

**Bindura University  
of Science Education**



**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTANCY**

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**THE IMPACT OF PRICING STRATEGIES ON FINANCIAL PERFORMANCE OF A  
COMPANY: A CASE STUDY OF FIRST MUTUAL PROPERTIES**

**BY**

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**B190175A**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR A BACHELOR OF ACCOUNTANCY HONOURS DEGREE**

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## **Abstract**

The study is about an investigation into pricing strategies at First Mutual Properties. Despite the company's pricing strategy, the amount credit losses and number voids kept rising, which prompted the researcher to investigate the impact of pricing strategies on financial performance. In order to gather the necessary information familiar with recent studies, this review sought to learn what other writers who conducted the same study had to say. In order to obtain the data necessary for the study, the researcher used descriptive research methodologies. Both conducting interviews and giving out questionnaires were among the strategies used. FMP members of the Property Services, Internal Audit and Finance department comprised the population used in the study. A population of 40 was used to conduct this study and out of 40 people only 35 participated in the survey since they managed to respond to the questionnaires sent. The data gathered from the respondents was analyzed using SPSS version 20.

The main findings showed that FMP's present pricing approach was ineffective in the current economy, leading to unjust rental costs that compelled tenants to vacate the firm's property, increasing the number of vacancies and lowering income. Tenants' mid-term lease terminations increased credit losses as a result of the existing pricing approach, which also decreased the company's revenue. The researcher recommended First Mutual Properties to use strategic pricing when pricing its rental space as it is the one suitable in the current economy of Zimbabwe. Strategic pricing maintains market share, reduces number of voids and controls credit losses thereby increasing revenue. Further research can be done on other aspects that causes revenue to decline in property companies, like the impact of lease contracts on financial performance.

## **APPROVAL FORM**

The undersigned certify that they read and recommended to Bindura University of Science Education for acceptance, a research project entitled “The Impact of pricing strategies on financial performance of a company: Case Study of First Mutual Properties , submitted in Partial fulfilment of the requirements of Bachelors of Accountancy Honours Degree.

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## **DEDICATIONS**

This project is a dedication to my beloved father, mother, brother, and Kembo family, who molded and encouraged me tirelessly throughout my educational era.

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# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

One of the management's crucial task is coming up with pricing strategies. Customer's willingness to pay is what generate the revenue for the business. To archive profit goals, a pricing strategy that strikes a balance between the customer's desires to pay a fair price must be put in place. This chapter establishes the framework for this study by outlining the background of the study, problem statement, research questions, research objectives, significance of the study, assumptions, delimitations, limitations of the study, definition of terminology and summary of the chapter.

### 1.1 Background of the study

First Mutual Holdings Limited is one of the leading financial services company in Zimbabwe. It serves as the holding company for a number of subsidiary businesses, including First Mutual Life Assurance (FML), First Mutual Funeral Services, First Mutual Health, First Mutual Wealth, First Mutual Reinsurance (FMRE), Nicoz Diamond and First Mutual Properties (FMP). They provide life insurance, short-term insurance, asset management, custodial services, funeral services property development, and management.

First Mutual Properties has a significant property portfolio, comprising some 117 250 square meters of lettable space made up of office parks, retail shops, commercial and industrial property. It owns and manages buildings in the major economic hubs of Zimbabwe, including high-rise commercial buildings, industrial and warehouse properties and retail outlets.

In accordance with the management report issued by the property manager Mr J.Ndere in February (2020), he said that 'over the past years, tenants at large shopping malls, particularly in the CBD, have been evicted from the premises due to the unaffordable rentals demanded by landlords'. Additionally, he stated that 'rentals are essential to our company's continued viability, and the monthly rentals paid by the tenants enables us to get the return on our investment in real estate'.

In June (2020), Mr. T. Muzorewa, the head of finance at FMP, stated that the company's revenue was declining due to the challenging economic climate and that over a quarter of its facilities had been unoccupied. The management team implemented pricing methods to address the poor revenue realized since 2016 in order to improve financial performance.

**Table 1.1 FMP Operational highlights**

<b>Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Occupancy Rate (%)</b>	<b>89.93</b>	<b>88.64</b>	<b>85.70</b>	<b>76.10</b>	<b>73.94</b>
<b>Annual Rentals (usd)</b>	<b>3,210,560</b>	<b>2,987,960</b>	<b>2,780,300</b>	<b>2,610,210</b>	<b>2,170,600</b>
<b>Credit Losses (usd)</b>	<b>221,410</b>	<b>322,100</b>	<b>410,960</b>	<b>498,390</b>	<b>520,200</b>
<b>Total floor (square metres)</b>	<b>123,516</b>	<b>123,450</b>	<b>123,451</b>	<b>124,405</b>	<b>122,283</b>

### **Performance for five year period**

#### **Source FMP 2020 Management Report**

The trend in the table above shows that rental income and occupancy rate has been decreasing since 2016 and this has affected the revenue of the company. A larger portion of the rental income is from the group subsidiaries as they are constrained by the firm's policy, which prohibits them from outsourcing space that a sister company can give. Also as shown in the table above, credit losses has increased from 2016.

