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Effect of Pricing Strategy on Organization Performance: Evidence from Ethiopia's Brewery Industry

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ABSTRACT

The **purpose** of this research was to assess the practise and effect of pricing strategy on the brewery company's performance. To achieve the study's objective, the researcher applied both descriptive and explanatory research designs using a mixed-**methods** approach. For the research, both first-hand and second-hand sources of information were gathered. This research involved 310 employees of Ethiopia's brewery companies who completed questionnaires to obtain data. The study used simple random sampling. Using SPSS version 21.00, descriptive statistical methods, such as mean and standard deviation, and inferential statistical techniques, such as correlation and multiple regression analysis, were used to analyse the questionnaire data. According to the findings of this research, pricing strategy has a statistically significant and strong positive relationship with organisational performance. Moreover, the pricing strategy explains 74.5 percent of the variances in organisational performance in a substantial manner. The study will help firms establish an effective pricing strategy to increase performance and compete in the marketplace. Dealers should base their price selections on this context, set fair and competitive rates, and clearly explain these charges to consumers. The company might use price promotion strategies like discounts, bonuses, and bundles to increase the number of units sold to customers. To expand market share and sales volume, it is also necessary to use a pricing penetration strategy.

Keywords: marketing strategy; pricing strategy; performance; brewery; Ethiopia

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INTRODUCTION

The price of a product or service is the amount customers are expected to pay for it. Pricing may be viewed in a broader sense as the sum of all the values that customers must forfeit in order to receive the benefits of owning or using a product or service [1].

Pricing may be described as the total amount of money, time, and energy, in addition to any and all other values that buyers trade for the advantage of owning or utilizing a product, which might be an item or a service [2].

The sole element of the marketing mix that generates revenue is price; all other components are expenses. One of the factors in the marketing mix with the greatest flexibility is price. Prices are more flexible than product features and channel agreements [3].

Pricing is a plan a company may have for figuring out prices when it releases a new product, expands a regular product into a new market or region, or puts in a bid for new contract work [4].

Pricing strategy establishes relative pricing levels while accounting for important variables and achieving specific business goals in a given situation [5].

Price is one of the four marketing mix components that drive revenue. Only the price aspect of the marketing mix generates income; the other parts only generate expenses. Product characteristics, distribution routes, and even communications need more time for changes than prices, which may be the simplest aspect of the marketing campaign. Price is another way that a company tells the market how it wants to position the value of a product or brand.

If a product is well made and marketed, it might sell for a higher price and make a lot of money. However, as a consequence of the tighter budgets that many customers now face, many businesses have had to carefully reassess their pricing strategies [6].

Performance may be defined as the degree to which an organization achieves its predetermined

goals. It is a measurement of how appealing a company is to potential customers. A balanced scorecard is a tool that evaluates how well a firm is doing in terms of its finances, customers, employees' motivation and learning, and internal processes and procedures [7]. It was founded on the principle that businesses are obligated to assess how well they performed in relation to the value that they brought to the economy, the environment, or the community. Businesses have a responsibility to use shared value as a means of offering incentives in order to increase both their profitability and their contribution to society [8].

The brewing business in Ethiopia can be traced all the way back to 1922, making it about 96 years old. At the time, Ethiopia was governed by Emperor Zewditu Menelik, and the capital city of Addis Ababa had not even reached its 30th birthday yet. In those days, Addis Abeba was home to a large number of "tukuls" (grass-roofed cottages). It is only starting to become ready to host things like invention, the light of civilisation, fresh development and advancement, and other important things like these. It is a modern event when roads are constructed, automobiles are brought into the world, the building of contemporary homes gets underway, newspapers are published, schools are inaugurated, and trains are brought into the world. Another modern event is the establishment of a brewery.¹

Ethiopia, one of Africa's nations with the greatest economic growth, has become the scene of strong rivalry between international beverage corporations vying for a larger piece of a rising market. Companies are following this pattern all across the continent as they look for fresh markets to counteract the West's lacklustre development.

So, this study aims to find out how a company's pricing strategy affects the company's overall performance in the Ethiopian brewery industry.

STATEMENT OF THE PROBLEM

Pricing choices have significant effects on any business; therefore, paying attention to pricing

decisions is just as crucial as paying attention to more obvious marketing programs [1].

