PRICING STRATEGY AND PERFORMANCE OF MOTOR VEHICLE COMPANIES IN KENYA: A CASE OF ISUZU EAST AFRICA LIMITED

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2022
International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366

Received: 9th December 2022

Published: 16th December 2022

Full Length Research

Available Online at: https://iajournals.org/articles/iajef_v3_i8_145_166.pdf

Citation: Wanjohi, P., Kithae, P. (2022). Pricing strategy and performance of motor vehicle companies in Kenya: a case of Isuzu East Africa Limited. *International Academic Journal of Economics and Finance, 3(8), 145-166.*

ABSTRACT

This research investigated effects of pricing strategies on performance of motor vehicle companies in Kenya. The four pricing strategies were considered as the predictor variables. McCarthy's 4Ps Theory, Game Theory, and Attribution Theory created the theoretical framework. The descriptive research was adopted for this study where 47 management staff who was all recruited into the sample size using census sampling method. A questionnaire was employed as a data collection tool which was tested for validity and reliability using Cronbach's Alpha following a pilot study. The findings indicated no significant effects of competition based pricing, value based pricing, and target-return pricing strategies on performance. However, cost based pricing strategy had an effect on performance. It is recommended that Isuzu E.A. Limited should adopt cost-based pricing and this can be implemented by cost-plus and break-even pricing. The study concludes that only cost-based pricing strategy positively contributes to performance of Isuzu E.A. Limited. The study concludes that Isuzu E.A. Limited should adopt the cost based pricing. The study recommended that the company should not adopt the target-return pricing strategy as it does not contribute to performance. The company should price its products using cost-based strategy by implementing cost-plus and break-even pricing.

Key words: Pricing Strategy, Target-Return Pricing Strategy, Cost-Based Pricing Strategy and Performance

INTRODUCTION

The automobile sector is an important component for development and success for a country (Kearney, 2015). It is sector which relies on market knowledge and huge capital investment which has a critical part in national progression of a nation. Its function in the modern economy development and its prospects for development which is influenced by the motor transport based on a national economy's infrastructure. The World association of car manufacturers, 23.84 million trucks and 73.4 million cars were produced across the globe in 2017 (Saberi, 2018). The global estimates indicate that the yearly income from the industry accounted for 3.65 % of the global Gross Domestic Product (GDP). In-between 2007 and 2017, the automobile industry experienced a 25 % increase in production (Saberi, 2018). However, the industry is experiencing pressing and emerging challenges such as increasing competition, globalization, digitalization, and individualizations. Additionally, future changes to the industry include the voluntary environmental commitments and increasing safety demands (Uchil & Yazdanifard, 2014).

In the United States, the advancement in production and management systems has revolutionized the automobile industry. The industry has witnessed the opening up and growth of several emerging markets. The automotive industry is now facing new and pressing challenges. Globalization, digitalization and increasing competition in the market are changing the face of the industry. Size of the organization is no longer a guarantee of success. Only those companies that find new innovative techniques to create value can prosper in the future (Uchil, & Yazdanifard, 2014). In Germany, the automotive industry is the largest component of the manufacturing sector and generates around 20% of its overall turnover. The automotive industry includes the production of motor vehicles, the production of trailers and bodies and the production of automotive parts and accessories. The companies that make up the German automotive industry had a cumulative global turnover of EUR 404.8 billion in 2015. This turnover is higher than that of any other industry sector in Germany. Manufacturing of motor vehicles generated around 78% of the overall turnover, EUR 318.6 billion.

The South African automotive industry is faced with the challenge of how to expand through exports in a saturated global automotive market, characterized by overcapacity. The vision of the South African automotive industry is to double its vehicle production to one million units per annum by 2020. However, domestic market limitations impede the ability to achieve sufficient economies of scale. Trade arrangements contribute towards increasing market access. The impact of the African Growth and Opportunity Act (AGOA) on automotive trade between the United States of America and South Africa was analyzed. It was found that the AGOA resulted in a substantial increase in two-way trade (Lamprecht & Tolmay, 2017).