### **1.2 Statement of the problem**

Since 2016 First Mutual Properties has implemented pricing techniques in an effort to boost its revenue. Tenants continued to leave the properties and the amount of credit losses increases as the pricing techniques produced unfavorable effects. Therefore, the goal of this study is to take account of pricing strategies First Mutual Properties can use to enhance its performance.



### **1.3 Research Objectives**

- To find out the pricing strategy FMP is currently employing.
- How has FMP implemented its current pricing strategies?
- To decide the best strategy for pricing leased space.
- To determine the difficulties FMP has in implementing pricing strategies?

### **1.4 Research questions**

- What is the current pricing strategy of FMP?
- What is the ideal pricing strategy for renting space?
- What safeguards has management put in place for pricing implementation?
- What are the challenges faced by FMP in price implementation?
- How has FMP implemented its current pricing strategies?

### **1.5 Significance of the study**

The study comes with a number of benefits to different groups and individuals.

#### **To the Researcher**

In addition to partially satisfying the criteria for the Bachelor of Commerce Accounting (Honors) Degree, the study exposed the researcher to real-world commercial problems regarding the impact of pricing strategies on the financial performance.

#### **To FMP**

To First Mutual Properties, the research is of utmost significance since it will give suggestions that management may take into account regarding how to set the leasing space price.

#### **To the University**

This study will serve as a guide for academics who intend to do further research on the price for leased space.

### **1.6 Assumptions**

- The sample to be selected is the representative of FMP.

- The information provided by respondents will be accurate and could be relied on.

## **1.7 Delimitation**

This study focused on First Mutual Properties Limited head office from the period of 2016 to 2020, located in 100 Borrowdale Road (Harare) on the impact of pricing strategies on financial performance of a company.

## **1.8 Limitations**

### **Finance**

The researcher faced some financial constrains for printing and transportation to collect data. To overcome the finance challenges, the researcher was helped by family and friends with some finance in order to proceed with the research.

### **Privacy and confidentiality**

Some of the information was not possible to obtain due to privacy and confidentiality. With the help of upper management, the researcher was able to secure permission to ask employees for information.

### **Time**

Data collection was challenging for the researcher since some employees were impacted by their workload and other obligations. The researcher managed to overcome this challenge by making appointments with the staff during their lunch hour.

## **1.9 Definition of terms**

- **Pricing:** According to Georgescu (2015) is a strategy for estimating the value that a producer will receive in exchange for services
- **Pricing Strategy:** According to Georgescu (2015) it refers to a technique for assigning values to various services.
- **Revenue:** According to Khumar (2013) is the inflow of an entity's assets or other improvements to its assets or settlements of its liabilities from providing or performing services, or other activities that represent the entity's ongoing principal or central operations.

- **Credit losses:** According to Georgescu (2015) claims that it refers to a person who has broken a contractual duty to pay money or provide services.

### **1.10 Summary**

The chapter covers the background, the research objectives were outlined and the research questions exposed. The chapter ended with definition of the key terms which will be used in the research. In the next chapter the researcher looked at the related literature to this study so as to have a foundation from which the research will be built.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter examines several scholars' theories and points of view regarding how pricing tactics affect financial performance.

#### 2.1 Literature review

Hamdan (2013) asserts that literature review is a report that evaluates studies that have been published in the literature that are relevant to a particular topic. It entails the choice of relevant documents written from a certain perspective to achieve specific goals or express particular viewpoints on the nature of the topic and how it should be investigated and their effective evaluation in connection to the intended research. The objective is to integrate the present research into the body of existing knowledge.

##### 2.1.2 Pricing strategy

According to Georgescu (2015), price is the unit measure by which customers evaluate the value of an offer, which has a significant influence on the decision between a numbers of competing options. It is the sole component of the marketing mix that brings in revenue for the business. It affects a company's viability and competitiveness. According to Moradian and Soufi (2015), pricing is the exchange of service value that is expressed in monetary terms as well as the sum of benefits that customers pay as payment for using a certain service.

As stated by Moradian and Soufi (2015), price policy is a repetitive, ongoing, and non-stop activity. According to Giri and Sharma (2014), pricing strategy also entails the organization of financial and marketing decisions that are interdependent and primarily focused on controlling costs and customer and rival price reactions in a certain market. The company's objectives must be considered when determining prices, and depending on the benefits and drawbacks of each plan, this may require centralized or decentralized pricing strategies abroad. Pricing strategy is one of

the functions that generates revenue for businesses, according to Tawalbeh (2014). Cost-based, competitive, and customer pricing strategies are just a few that come to mind. Therefore, the technique may be explained after the pricing target is known.