Without a doubt, firms place the greatest importance on price choices since they affect the most important element of the marketing mix. Effective pricing tactics are believed to boost an organisation's performance. Price is the amount of value — specifically, money — that a customer is willing to give up in exchange for a product or service [9]. "Price" as "the value of a product or service delivered, the amount of money necessary to acquire a product or service, and the benefit or usefulness that comes with it." Pricing is the sole marketing mix that generates money [10].

Numerous studies have been done to determine how a company's pricing policy influences its performance. Pricing strategy improves MSMEs' performance in Kenya significantly [1].

A different [11] study investigated strategic pricing and business performance with a focus on SMEs in Zimbabwe. They discovered that the performance of the company and strategic pricing were positively correlated.

The link between pricing strategies and organizational financial performance was examined by [12]. According to the research, pricing tactics and financial success are positively correlated. These findings are in line with those of [13], who stressed the importance of strategic pricing for improving financial performance.

However, for many marketing experts, price is the most pressing problem, and many organizations struggle with pricing. Some executives believe that price is a key problem and would rather focus on other areas of the marketing mix that successfully handle pricing. Astute managers, on the other hand, see pricing as a critical strategic weapon for creating and collecting customer value. Prices have a direct impact on a company's bottom line. Profitability may rise significantly with a small percentage increase in pricing. More importantly, as part of a company's complete value offer, price plays a critical role in establishing customer value and nurturing customer ties. Because of the intricate and rapidly changing behaviour of prices, determining an appropriate pricing strategy is the

¹ Ethiopian Ministry of Industry (2020). URL: <https://moi.gov.et/en/the-minister> (accessed on 05.01.2023).

most important factor when resolving difficulties in various situations.

Because of the complex and fast-changing behaviour of prices, finding an appropriate pricing strategy is the most important concern when solving problems in various situations. Similar research has been carried out in the service sector, as well as in small and micro-businesses. Also, as far as this researcher knows, there has been no research done on how price affects business performance in the Ethiopian brewery industry.

Given the dearth of empirical studies on the one hand and the importance of strategic pricing on the other, as reviewed above, the current paper aims to contribute to this under-researched area of concern by providing insights regarding the effect of pricing on a firm's performance in the brewery industry in Ethiopia.

Objectives of the study

To investigate how pricing strategy affects a company's performance in the brewing industry.

Research Hypothesis

Ha: Pricing strategy has a significant positive impact on the performance of the firm.

Research Design

A research design is a thorough plan that specifies the methods and procedures to be used in order to collect and analyse the required data [14].

The researcher employed both descriptive and explanatory research designs for this study. In order to clarify, comprehend, and forecast the link between the variables, an explanatory study design was also applied. Because the data was gathered all at once, the researcher used a cross-sectional survey to investigate how pricing strategy affected business performance.

In a cross-sectional study, samples from different parts of a group are taken at the same time (ibid.).

Research Approach

The quantitative research method as well as the qualitative approach are the two main ways to conduct research. The qualitative method

is concerned with the subjective evaluation of attitudes, views, and behaviours, while the quantitative approach includes the collection of facts in quantitative form [15]. The study employed a quantitative research technique to achieve its goals.

Target Population

Currently, 12 breweries owned by six large brewers are operational, producing at least 24 unique beer brands. Because the study's objective was to explore how pricing strategy affects a firm's performance in the context of Ethiopia's brewery industry, the study's target population included all six main brewers and marketing department employees from 12 brewery-producing enterprises. The emphasis is not on the company's other functional areas.

Sampling Technique

This study was conducted on brewery factories in Ethiopia. Since it is impractical and unnecessary to consider all employees of the factory, the sample was selected only from the marketing department using nonprobability or purposive sampling. This is for the reason that personal judgment selects subjects that are considered to be representative of the population [16]. Researchers often assume they can save time and money by obtaining a representative sample through the use of sound judgment.

SAMPLE SIZE DETERMINATION

The process of determining the number of observations to include in a sample is known as sample size determination. The sample size is an essential aspect of any research or inquiry if the goal is to draw conclusions about the population from a sample [17]. Sample size determination is a scientific undertaking that should be carried out with caution [15]. Taro Yamane's method was used to calculate the sample size for the investigation.

$$n = \frac{N}{1 + N(e)^2},$$

where n — the sample size or required sample size; N — the total population size; 1 — designates the probability of the event occurring; e — the level of precision (sampling error that can be tolerated, which is 5%).

According to the human resources director of each company, there are a total of 2 512 marketing employees. By using this formula at a 95% confidence level and 5% level of precision, the sample size was determined as follows:

$$\frac{2512}{1+2512(0.05)^2} = 345.549 = 346.$$

As a result, 346 sample respondents were chosen from among the 2512 workers of the brewing factories for this research.

