costs of inputs ☐ Government Regulation ☐

Customers ☐ Channels of distribution ☐

3. In which situations the factory mostly uses price adjustment strategy?

During holiday ☐ when the cost of inputs are increased ☐

When the factory needs competition ☐ when the factory needs promotion ☐ when the product is highly demanded ☐ if any other situations please specify----------.

4. In what way does the current pricing strategy of the factory affect the overall marketing practice?

Positively ☐ Negatively ☐

5. Do you think that the factory is profitable from its current pricing strategy?

Yes ☐ No ☐

6. How do you rate the profitability of the factory from its current pricing strategy?

Highly profitable ☐ Profitable ☐ Moderate ☐

Less profitable ☐ Not profitable ☐

7. If your factory is not profitable what are the reason behind this?

Due to increase promotional costs ☐ Due to increase production costs

Due to decrease sales volume ☐ Due to charge low margin ☐ if any please specify-----

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8. If your factory is highly profit able what are the reason behind this?

By charging high margin ☐ By minimizing costs ☐ By selling Large volume ☐

If any other reason please specify---------- ----------

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9. How does the current pricing strategy of the factory affect sales volume?

By increasing sales volume ☐ by decreasing sales volume ☐

10. Do you think that the factory's sales goals are achieved by current pricing strategy?

Yes ☐ No ☐

11. If your answer for question no9 is yes how does the factory achieve sales goals?

By using promotional pricing ☐ by using mass distributions strategy ☐

By highly promoting the product ☐

12. How do you rate the market share of Firederik Furniture Factory when you compare with other relative company, which offer similar products in the town of wolkite?

Very high ☐ High ☐ Medium ☐ Low ☐ Very low ☐

13. How much the customer of the factory is price sensitive?

Highly sensitive ☐ Sensitive ☐ Moderate Sensitive ☐ Low sensitive ☐

Not sensitive ☐

14. How do you increase sales volume of your factory?

By using promotional pricing strategy ☐ by using mass distribution strategy ☐

If any way to increase sales volume please specify----------

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Appendix -2

Wolkite University

Collage OF BUSINESS AND ECONOMICS

DEPARTMENT OF MARKETING MANAGEMENT

Questionnaire to be filled by Customers of firederik in wolkite Town

Dear Respondents

First, I would like to extend my sincere gratitude for helping me by filling this questionnaire. The purpose of this questionnaire is to gather data that helps for conducting a study on the impact of pricing strategy in increasing sales volume of the company. All information you provide here after will be used at most confidentiality as part of overall response, therefore please feel free to provide your valuable response that will make this research project successful. The data obtained will be used only for academic purpose.

Thank you in advance for your precious time and effort.

Instructions: - 1. No need to write your name

2. Please put "x" in the box for closed ended questions
3. Please write your opinion freely for open-ended questions.

PART ONE: Personal Information

1. Sex Male ☐ Female ☐

2. Age 18-25 years ☐ 26-40years ☐ 41-55 years ☐ above 55years ☐

3. Marital status Married ☐ Unmarried ☐

4. Educational level Below 10^{th} grade ☐ $10\text{-}12^{th}$ grade ☐ Certificate ☐
Diploma ☐ Degree ☐ above degree ☐

PART TWO:-Research Questions

1. For what purpose do you buy the product from Firederik Furniture Factory?

For final use ☐ For reselling ☐ For raw materials ☐

2. How do you see the current pricing strategy of the factory?

Very good ☐ Good ☐ Medium ☐ Poor ☐ Very poor ☐

3. Do you think that current pricing strategy of Firederik Furniture Factory considers customer's buying ability?

Yes ☐ No ☐

4. How do you see the quality of Firederik Furniture Factory product?

Very high ☐ High ☐ Medium ☐ Poor ☐ Very poor ☐

5. How does the current price of the factory's product affect your buying characteristics?

Decrease purchase volume ☐ Increase purchase volume ☐

Search other alternative ☐ No effect ☐

6. Who have strong power in determining the price of the factory product?

Buyers ☐ Sellers ☐ Both ☐ Government ☐

7. Does the price of the factory product match the customer's buying ability?

Yes ☐ No ☐

8. Do you think that the price and quality of the factory product match each other?

Yes ☐ No ☐

9. How much the current price of the factory product when you compare with other relative factory, which offer similar products in the town of wolkite?

Very high ☐ High ☐ Same ☐ Low ☐ Very low ☐

10. How much are you satisfied by current pricing strategy of the factory?

Highly satisfied ☐ Satisfied ☐ Moderate ☐ Dissatisfied ☐ Highly dissatisfied ☐

11. Why Firederik Furniture Factory is preferred from other?

Due to low cost ☐ Better quality ☐ Availability ☐ Better customer service ☐

12. Which occasions mostly purchased the factory product?

During holiday ☐ During Wedding ☐ During other Ceremony ☐

13. What is your attitude regarding pricing strategy of the factory's product?

Reasonably high ☐ Expensive ☐ Cheap ☐

14. Do you have any comment about Firederik Furniture Factory product price? Please specify----------

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