According to the 2017 annual report by Kenya Motor Industry Association (KMI), new car sales dropped by 20% as 11, 000 cars were sold from 13,869 cars in the previous indicating reduced performance. In the year 2015, 19,966 cars were sold meaning that there was a decline of 30.5%. The decreasing sales have led to inadequate motor vehicle sector performance (Munge, 2018). The industry is a significant contributor to the economy which is fast evolving into a middle class in the economy. The automobile sector comprises of heavy commercial vehicles, auto assembly and production, motorcycles production and assembly, light commercial vehicles (LCVs), and manufacturing of automotive parts and components.

There are several determinants to vehicle purchase intention; however, the bulk of the literature indicates that price is a significant factor for most consumers. Biswas and Roy (2015) found that consumers considered spare parts availability, comfort while driving, and price as the most probable features for choice among consumers. Gupta (2013) revealed that efficiency of fuel consumption and price as important determinants for purchase intention. This was also supported by findings from Zhan and Vrkljan (2011) who observed that price, dealer-buyer relationship, adjustability, visibility, and fuel efficiency influenced consumer purchase intention for a vehicle. Altaf and Hashim (2016) study in Pakistan found that price, followed by product and after sales services as important factors that influenced car purchase intentions suggesting that price is a key determinant in car purchase decision.

There are four factors considered in the marketing of a service or good. These are promotion, price, place, and product widely known as the 4 P's (Brassington & Pettitt, 2012). Agwu and Carter (2014) contend that the only factor that contributes to firm profits and is described as the value matching a product is its price. Moreover, price implies total of money that is a product or service is charged and is the total value that a consumer has to provide so as to achieve the advantage of using or having a product (Kotler et al., 2010). The significance of price as a motivator for buying has a critical function of price management because it influences consumer purchase intention and the way prices are valued and perceived (Rosa & Rodan, 2011).

The competition-based strategy watches the typical product prices in the market and their alternatives keenly. In an aim to create more revenue from sales, companies adopting this strategy update the price of their products to match those of the market frequently (Özer & Phillips, 2012). Isuzu East Africa Limited was until August 2017 knows as General Motors East Africa. This came as a result of GM selling its 57.7 percent share to its leading distributor Isuzu (Igunza, 2017). Isuzu Motors limited, which trades as Isuzu is a Japanese commercial vehicle and diesel motor manufacturing company founded in 1916 in Tokyo Japan. Isuzu East Africa limited is one of the Isuzu's main distributors serving the East African region. The company's product portfolio include Isuzu pickups, light and heavy duty trucks and buses as well as servicing and maintenance of their previously owned Chevrolet, Opel and hummer brands from the USA (Wambui, 2018).

Isuzu East Africa (E.A.) Limited boasts the largest infrastructure in motor vehicle manufacturing and assembly producing more than 16,000 vehicles annually. Approximately, more than 95% of local production is in light commercial vehicles (LCVs) and heavy commercial vehicles which have a critical part in economic expansion. Assembly of passenger vehicles is small with competition coming from imported vehicles sales which is set to continue and thus assembly is at the moment focusing on LCVs production for the local market (Makundi, 2017).

Statement of the Problem

Statistics show a decline in number of commercial vehicle sales from 1,100 units sold in July 2016 to 881 units sold at the same time in 2017 (Omondi, 2017). During the same period, sales for all types of vehicles reduced by 19 % from 8,046 to 6,490 units (Omondi, 2017). There is research focusing on influence of price as a determinant of vehicle purchase intention in Kenya. Hiteshi (2015) found that price were the most important economic factor influencing motor vehicle purchase. Munywoki (2016) examined factors affecting Simba Corporation's sales of new vehicles revealing price as a significant factors for consumers when making a vehicle purchase decision. Wambui (2018) investigated consumer purchasing decision among Isuzu E.A. Limited customers finding that economic, promotional mix, socio-cultural, and psychological factors influenced purchase decisions. Despite evidence that various factors affect the performance of automotive industry; less evidence exists on the influence of pricing strategies on the performance of the industry and this is a gap the study aims to fill.