DATA TYPE AND DATA SOURCE

Primary and secondary data sources are two separate categories of sources used to obtain data. Primary data are, by definition, distinct since they are newly collected and are being used for the first time. The opposite is true for secondary data, which refers to information that has already been obtained and submitted to statistical analysis by another entity [17]. Because of this, only the primary source of data for the current study was acquired using closed-ended questionnaires.

DATA COLLECTION INSTRUMENTS

A well-designed questionnaire was used by the researcher as the best method for gathering the relevant data. To get useful data from respondents, the questionnaire was designed using straightforward language. In any survey where respondents are required to fill out the questionnaire, the purpose behind its structure and design is crucial [18]. So, using questionnaires, the researcher collected the required information from the workers at the brewing plants. Employees responded to statement-style questions by rating their agreement or disagreement on a five-point Likert scale (1 = strongly disagree,

2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree).

METHOD OF DATA ANALYSIS

The data was examined to see if there were any mistakes that the respondents could have made after being obtained using a questionnaire. The data was then manually entered into SPSS software version 21 and coded. Techniques for analyzing quantitative data were used. In this research, the data were analyzed using both descriptive statistical methods, such as mean and standard deviation, and inferential statistical methods, such as correlation and regression. A correlation analysis was done as part of the research to see whether there is a significant, direct connection between pricing strategy and company performance. Regression studies were ultimately carried out to determine the proportion by which the independent variable explains the dependent variable.

RESULT AND FINDINGS

Data that was collected to examine the effect of marketing mix strategy on a firm's performance is presented, analysed, and interpreted.

Response Rate

Employees of the firm were given a total of 346 questionnaires to fill out, and 310 of them were returned for a response, achieving a response rate of 90% (*Table 1*).

Descriptive Statistics

The respondents' opinions about pricing strategy techniques in the Ethiopian brewery business are shown in the table above (*Table 2*).

The average grand mean was given a score of 3.4, the standard deviation was 0.459857, the greatest mean was 4.99, and the lowest was 2.

The majority of those surveyed agreed that the pricing strategy considers the competition and takes appropriate action (item 7, mean of 4.99 and standard deviation of 0.98). The second highest mean in this variable was the use of competition based pricing (item 8, mean of 4.86 and standard

Table 1

Shows the Response Rate of the Questionnaire

Target number of respondents	Number of questionnaire returned	Response rate
346	310	90%

Source: Field Survey, 2022. URL: https://www.researchgate.net/figure/Age-of-respondents-Field-survey-2022_fig2_370917092 (accessed on 02.01.2023).

Table 2

Mean Score and Standard Deviation for Pricing Strategy

No.	Items	No.	Mini	Maxi	Mean	Std. Deviation
1	Prices are proportional to service quality	310	3.0	5	4.11	.549
2	The Price of the product is reasonable	310	4	5	4.18	.385
3	The use of pricing strategy has increased the performance of my organization	310	3	4	3.72	.452
4	The use of penetration pricing increases performance	310	1	4	2.00	.127
5	The use of skimming price to increase performance	310	1	4	2.01	.139
6	Price promotion strategies affect organizational performance	310	3	5	4.37	.660
7	Our pricing approach monitors the competition and adjusts as necessary	310	4	5	4.99	.098
8	The organization offers seasonal and flexible prices strategy	310	3	5	3.96	.388
9	The pricing decisions allow for discounts	310	3	5	4.27	.454
10	The pricing decision allows for credit terms	310	3	5	4.22	.432
11	The pricing decisions allow for payment Period	310	3	4	3.58	.637
12	The pricing strategy gives room for large customer base	310	3	5	4.54	.506
13	Customers are satisfied with our organization's present overall price structure	310	1	3	2.33	.476
14	My company uses pricing skills and systems to adapt rapidly to market changes	310	3	5	4.00	.080
15	My organization Consistently provides the best values for money	310	3	5	3.59	.500
16	The government has price restrictions	310	1	5	2.52	.787
17	We set Price based on the cost we incurred	310	1	5	2.56	.844
18	We use Value-based pricing	310	1	4	2.08	.502
19	We consider consumer's ability to pay to set Price	310	1	3	2.09	.303
20	We use competition based Price	310	3	5	4.86	.390
21	We use segmented pricing	310	1	4	2.49	.948
	Grand mean				3.45095	0.459857

Source: Field Survey, 2022. URL: https://www.researchgate.net/figure/Age-of-respondents-Field-survey-2022_fig2_370917092 (accessed on 02.01.2023).