### **2.1.3 Impact of pricing strategies on financial performance**

According to Khumar (2013), a company's main goal is to maximize income, and this can be done even in the absence of a sound pricing strategy. According to Bonnici and Derek (2014), in order to ensure an adequate return on investment, the total income earned from the price set multiplied by the number of units sold must ultimately cover all operating expenses. The essential factor in financial modeling is pricing strategy, which affects the revenues attained, the profits made, and the sums invested in the company's expansion for long-term survival. According to Martin (2017), market segmentation is crucial in attempts to comprehend the structure of rental markets since it allows a company to price services at an acceptable level, maximizing revenue and improving financial performance. According to Drury (2013), there is a clear correlation between management's pricing strategies and financial performance because when the right pricing strategy is used, services are absorbed into the market, generating revenue.

According to Martin (2017), the value of any pricing plan is debatable if it is not consistent with the company's overall strategy, if it does not reflect organizational goals, and can have a detrimental impact on performance outcomes. The effects of pricing strategies have significant management and societal repercussions. According to Georgescu (2015), a poll revealed that the majority of respondents believed that pricing has a significant impact on organizational success. According to Ferrell and Hartline (2012), an efficient pricing approach aids in maintaining the client portfolio and lowers the amount of credit losses. Even if it might be contended that cost is not the only factor influencing how individuals choose to pay for services, all of the authors mentioned above concur that it is the most significant.

### **2.1.4 Treatment of leases in financial statements**

Leasing was previously classified by companies using IAS 17 as either operational leases, which were expensed in the statement of comprehensive income, or finance leases, which were recognized in the statement of financial position. Businesses are now advised to implement IFRS

16 early in accordance with the updated standard on leases (IFRS 16). The International Financial Reporting Standard 16 examines if the deal is a lease contract or a non-lease contract rather than dividing the lease into a functional lease and a finance lease. To recognize a lease under IFRS 16, the asset must be identified. We can use firm X as an example, which had a three-year renting agreement with the owner of the warehouse and was given two choices. The first choice involved occupying a specific space within a building, while the second involved taking up 20 cubic meters of space within the same structure. In the first scenario, there is no recognized asset, hence the rental payments will be expensed in the statement of comprehensive income. In the second alternative, since there is an identifiable item present, rent payments will be recorded as either assets or liabilities in the statement of financial position.

### **2.1.5 Current Pricing strategy**

#### **Cost-based pricing**

Micu (2014) defined cost-based pricing as a method for determining a service's price based on all costs associated with operating a business, including all commodities required for a company to deliver that particular service. It can be separated into three categories: mark-up pricing, cost plus pricing, and break-even analysis pricing. If a company uses a full service subtotal, all three categories of cost-based pricing will be employed more correctly.

#### **Cost-plus pricing**

Cost plus pricing, according to Heisinger (2012), begins with an estimate of the expenses incurred to develop or offer a service, and then adds a specific profit percentage to determine the price. Drury (2012) asserts that cost-plus pricing promotes price stability by enabling businesses to anticipate the prices of their rivals.

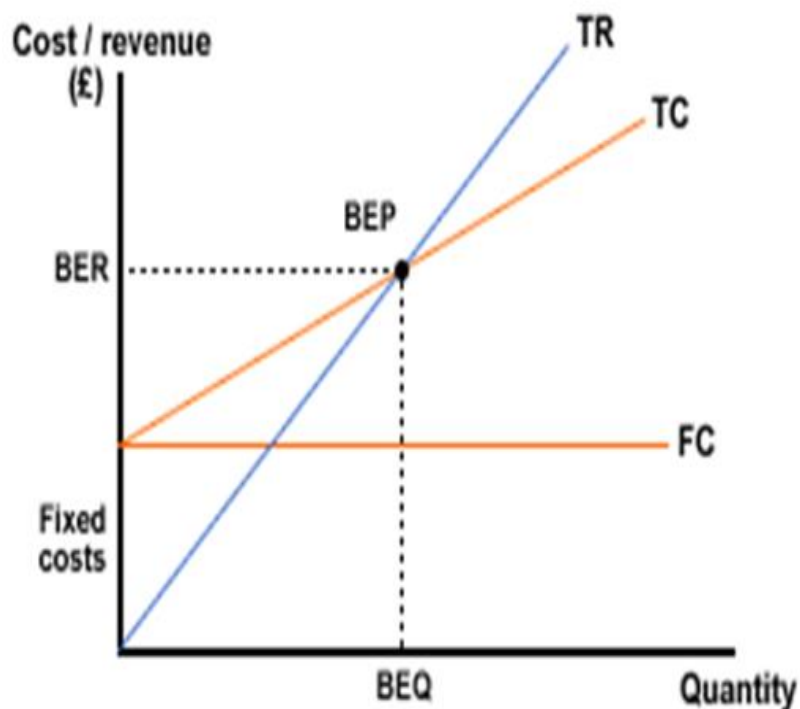
#### **Mark-up pricing**

It combines service charges with a profit margin. According to Holland (2016), rates for many clients' services are regularly affected by the cost of manufacturing. According to Micu (2014), there are several rules for markup pricing. Some business owners may plan to charge a 20–100% premium for their goods or services compared to their cost.