Research Objectives

i. To determine effect of target-return pricing strategy on performance of Isuzu E. A. Limited
ii. To establish effect of cost-based pricing strategy on performance of Isuzu E. A. Limited

LITERATURE REVIEW

Theoretical Literature Review

This study was based on two theories: McCarthy's 4Ps and Attribution Theory which are discussed in detail below:

McCarthy's 4Ps

The marketing mix model widely known as 4Ps is a means of interpreting marketing plans to reality and was developed by Jerome E. McCarthy (1964). Eavani and Nazari (2012) describe it as the specification and use of promotion, place, product, and price (4Ps) to explain the strategic position of a good in the marketplace. Products mean what a firm introduces to those clients who are involved with it and it may be utilities, goods, or services for consumers to accept a whole production not for tangible services or goods but also other things associated to it (Al Badi, 2015). The strategy of place consists of the distribution means that is adopted to supply products to the consumers in time and the way the retailers selected the sellers. The price is the sum of money to future consumers who want to pay to acquire a service, kind, or product. Among the elements in the marketing combination, the most flexible is price as it can be changed or can change in the short–term (Al Badi, 2015).

Promotion is the communication between product or service and the consumer; it is what information that is targeted to customers about that product that is able to create awareness of the product (Al Badi, 2015). According to Goi (2009), the decision to determine a price is aimed at achieving a profit margin and the adequate or expected price which address the price of the competitors. The pricing consists of financing, discount, price listing, and other choices including leasing. McCarthy (1964) 4P's model is suitable for this study as it recognizes the importance of price as a firm's marketing strategy. The theory also recognizes the different pricing strategies companies use to attain an advantage over rivals while increasing their performance.

The theory has received some criticisms despite its significance in the marketing literature. Möller (2006) opined that the marketing mix is not cognizant but is oriented internally; the 4Ps perceives the consumer as submissive and does not permit communication or include relationships. It has also been criticized for lacking theoretical content and works as a simple tool to focus the consideration of management. Despite these criticisms, the theory is cognizant towards the generic pricing strategic options for firms which are considered in this study.

Attribution Theory

Fiske and Taylor (1991) define attribution as a way for a person to process information to make a simple description for events. Attribution theory is focused on which information is chosen and how it is combined to develop a casual decision. In simple terms, this theory is concerned with how people explain behaviors and events (Yakut, 2018).

Individuals look for the underlying causes of events and try to understand the reasoning behind the behaviors and situations (Cort, Griffith, & White, 2007).For organizations, the theory is significant as it can contribute to the managers comprehending some of the reasons for behaviour of staff and can help staff in how they understand their own behaviours. When an employee understands why they behave in a certain way, and why others in your workplace do so, then you are able to better understand others, yourself, and the organization (Bambauer-Sachse & Mangold, 2010).

Attribution theory has been a very striking research area and, became the focus of many scholars, and has been widely used in marketing such as; understanding both individual and organizational behaviour (Yakut, 2018). Attribution theory implies that when a person is able to identify the reasons for success, they have belief that they can act upon these factors and thereby increase their probability of success. According to Weiner (1985), high prospects of success can be gained from beliefs of an individual in their capability to capitalize successfully on the basic reasons that they have identified as contributing to their success.

The attribution theory has experienced some criticisms from scholars; one of this is its failure to account for an individual's actual behaviour. There are different estimates on the actual amount of behavioural differences explained by attitudes. Second, Malle (2011) contends there has been less support empirically for the external and internal locus aspect and there is lack of attention associated to social setting and culture where the behaviour is happening.

Nevertheless, it provides a suitable framework for conceptualizing attitudes. The attribution theory has been used in past studies to show its role in selecting pricing strategy. Cort et al. (2007) found that competitive-based pricing was associated greatly with the expectations of a manager towards global success. Managers perceive that the firm's ability to determine competitive pricing that allows companies to gain a competitive position and is a strong determinant of international success for the firm.

Attribution theory is important for this study as organizations evaluate what is happening in their external environment to decide what actions to take to improve their success. In this case, Isuzu E. A. Limited observe what other competitors are doing in terms of pricing their products and adopt pricing strategies that are informed by scanning the environment and using this knowledge to adjust their prices to improve their performance.