Table 3

Correlation Analysis Correlations

Indicators		Price	Performance
Price	Pearson Correlation	1	.745**
	Sig. (2-tailed)		.000
	N	310	310
Performance	Pearson Correlation	.745**	1
	Sig. (2-tailed)	.000	
	N	310	310

Source: Field Survey, 2022. URL: https://www.researchgate.net/figure/Age-of-respondents-Field-survey-2022_fig2_370917092 (accessed on 02.01.2023).

Note: ** Correlation is significant at the 0.01 level (2-tailed).

Table 4

Coefficient of Determination Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.745 ^a	.554	.553	.01975

Source: Field Survey, 2022. URL: https://www.researchgate.net/figure/Age-of-respondents-Field-survey-2022_fig2_370917092 (accessed on 02.01.2023).

Note: ^a Predictors: (constant), price; ^b Dependent variable: performance.

deviation of.390) (mean 4.54 and standard deviation 506), the pricing decisions allow for discounts (mean 4.27 and standard deviation 454), credit terms (mean 4.22 and standard deviation 432), the price of the product is reasonable (mean 4.18 and standard deviation 385). Prices are proportional to service quality (mean 4.11 and standard deviation 549), and my organization uses pricing strategies to improve organizational performance (mean 3.58 and standard deviation 637), Based on the expenses we incurred, we established the pricing (mean 2.56 and standard deviation 844). Government price controls are in place (mean 2.52 and standard deviation 787). We use segmented pricing (mean 2.49 and standard deviation 948), customers are satisfied with our organization's present overall price structure (mean 2.33 and standard deviation 476), we use value-based pricing (mean 2.08 and standard deviation 502), we consider consumer ability to pay when setting price, we use skimming pricing to boost performance (suppose 2.01 and standard deviation 139), and we use penetration pricing to boost performance (mean 2.00 and standard deviation 127).

Our pricing approach monitors the competition and adjusts as necessary, according to the majority of respondents, according to *Table 2*. The second uppermost mean in this variable was the use of competition-based pricing.

The price plan allows for a huge consumer base, strategies for price marketing impact organizational performance, the price choices permit discounts, the price choice supports credit terms, the product is reasonably priced, and the fees paid are fair considering the quality of the product provided.

My company uses pricing skills and systems to adapt rapidly to market changes. The business provides a seasonal and variable pricing structure. The performance of my firm has improved because of the pricing strategy. The pricing selections allow for payment over time, but determining the price based on the costs we spent, ensures that my business consistently offers the greatest value for the money. Government price restrictions.

Customers are satisfied with our organization's present overall price structure, we segment pricing, value-based pricing is used,

and we take into account customer capacity to pay.

The use of penetration pricing to improve performance and the use of skimming pricing have an average and fair mean.

This result suggests that they did not take into account the cost of manufacturing and the consumers' perceived values when they established the pricing. Additionally, the companies didn't use segmented pricing, and they didn't take that into account. Penetration and skimming prices while growing their sales.

INFERENTIAL STATISTICS

Correlation Analysis

A Pearson correlation test was used to determine the degree of correlation between the independent variable, pricing strategy, and the dependent variable, firm performance.

Based on the questionnaires that were filled out by the employees of the brewery factories, the results of the correlation analysis between these variables are shown in the table below.

Table 3 shows the correlation matrix between the independent factors (price strategy) and the dependent variable (firm performance) in the Ethiopian brewery industry.

Firm's performance and pricing strategy have a strong positive and statistically significant relationship ($r = .745, p < 0.01$).

REGRESSION ANALYSIS

Coefficient of Determination

According to the Model Summary in Table 4, this study's correlation coefficient (R value) is .745. This indicates that the dependent variable (pricing strategy) and the independent variable (firms' performance) have a positive and statistically significant relationship.

R-squared (R²) is the proportion of dependent variable variance explained by the regression model. It may also demonstrate that the coefficient of determination, or R-square value, is .745, indicating that 74.5% of the variance in the dependent variable (firms' performance) was attributable to the independent factors (pricing

strategy). The remaining 25.5% of the variance in the firm's performance is attributable to a component not included in this analysis.

The adjusted R square (*adj. R²*) is another crucial element. The score of .286 shows that the model's retained predictors accurately account for 28.6% of the variance in the outcome variable.