Break even Analysis

According to Kotler (2017), break-even pricing (or a variant known as target return pricing) refers to fixing a product's price so that it makes a target return or breaks even on its manufacturing expenses. Fixed expenditures and variable expenses can be separated out of the total cost. Demand is not taken into account when a company is operating at the break-even point since it only cares about producing where all of its revenues and costs are equal. A business is neither earning a profit nor a loss when it is functioning at break-even point.

**Fig 2.1 Break even chart**



**Source Kotler (2017)**

### **2.1.6 Competition based pricing**

Roach et al. (2021), denotes that competitive pricing strategy must keep distribution costs as low as possible because it is cost-focused. Additionally, they claimed that price stability is maintained in categories that employ the competitive pricing method. According to Kotler (2017), this method

involves setting prices based on the relative value created in comparison to rivals. He continues by stating that competition-based pricing is a possibility when a business bases its price on rivals and may fail to consider its own demand and costs.

### **2.1.7 Customer based pricing**

According to Kotler (2017), businesses use this tactic to set their prices at a level they believe their customers are willing to pay. Instead of marking up things based on various costs, businesses set their prices based on what their customers think a good or service is worth. Phongthanapanich (2021) claims that characteristics of customer-based pricing include setting prices to satisfy customer needs, to attract customers, and to suit the nature of products or services. These principles must be taken into consideration along with other factors, including business-internal factors like organizational factors and goals.

### **2.1.8 Value-added pricing**

Kotler (2017) claims that the value-added pricing approach ties quality, services, and value-added features to their offers to differentiate them and support their higher prices. Micu (2014) asserts that, from the perspectives of the consumer and the corporation, respectively, demand-based pricing is more significant to the customer than cost-based pricing. Further analysis reveals that value-added is a concern for both the business and the client because it reflects how much the firm values the client's business.

### **2.1.9 Demand oriented pricing**

In an economist's perspective, Halligian (2013) claims that, when other variables are held constant, it is anticipated that as the price of a service rises, demand will decrease. This idea is further supported by Holland (2016), who describes it as a pricing approach that focuses on the characteristics of the demand curve for a certain service. Depending on the type of industry it operates in, the nature of the demand will vary.

## **2.2 Price implementation**

In accordance with Hinterhuber (2018), the process of implementing a strategy is difficult. Though it takes place in a clearly defined setting, strategy creation calls for originality, analytical rigor,



and the capacity to master the internal political rivalry for limited resources. Harvey asserts that a pricing cycle is the ideal way to introduce prices.