Empirical Literature

Cost-Based Pricing Strategy and Performance of Motor Vehicle Companies

In a study done in Brazil, De Toni et al. (2017) examined the effect that pricing strategies have on corporate profitability by using a sample of 150 firms in the metal-mechanic industry. The pricing strategies examined were customer value, competition, cost-based pricing strategies. The results indicated that cost-based pricing method had no effect on the profitability of sampled firms. Moradian and Soufi (2015) evaluated the association among market capabilities and pricing strategies where the statistical population of the research is all pharmaceutical industries in Iran. The statistical population of the research is all pharmaceutical industries in Iran. The data was collected from 108 industries through a questionnaire using a descriptive survey research and considering the relationship between variables is a correlation type. The study findings revealed that cost-based strategy was the second most prioritized pricing strategy among firms in the pharmaceutical industry in Iran.

Hinterhuber (2008) conducted research in the United States, Germany, Austria, and China among 126 key account managers, business unit managers, marketing managers, general managers, and pricing managers from fast moving consumer goods (FMCG), chemicals, information technology (IT), industrial services, and automotive sectors. It was established that cost-based pricing method was the recommended pricing method. In Brazil, Júnior and Pizzolato (2013) investigated costing and pricing practices in telecommunications assessing challenge and experiences of firms. The study found that the purpose of Agência Nacional de Telecomunicações (Anatel) latest legislation on cost-based pricing was adopted to influence service-based rivalry by making sure new players had accessibility to the present network infrastructure in market situations that allowed competition with existing firms. It was concluded that cost-based pricing was the best strategy for telecommunication firms.

In Brazil, Guerreiro, Cornachione, and Kassai (2012) study examined the cost-plus pricing contribution in the manufacturing firms by using the influence of margin per hour in profitability and pricing analysis which provided stronger adherence to the objective of optimizing international profits that the percentage contribution margin method. The study was implemented in three phases of action research, literature review, and critical reflection to develop a proposal. The results of the study indicated that a pricing model of influence of margin per hours gave stronger adherence for increasing worldwide sales in comparison to contribution margin via percentage terms.

Adopting a literature review approach, Mattos, Oyadomari, and Zatta (2021) appraised present literature on global pricing focusing on studies from Brazil employing the bibliometric approach from four databases. The sample for the study consisted of 286 papers from 31 journals and 195 periodicals from which the study showed that pricing was a multifaceted and complex subject that involved far more than only identifying sales prices and pricing managers experience significant challenges. The findings revealed that cost-based pricing is greater than perceptions consumer value-based and competition-based approaches pricing.

In Nigeria, Goodie-Okio (2022) adopted a descriptive research design and assessed pricing strategies and marketing performance of telecommunication companies and used data from secondary sources. The study found that a well-designed pricing strategy that was considerate of the sensitivity and perception of consumers targeted as well as company objectives which had a positive effect on firm marketing performance. The results indicated positive effects on marketing performance and value based pricing and a positive relationship was existence among marketing performance and cost-based pricing.

In Nigeria, Hyginus, Wabuji, and Amadi (2019) assessed the influence of price strategies on performance of sales on perishable goods using a survey design method among a sample of 32 respondents from 6 firms in Wukari. Using purposive sampling, the entire population was recruited into the sample size collecting data using a structured questionnaire. The competitor, mark-up, and cost-plus pricing methods were independent variables and dependent variable was performance of sales. The results indicated that cost-plus pricing strategy and mark-up strategy had no effect on performance of sales among perishable goods; while competitors pricing positive influence on sales performance.

In Uganda, Nafuna et al. (2019) investigated into the moderating effects of competitive advantage on the association among financial performance and pricing strategies in a sample of private schools. The study adopted a cross sectional research design where inferential and descriptive statistics were used to analyse the data; the results revealed that value-based pricing had a positive effect on financial performance. The use of cost-based pricing strategy allowed institutions to set prices which reflected the costs incurred and often changed prices based on the incurred costs which would enhance profitability and liquidity.

In Kenya, Chepkemoi (2020) investigated pricing strategies used in commercial banks so as to determine how and if cost-plus pricing had any effects on commercial banks profitability. The study adopted a descriptive research design where 62 members of the pricing committees were recruited into the sample size using census sampling approach. The results of the study revealed that pricing strategies and profitability of commercial banks had a significant relationship finding that cost-plus strategies enabled commercial banks to recover on opening more branches and costs of labour.