Table 5 demonstrates a strong relationship between the study's variable (price strategy) and dependent variables (firm's performance) with 383.215 for the overall analysis, and the f-value is highly significant at .000b. As a result, the regression model is significant.

Regression Coefficients

The correlation coefficient above Table 6 shows that one unit increase in price strategy will increase the firm's performance by 68%, and the beta value for pricing strategy is .745 which indicates the contribution of pricing strategy to the firm's performance.

Hypothesis Testing

H_a : Pricing strategy has a significant and positive influence on organizational performance.

According to the results of the multiple regression analysis shown in Table 6, pricing strategy has a significant impact on the success of an organization. In addition to the value of beta ($\beta = 0.745$), the p-value of 0.05 (0.000 < 0.05) indicates the favourable impact of pricing strategy on performance. Thus, the null hypothesis, which said that pricing strategy has no significant and positive influence on organization performance, was rejected in favour of the alternative hypothesis, which claimed that pricing strategy has a significant and positive effect on organization performance.

Similarly, the study results support those of [19], who discovered that a pricing strategy significantly improves company success. Price and company performance have been shown to have a favourable and significant association by [20] and [21]. Another study by [22] and [23] discovered a significant correlation between pricing strategy and performance of organizations.

Table 5

ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.149	1	.149	383.215	.000 ^b
	Residual	.120	308	.000		
	Total	.270	309			

Source: Field Survey, 2022. URL: https://www.researchgate.net/figure/Age-of-respondents-Field-survey-2022_fig2_370917092 (accessed on 02.01.2023).

Note: ^a Dependent variable: performance; ^b Predictors: (constant), price.

Table 6

Regression Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.260	.137		9.211	.000
	Price	.680	.035	.745	19.576	.000

Source: Field Survey, 2022. URL: https://www.researchgate.net/figure/Age-of-respondents-Field-survey-2022_fig2_370917092 (accessed on 02.01.2023).

Note: ^a Dependent variable: performance.

CONCLUSION

The study aimed to determine how pricing strategy affected the firm's performance.

The research discovered that when firms set a price, they consider the competition, take appropriate action, implement competition-based pricing, and that the government intervenes in determining prices. It also showed that the pricing decisions allow for discounts, the product price is reasonable, prices are proportional to service quality, and the organization uses pricing strategies to improve organizational performance. On the other hand, they did not consider the cost of manufacturing and the consumers' perceived values when they established the pricing. Additionally, the companies didn't use segmented pricing, and they didn't take it into account. Penetration and skimming prices while growing their sales.

Pricing mix strategy and firm performance, on the other hand, have a strong positive and statistically significant relationship.

The multiple correlation coefficient (R-value) is .745. This indicates that the dependent variable (pricing strategy) and the independent

variable (firms' performance) have a positive and statistically significant relationship.

The correlation coefficient above the Table 6 shows that one unit increase in price strategy will increase 68% of the firm's performance, and the beta value for pricing strategy is .745, which indicates the contribution of pricing strategy to the firm's performance.

Additionally, rather than focusing on a single technique, it is shown that organizations use various pricing methods depending on the circumstances. Given that various situations require a different pricing approach, this is a reasonable way to set prices.

RECOMMENDATION

The study aimed to examine how pricing strategies affect organizational performance. Customers in today's market are more demanding than ever before and more open to considering alternatives based on pricing. In this situation, traders should make decisions based on pricing and fixed rates that are fair and competitive and explain the costs to customers in a way that is easy to understand.

According to the results of this study, the firm considers the competitors' prices. Still, it should consider its cost of production and use economies of scale to beat the competition.

The result showed that, as there is government intervention in setting a price, we should therefore adapt the government laws and regulations.

The pricing decisions allow for discounts, the product's price is reasonable, prices are proportional to service quality, and the organization uses pricing strategies to improve organizational performance; therefore, the firms should maintain these strategies to attract new customers. The organization should implement segmented pricing

for different customers to reach massive numbers of customers. On top of this, a price strategy known as "penetration pricing" should also be used to increase sales volume and market share.

The firms should focus a lot on their price choices and work to make the best option based on a comprehensive grasp of the benefits and drawbacks of the various pricing techniques at their disposal. Businesses are also strongly advised to create a pricing framework based on the various pricing methods used in various price scenarios.

Finally, pricing strategy alone can't achieve the organization's objective but should align with other marketing mix elements.

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