**Fig 2.2 The Price Cycle**

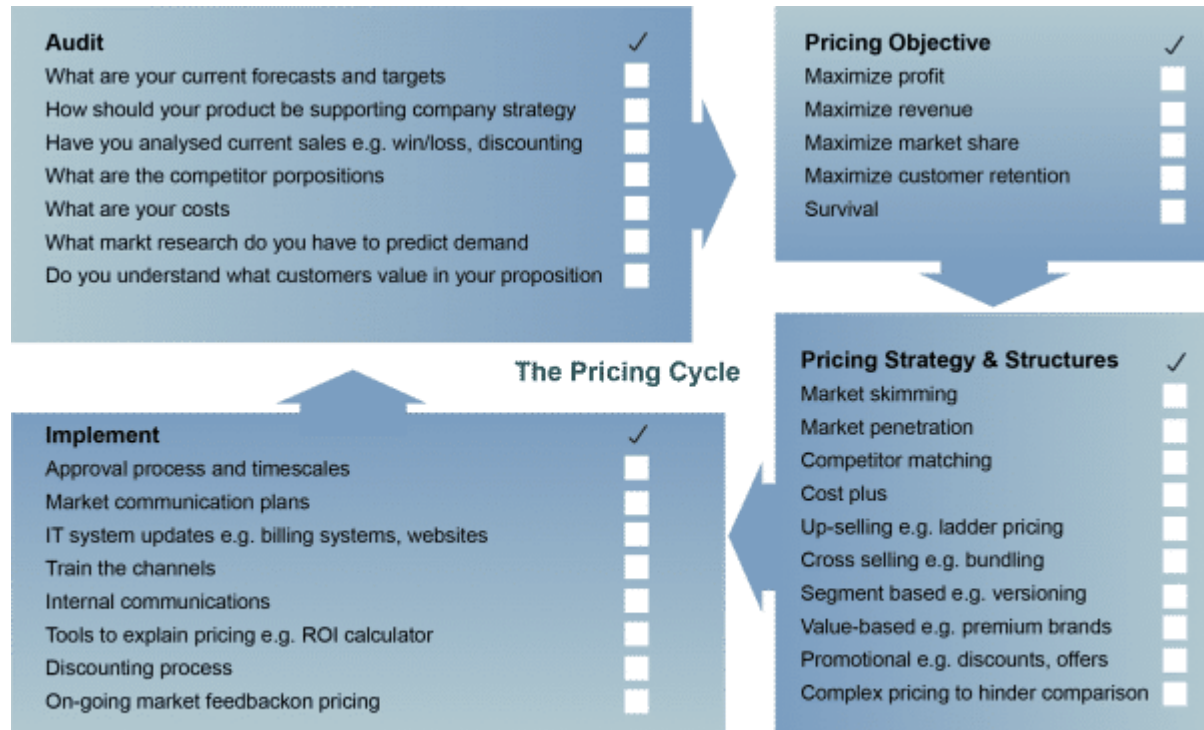


Fig.2 The Pricing Cycle

**Source Harvey (2015) fig 2**

Harvey (2015) further explained that at first audit should compile all of the information including insights accessible in the early stages of the price cycle. The price goals should follow naturally from the business plan and be rather simple. The next challenge is choosing a pricing strategy or strategies, followed by the proper pricing structures and price levels to achieve the goals. After the firm has authorized the pricing, it must then be put into effect before the cycle may start over. All pricing targets should be clear-cut and coincide with the goals of the business.

According to Kolter (2013), management must foster an atmosphere that supports the implementation of a particular strategy so that staff members will know its significance by inductions. The following stage is to decide on a pricing strategy, then the best pricing levels and structures to meet the goals. When proper pricing levels are fully recognized, implementation be

successful. After the firm has authorized the pricing, it must then be applied before the cycle may start over.

Harvey (2015) claims that, in contrast to the price cycle mentioned above, the costs allied with the company's offer, customers' enthusiasm to pay, and market rivalry are the primary factors influencing pricing at a fundamental level. Kolter (2013) asserts that service costs provide a lower threshold below which pricing cannot be sustained over the long term. The maximum is determined by a mix of the intended tenants' affordability and their opinions of the value and level of service.

According to Stainbrenner (2020), a cost-based pricing model performs best in developed countries since these economies are stable and the company can be sure that the client's satisfaction with a particular service will cover all of its costs. According to this perspective, Kolter (2015) contends that cost-based pricing is used in all economies as long as management sets a service price using entirely available pricing information as well as the assistance of competitors to minimize voids.

A void, as described by Dixon et al (2014), as a property that has been vacant for a period and void analysis is crucial for pricing implementation. With the right approach, managing property might experience fewer voids. A healthy pricing cycle also includes void management, according to Harvey (2015). In order to prevent properties from being overcharged or undercharged and being vacant without renters, the company will have to include a language in the contracts that details the entire leasing procedure. Halligian (2013) provided more evidence in favor of good void management when he pointed out that it maintains market share, raising revenue for the organization and lowering the proportion of tenants who would default on their rent obligations.

## **2.3 Difficulties in implementing pricing strategies**

### **2.3.1 Inability of staff to carry out policy**

According to Verweire (2019), most businesses employ incompetent personnel to carry out policies; therefore, in order to lower compliance risks, the responsible employees must guarantee that pricing policies are carried out appropriately, as per guidelines, and must be an ongoing process. Harvey (2015) adds that for an organization to benefit from an effective pricing policy, all departments must strive towards the same objective and all staff members must be aware of

what to do. There will be a requirement for training because the personnel needs to have a solid understanding of pricing. In an effort to cut expenditures that will benefit them in the long run, some organizations minimize training and skip crucial stages of the price cycle. Hinterhuber (2017) asserts that for the implementation to be successful, the corporation must employ, qualified people who are prepared to put in extra effort rather than employing individuals who lack competence.

### **2.3.2 Poor leadership skills**

According to Halligian (2013), a proper leadership style that will improve performance is necessary for pricing implementation to be successful. Two-way communication is essential since it will enable management to correct any oversights. Harvey (2015) also emphasizes how a poor organizational structure alone can have a detrimental impact on how prices are implemented. For example, if the structure is excessively long, choices may change and communication down the hierarchy may be misinterpreted.