Target-Return Pricing and Performance of Motor Vehicle Companies

In an empirical review of studies, Ahmeti, Sahiti, and Ahmeti (2013) assessed the use of target cost pricing and its effect on business using secondary data from published material in management accounting. From this review, the results showed that firms embracing the idea of their internal requirements while matching up with company strategy that have survived in the marketplace. These firms were able to reduce costs while also making profits but did not sacrifice product quality.

In India, Narsaiah (2020) investigated the use of target-costing pricing among a sample of automobile firms where the considered predictor variables were Net Tangibility Assets (NTA), growth, profitability, firm size, and EPS. Using a convenience sample among ten companies listed in the BSE from 2014 – 2019 analysing the data using regression and correlational analysis. The findings showed that target-costing had a negative association with profitability while it had a positive association with ROE. The findings further indicated that there was a positive correlation between target costing and ROS, growth, revenue from operation, and profitability but this was negative for ROA, Margin from Operation, NTA, EPS, and firm size.

In Jordan, Al-Awawdeh and Al-Sharairi (2020) and explored competitiveness and target costing among a sample of private universities using a questionnaire to collect information from accounting department heads, directors of quality, and planning, and financial managers. The sample of the study consisted of 50 respondents from which output of data showed that universities were able to experience a medium competitive advantage by adopting target costing approach. The overall results revealed that there was a major variation in the strength of association among target costing technique and strengthening competitive advantage.

In Nigeria, Imeokparia and Adebisi (2014) looked into degree to which system of target costing implementation and adoption among manufacturing companies and their performance which was measured by return on capital employed, reducing production costs, and profitability. Using a survey research approach and collecting data using structured questionnaires from a sample of 282 respondents. The findings showed that degree of target costing adoption by manufacturing firms was low; there was also a strong relationship in adopting target costing and achieving a raise in reducing costs and Return on Investment (ROI).

Ihenyen, Teibowei, and Izein (2022) study focused on the effect of target costing on profitability of selected industrial goods firms in Nigeria. By way of review of the effect of target costing practices on cost planning, cost reduction and gross profit from production, the focus was achieved. After a thorough review of literatures, three hypotheses were developed and tested. The population of the study consisted of selected industrial goods firms in Nigeria. Secondary data was gathered from the reports of the selected firms listed in the Nigerian Stock Exchange (NSE). Hypotheses were tested using a Z Test statistics at 5% alpha level. Result from the study shows a significant positive increase of profitability of industrial goods firms in Nigeria that practices target costing.

In Nigeria, Ilemona and Sunday (2019) assessed the effect of target costing on manufacturing enterprises success to determine its effect on profitability and product costs. The study adopted primary data collection methods using a questionnaire administered to 235 respondents from a population of 410 members in seven textile firms. The findings revealed that target costing had a significant on business profitability explaining more than sixty percent of this change indicating that this pricing was critical for success of manufacturing firms.

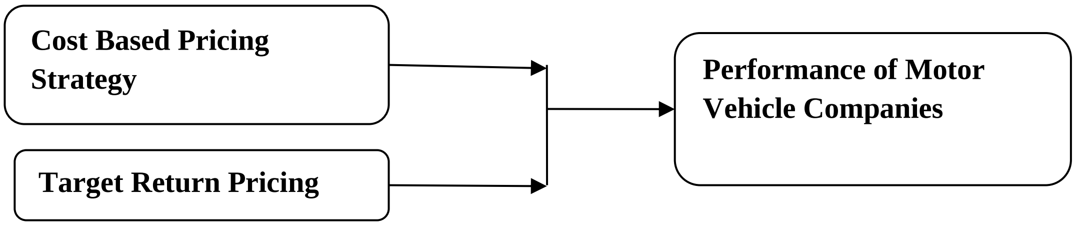
Using a sample of Australian and United Kingdom (UK), Guilding and Tayles (2005) looked into significance of cost-plus pricing. The findings appraised the extent to the significance associated to cost-plus pricing in large United Kingdom and Australian firms played statistically significant parts in connecting with significance associated to cost-plus pricing. The firms that were met with high competitive strength associated higher extent of significance to cost-plus pricing and manufacturer firms and attached a relative low extent of significance to cost-plus pricing.

In New Zealand, Henry, Guthrie, and McLeod (2015) aimed to develop a model of supermarket pricing behaviour using a qualitative approach among a sample of staff from manufacturers and supermarket staff asked about their views on setting prices. The study found Key Value Items (KVI) as popular features in terms of pricing and costing approaches adapted to supermarkets and suppliers. The most popular mode of setting prices in retail was cost-plus as manufacturers constantly use cost-plus as their mode of setting price charged to supermarkets.

In Indonesia, Barusman, Yuliana, Miniawati, and Mirfazli (2020) analyzed execution of cost-plus pricing to establish pricing of firms quoted in the Indonesia Stock Exchange (ISE) in the tobacco industry. The results indicated that cost-plus pricing was suitable in determining the price of sale of products at companies. The study established that reaching to the product price utilizing the variable method which is greater than full costing method in producing lower price of sale and firms still achieved the expected profit which was above the costs incurred in delivering the products. In Libya, Aboshagor (2011) conducted a study on systems of cost allocation using an empirical research in a sample of 93 large and medium manufacturing firms. The findings indicated that cost-plus pricing strategy was not adopted by companies facing stiff competition. Rather, market pricing or likening costs of products with existing prices in the market.

Conceptual Framework

The study adopted the following conceptual framework.



RESEARCH METHODOLOGY

The descriptive research was adopted for this study as it included multiple independent variables. The descriptive design is also suitable for this study as it aims to describe, explain, and validate findings. The target population comprised 47 management staff of Isuzu E.A. Limited. The study used census sampling technique where the entire population was included in the sample size. This approach means that all members of a population are involved in a study. This technique was adopted because the size of the population is manageable to collect information from and thus the sample size was 47 participants. The study adopted a questionnaire to gather information in a methodical approach by administering it to collect specific data. A structured questionnaire was preferred over the unstructured questionnaire which uses open-ended questions where respondents give their responses in their own words. A 5-point Likert scale asking respondents' agreement levels with items that corresponded to each study variables.

A trial run of an instrument before its actual administration to a sample is referred to as a pilot study (Rosaroso, 2015). For the pilot, 5 members from Isuzu E. A. Limited branches around the country were selected and these members were excluded from the actual study. The choice to select this number of participants is advised from Perneger, Courvoisier, Hudelson, and Gayet-Ageron (2014) suggestion that the appropriate participants should be 5-15. The internal validity of the study was determined by using constructs and indicators for variables from past empirical studies whose reliability has been determined. The external validity was enhanced by including respondents who are aware of the process of determining pricing strategy at Isuzu E. A. Limited. The study conducted a pilot study to decide instruments' reliability. The Cronbach's Alpha Coefficient was employed which is a test the instrument's reliability and is a method that needs one test administration to give a distinctive approximate of a test's reliability (Cronbach, 2004).

The data was analysed using SPSS utilizing mean, standard deviation, frequencies, and percentages as part of the descriptive analysis. Inferential statistics adopted examined the interaction between dependent and independent variables. Pearson (*r*) correlation and regression analysis were also used. The results were presented in tables. The regression model presented was:

$$Y= a + \beta_1 x_1 + \beta_2 x_2 + \varepsilon_J$$

Where:

Y = Company performance

a = constant,

β= Coefficients

X_1 = Target-return pricing strategy

X_2 = Cost-based pricing strategy

εJ = Error term

RESULTS AND FINDINGS

Background information

On gender distribution of respondents, males made up 74.5 % while female made up 25.5 % of the respondents. On age distribution, majority 75.4% were aged between 35-44 followed by those aged between 45-54 at 16.1%. On education, 74.5 % had a postgraduate level of education, followed by 23.4 % who belonged to Undergraduate.