### **2.3.3 Lack of funds**

Harvey (2015) pointed out that strong financial foundation is necessary for a business to have during the implementation stages since it may be necessary to hire expensive professional labor or expensive software to input data. The majority of businesses struggle to adopt prices successfully because they cut corners to reduce expenditures at the expense of the implementation. Micu (2014) underlined that management frequently strays from their price objectives to increase shareholder wealth during implementation because they are more focused on the short-term benefit than the long-term effect.

### **2.3.4 Failing to adhere to leasing principles**

According to French (2013), if a corporation doesn't understand the purpose of void analysis in pricing implementation, it is intending to fail. The drafting of the lease pricing policies will also be unsuccessful if the leasing agency is unable to identify the potential mix of local, provincial, and national renters who match the market requirements. The proper implementation of voids does not coexist with an efficient price implementation. A competent leasing agent will help the business accomplish one of its goals, which is to increase market share. Marten (2013), states that the majority of corporates are incapable to fill holes because they are ignorant that doing so results

in lost revenue and inefficient use of social resources. Even if cheap rents are levied, long-term vacancies can have a negative impact on a neighborhood and make it harder for businesses to locate tenants who desire to occupy the properties.

### **2.3.5 Economic Performance**

According to [www.forbes.com](http://www.forbes.com), businesses cut expenses during difficult economic times to boost shareholder wealth. Due to tenants' disregard for the necessity of a physical structure, the advent of internet commerce has made it challenging for property owners to negotiate costs during the implementation process.

### **2.3.6 Lack of data and information**

Data collected is used as justification for choosing a pricing structure or strategy prior to implementing prices. According to Micu (2014), if management doesn't prepare ahead for anything they do, the outcome will likewise fail, suggesting that the information acquired reflects the result. For instance, if the marketing team implements a price plan based on a circumstance but does so unwillingly and incorrectly observe client behavior, it will fail.

### **2.3.7 Technological factors**

Kremer and Kalka (2017) asserts that in order to benefit from the price cycle, an organization must be technologically advanced during the implementation process. It is necessary for a business to understand the entire price cycle and appreciate the advancement of technology. According to Ivarsson and Moller (2020) Technology today plays a major role in business and society, enabling innovations and enhancing daily lives. The digitization of the economy and technological advancements also have a direct impact on how businesses set prices. Kremer and Kalka emphasize that businesses who are hesitant to adopt new technology find it challenging to be efficient and fruitful throughout implementation, meaning they will ultimately fail to do the right thing at the right time.

## **2.4 Controls placed over price implementation**

### **2.4.1 Internal Audit**

According to a report issued by KPMG (2016) management must not only rely on external audits; they also need to recognize the usefulness of internal audits. The complexity of organizational

activities has led to an increase in internal audit's profile because they are the ones who can show the organization how to lower risk. An internal audit's role is to assess an organization's operations. For instance, if the wrong price is adopted and if there is danger of losing clients. Internal audit decreases such risks to a level that is acceptable and expected by management. Lee and Zelazny (2021) highlights that the internal audit function serves as the entity's eye by ensuring that all of the company's operations are carried out in a timely manner. They also suggests when credit losses or voids keep on to rising in the presence of an internal audit, either the business is ignoring the audit's recommendations or the audit team is incompetent.

#### **2.4.2 Internal control**

Agegneu (2020) defined internal controls as measures taken by organizations to reasonably ensure that their business objectives will be met and that undesirable risk occurrences will be avoided, discovered, and addressed due to compliance issues or management-initiated concerns. Through their moral character and ethical values, the entity has an impact on the control environment. For instance, during the implementation process, the organization's communication and behavioral standards enable employees to refrain from departing from suggested principals. Khurma (2013) asserts that management must not neglect risks, for instance, rules must be in place to assure how to limit credit losses when the trend of credit losses is increasing. Management must foster an environment of integrity and honesty in order to avoid workplace collusions, reduce the rise in credit losses, and encourage people to work hard and be committed to their work.

#### **2.4.3 Effective management of voids**

In order to address requests that need to be improved, management must regularly communicate with renters in order to control the rate at which tenants vacate the company's property. It is important to place policies over the control of voids. Employees need to receive training on the significance of keeping tenants and not doing anything to scare away potential tenants.

#### **2.4.4 Physical control**

According to an article issued by KPMG (2016) article, protecting the assets or papers a company employs would allow one to achieve goals with confidence and keep a good reputation without sending a message to rivals. Additionally, it is stated that only individuals with authority should have access to documentation detailing pricing implementation rules and progress.

## **2.4.5 Control activities**

Control activities, according to KPMG (2016), are methods or procedures that help ensure that management's efforts to lower risks are recorded when the process of risk assessment is being carried out. To give a fair level of assurance that the agency's goals are met, management establishes control activities. According to KPMG, article management can make use of written guides and passwords to access data that will be used throughout implementation.