Firm Performance

Firm performance was measured by five statements from which the respondents agreed that the firm's pricing strategies have contributed to the company's profitability with a 4.17 mean and standard deviation of 0.601. However, respondents disagreed that pricing strategies have resulted to employee satisfaction with a mean of 2.89 and standard deviation of 1.068 as shown in Table 1.

Table 1: Performance

Statements	Mean	Std. Deviation
The market share of the company is influenced by its pricing strategies	3.49	1.061
The company's sales have seen an increase	3.55	0.855
The current pricing strategies meet and exceed customer satisfaction	3.09	0.996
The company's pricing strategies have resulted to employee satisfaction	2.89	1.068
The company's pricing strategies have contributed to the company's profitability	4.17	0.601

Target-return pricing

In measuring target-return pricing, respondents agreed that the pricing of a product is based on achieving satisfactory profits with a mean of 4.09 and standard deviation of 0.803. The respondents were in moderate agreement with the other statements as shown by their mean score which were in the 3 point level as seen in Table 2.

Table 2: Target-return pricing

Target-return pricing	Mean	Std. Deviation
The price of products is determined by the company's expectations from the investments made in the venture	3.32	1.045
The pricing of a product is based on achieving satisfactory profits	4.09	0.803
The pricing of a product is based on achieving satisfactory sales	3.98	0.897
The pricing of products is adopted as a safeguard to recover the incurred costs of creating unique infrastructure	3.40	0.851

This finding supports the aim of this form of pricing as target-return pricing is achieved when the firm is able to recover the costs of investments to deliver a product (Avlonitis & Indounas, 2015). The basic focus of this pricing method is to recover the organization's likely investment such as the financial objectives and attain profits that are satisfactory as well as sales (Aydede & Türkoğlu, 2017).

Cost-based Pricing Strategy

The respondents were presented with four items from which they indicated their level of agreement. The findings revealed agreement among the respondents that price was a blend of total profit and product cost with a mean of 4.09 and standard deviation of 0.747. Furthermore, staff also agreed that the pricing model is created from actual market data as indicated by a mean score of 4.06 and standard deviation of 0.870 as seen in Table 3.

Table 3: Cost-based pricing strategy

Statements	Mean	Std. Deviation
Price is a blend of total profit and product cost	4.09	0.747
The percentage of profit margin for the firm is related to the product price	3.74	0.846
The pricing is based on the total costs incurred	3.96	0.806
The pricing model is created from actual market data	4.06	0.870

These findings are in agreement with the literature on the motivation for companies to use cost based pricing strategies. Cost-based method is focused on intangible and tangible products and the costs incurred in delivering products (Dudu & Agwu, 2014). The motivation for this approach are costs of production where the value created from products matches the respective clients does not feature in the process of production costs (Dudu & Agwu, 2014). A merit of this approach is that information is available but also is a demerit because it does not take into account competition and does not also assess the willingness of consumers to pay (Moradian & Soufi, 2015).

Correlation Analysis

Table 4 shows correlation coefficients for the variables which indicate that there were positive and insignificant associations between company performance and target-return, competition-based while positive and significant association was found between cost-based pricing and performance as shown by a coefficient of 0.357 (p - 0.014).

Table 4: Correlation coefficients

Correlations		Target-return pricing	Cost based pricing
Target-return pricing	Pearson Correlation	1	
	Sig. (2-tailed)		
Cost based pricing	Pearson Correlation	0.156	1
	Sig. (2-tailed)	0.296	
	Sig. (2-tailed)	0.169	0
Performance	Pearson Correlation	0.153	.357*
	Sig. (2-tailed)	0.304	0.014
	N	47	47

Regression Analysis

In this section, the model summary, ANOVA, and coefficient results from this analysis are presented and discussed.

Model Summary

Table 5 provides information on how much a model has an effect on a dependent variable. In this case, the R^2 is 0.179 which implying the model explained 17.9 % of change on company performance.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.423a	0.179	0.101	0.49022

a Predictors: (Constant), Target_return_pricing, Cost_based_pricing

Analysis of Variance

Table 6 shows a *p* value of 0.007 implying that the regression model was statistical significant in explaining the effect of predictor variables on performance.

Table 6: ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.198	2	1.099	4.79104	.007b
	Residual	10.093	44	0.22939		
	Total	12.291	46			

a. Dependent Variable: Performance

b. Predictors: (Constant), Target_return_pricing, Cost_based_pricing

Coefficients

Table 7 results show that an increase in target-return pricing resulted in 0.096 contribution on performance but this was insignificant (p = 0.439). An increase in cost based pricing had a 0.390 on performance and this was significant (p = 0.008).

Table 7: Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.747	0.703		2.485	0.017
	Target-return pricing	0.096	0.123	0.112	0.780	0.439
	Cost based pricing	0.390	0.14	0.463	2.775	0.008

a Dependent Variable: Performance

A major finding is that cost-based pricing positively predicted performance supporting the argument that cost-effective pricing was widely adopted pricing in the auto industry to enhance performance (Wambui, 2018). According to Kangal (2013), the cost-based pricing approaches consist of full cost prices, contribution value prices, target cost prices, and cost plus margin. It is related to the lowest economic value that a marketer can set a price on the marginal cost which a company seeks to recover. Prices that are lower than marginal costs are known as predatory or dumping pricing.

This result corroborates other research that show significant effects of cost based pricing on performance of automotive companies. Hinterhuber (2008) found cost-based pricing approach was highly regarded pricing strategy in various industries one of which is the motor vehicle industry. Guerreiro, Cornachione, and Kassai (2012) found that cost-based pricing in manufacturing gave stronger adherence for increasing worldwide sales in comparison to contribution margin via percentage terms. In a literature review, Mattos, Oyadomari, and Zatta (2021) revealed that cost-based pricing is greater than perceptions consumer value-based and competition-based approaches pricing.

In other research, Goodie-Okio (2022) results indicated positive effects on marketing performance and value based pricing and a positive relationship was existence among marketing performance and cost-based pricing. Similarly, Nafuna et al. (2019) determined that use of cost-based pricing strategy allowed institutions to set prices which reflected the costs incurred and often changed prices based on the incurred costs which would enhance profitability and liquidity. Chepkemoi (2020) investigated pricing revealed that pricing strategies and profitability of commercial banks had a significant relationship finding that cost-plus strategies enabled commercial banks to recover on opening more branches and costs of labour.

In a study done on an automotive industry, Vitali (2018) asserts that the pricing is developed from the product cost and adding a margin on it by consideration of the likely value from consumer perceptions. The production average cost falls with experience since low defections in the product today and novel ways or reducing scrap will be executed during the life cycle of a product. In an earlier review of pricing in automobile industry, Kain and Yale (1992) market-based pricing is a popular approach adopted in the auto sector and is founded on the image created by marketers has a huge effect on price. However, specific product costing is useful because automobile companies must identify how low prices can go without threatening profits. Companies in the automobile sector using market-based pricing require specific costing mechanism so as to predict achievement of low pricing before revenue begin to fall concluding cost-based price analyses was important to the automobile industry.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The study sought to find out to what extent target-return pricing strategy affected performance of Isuzu E. A. Limited. Therefore, the study concludes that target-return pricing did not have any effect on performance at Isuzu E. A. Limited.

The study aimed to establish how cost-based pricing strategy influenced performance of Isuzu E. A. Limited. It is concluded that cost-based pricing strategy positively contributes to the performance of Isuzu E. A. Limited.

Recommendations

The research sought an answer on if target-return pricing strategy affected performance of Isuzu E. A. Limited. It is this research recommendation that the company should not adopt the target-return pricing strategy as it does not contribute to performance.

The study aimed to establish how cost-based pricing strategy influenced performance of Isuzu E. A. Limited. Cost-based pricing strategy positively contributed to performance of Isuzu E. A. Limited. It is suggested that the company should price its products using cost-based strategy by implementing cost-plus and break-even pricing. In this case, the study recommends that Isuzu E.A. Limited should adopt the cost-plus method of cost-based pricing which is implemented by adding a margin to costs of products and services to reach a selling price. Utilizing this method, the labour costs, overhead costs, and material costs are all added up so as to reach a set price for a product. This means that at every process or stage of manufacturing a vehicle these costs should be recorded and used in delivering final price of finished product.

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