## **2.4.6 Access control**

Access to all assets and documents during implementation must be restricted to authorized individuals only. Utilizing biometrics to access firm assets, both tangible and liquid, is now possible because to advances in computer sciences. An organization may implement the usage of fingerprints at the entrance and exit points of the building to prevent data manipulation by unauthorized personnel.

## **2.5 The best practice in rental space**

### **2.5.1 Strategic pricing**

According to <https://stratpricing.com> strategic pricing combines the best pricing practices and ensures that your pricing policies, analytics, and strategies complement the business plan, capture the value you provide, and are consistent throughout the organization. Pricing is your most effective weapon for fostering success, and when you price wisely, your profits will increase. Through the creation of strategic pricing policies, data, and procedures, you can directly capture customer value and turn it into shareholder value.

### **2.5.2 Pricing strategies used in United States of America**

According to the Americas Housing Report (2020) While the majority of tenants were able to pay their rent on time throughout the pandemic, 15% of renter families had unpaid rent as of the third quarter of 2021. Almost a quarter of households with renters said they had lost income from their jobs in the previous four weeks at the same time. Rent arrears were more likely to happen to lower-income renters since they were particularly badly hit by income losses. In the third quarter of 2021, 23% of households with incomes under \$25,000 and 15% of those with incomes between \$25,000 and \$50,000 were behind on their payments. In contrast, only 5% of households earning more than

\$75,000 had unpaid rent. Despite a robust economy, the proportion of renter households that face costs. In order to curb for the unpaid rentals most of the property companies in USA adopted the strategic pricing strategy to maintain credit losses and increase revenue.

### **2.5.3 A case study of Chaman Properties (Nigeria)**

Chaman Properties Management is skilled at appreciating the importance of the tenant while rendering services. The company's representative reportedly stated in a press release December 2021 (News 24) that it is important to consider a renter's financial situation; as a result, the company divides its market and sets prices based on the location of each property. The financial manager adds that since the company switched from a cost-based pricing strategy to strategic pricing, there has been a change in the management of credit losses. The company adopted strategic pricing as a result of some tenants moving to residential areas.

### **2.5.4 A Case study of Eris Property Group (South Africa)**

Eris Property Group is currently using strategic pricing for its leasing space. . In a July 2021 article, the financial director stated that the company's profit is increasing steadily year over year since tenants' wishes are prioritized. The financial director adds that it's important to maintain listings current and accessible to potential tenants since doing so enables the business to receive requests from renters who are qualified and can afford the space. Renters receive timely communication from the organization because it replies to questions within 48 hours. By collecting secured payments, Eris Group Property Specialist also lowers the rate of credit losses.

### **2.5.5 A case study of Dawn properties (Zimbabwe)**

Strategic pricing is the best tactic to use, according to Dawn Properties' property manager, as it allows both the company and its tenants to survive in a developing country like Zimbabwe. Due to the control environment allowing for the acceptance of tenant requests, strategic pricing enables contract leasing changes and minimizes the company's possible rate of credit losses. In addition, Dawn Properties specifies that any upgrading of services will be arranged at a price that is mutually agreed upon with tenants because renters are the ones who pay and because doing so helps to reduce voids and enhance revenue.

## **2.6 Empirical evidence**

According to Flanders, Michael, and Mchashane (2018), empirical evidence is information that academics acquire to help them find solutions to problems that have significant ethical implications. The following are some relevant topics that were written about by various authors and are the same as the research topic.

**Fabiano Lorentis (2017): Pricing strategies and levels and their impact on corporate profitability**

The goal of this study was to create and evaluate a theoretical framework that explained how pricing policy impacts corporate profitability in Brazil. In the study, cost-based pricing strategies, competition-based pricing approaches, and high and low price levels were paired with performance in terms of profitability. According to the study's findings, value-based pricing and high price levels are favorable to the profitability of the surveyed companies, but low price levels are detrimental. These findings indicate that pricing methods have an impact on an organization's profitability, and managers should therefore not disregard the need for a more strategic analysis of the pricing process.

**Collins Tanyi (2021) Pricing policy and profitability level of an organization**

The study is based on increasing company profit by getting the price right. The researcher clearly states that it is the primary responsibility of the financial managers to choose the price strategy to be applied. The researcher further states that an organization's ability to be profitable is frequently directly related to the pricing strategy for its good or service. The researcher articulated that the majority of businesses still make poor price selections that waste money and result in losses to the organization anticipated profits.

**Michael O. Oke (2016): The relevance of pricing strategies on corporate performances in Nigeria**

The purpose of the study was to demonstrate how important pricing strategies are to corporate performance. The findings demonstrated that pricing tactics had a significant impact on a company's performance, with 91 percent of the industry's performance attributable to pricing strategies.

**2.7 Summary**



The chapter provided a summary of the literature on price strategies that can be used to price leased space and how businesses can put a price strategy into practice. The difficulties encountered during implementation and possible price-related controls have also been covered. It has also been explored how to price space most effectively. The proper research methods that were employed by the researcher to gather data are highlighted in the following chapter.

## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter describes the methodology used by the researcher to conduct the study. It describes the techniques, abilities, and various approaches used by the researcher to permit the conclusion of the study. It is centered on the data gathering methods, research sample, study design, and data collection tools, as well as the summary.

#### 3.1 Research Design

Keogh (2012), a research design is a comprehensive plan that includes several components to guarantee the effectiveness of logically solving a research problem. A research design, according to Kumar (2013), is an administrative plan that enables the research to be conducted in a way that is accurate, error-free, and intelligible. According to Cresswell (2014), there are three types of techniques which are qualitative approach, quantitative approach and mixed approach. After analyzing the three techniques, the researcher opted to employ the mixed technique because mixing data sets helps the researcher achieve to have an increasing awareness of the problem and generating more extensive evidence

##### 3.1.1 Mixed Approach

Cresswell (2014) describe a mixed approach as a method for gathering and analyzing both qualitative and quantitative techniques in a single study. According to the researcher, combining the two techniques makes it easier to keep in mind details that could otherwise be overlooked when analyzing the approaches alone. According to Abawi (2013), a qualitative method is one in which the investigator frequently makes knowledge claims based on predominantly constructivist perspective, whereas a quantitative approach is one in which the investigator primarily employs post positivist.

#### 3.2 Descriptive research

Bryman and Bell (2015), a descriptive research gives the researcher the ability to both define and comprehend the problem's nature. According to Cresswell (2014), there are three types of descriptive research: explanatory, descriptive, and casual. According to Abawi (2013), the majority of researchers who employ a mixed methodology choose descriptive surveys because it enables in-depth research. In order to examine how pricing strategies affect revenue, the researcher used both descriptive and explanatory research techniques.

### **3.3 Case Study**

A case study technique, according to Bertram (2015), is an empirical analysis that examines an existent occurrence inside its real-world setting while utilizing several types of data. When doing a case study, the researcher makes an effort to analyze the variables pertinent to the topic at hand (Polit and Hungler, 2003). A case study of First Mutual Properties (FMP) was used in carrying out this research in the process of establishing an analysis of the impact of pricing strategies on financial performance.

### **3.4 Target Population**

According to <https://www.djsresearch.co.uk> target population is the entire population or group a researcher is interested in studying. The researcher's target population comprised of 40 staff members at First Mutual Properties, which comprised of staff, from departments including the Property services department, Finance department, Internal Audit departments.

### **3.5 Sampling**

According to Curie (2005) Sampling refers to the process of choosing a portion of the population to fairly represent the patterns of the target population as a whole. The main goals of sampling are to improve the quality of data by concentrating on a smaller group while using fewer resources and collecting and managing data from a smaller subgroup.

### **3.6 Sampling techniques**

This refers to the methods used to choose which cases to include in the study. These methods are probability sampling and non-probability sampling. When selecting study participants, the researcher used both the stratified random selection technique and the judgmental sampling technique. The researcher chose participants from the specified strata using a basic random

sampling procedure. The assumption made by the use of simple random sampling is that each member of the stratum has an equal chance of being chosen.

### **3.6.1 Judgmental sampling**

According to Leedy (1997), a judgemental sampling approach is one in which the researcher selects participants who are thought to be the best sources of information. Since the researcher understood exactly what to include and what not to include in the sample, this strategy allowed for speedier data collection. The respondents in the sample were specifically and intentionally chosen in this manner. The use of judgmental sampling was justified on the grounds that it was suitable given that the researcher was asking for some level of expertise from employees to comprehend the study questions posed in the interviews.

### **3.7 Sources of data**

Data are factual details used to compute, analyze, or plan something, according to the Oxford Dictionary. Baker et al. (2012) pointed that there are two sources of data which are primary and secondary data. The researcher employed both primary data from surveys and interviews as well as secondary data from Reports and press.

#### **3.7.1 Primary data**

Primary data are described by Bertram (2015) as first-hand information or sources of knowledge that provide the researcher more control over the data they have collected. The researcher employed questionnaires and in-person interviews to gather this first-hand information.

#### **3.7.2 Secondary data**

According to <https://www.managementstudyguide.com> secondary data is information that has already been collected, organized, and analyzed and is easily accessible to researchers. Examples of secondary data include journals, newspapers and company reports. Cresswell (2014) asserts that using secondary data is more affordable because it is more widely accessible. However, secondary data may be deceptive because it was first utilized for other objectives, prompting the researcher to incorrectly interpret it and analyze what differs from what the original author was stating.

### **3.8 Research instruments**

These are instruments for gathering information that is necessary for solving the research problem. According to Creswell (2003), research instruments are any tools or gadgets used to quantify responses. To obtain data for this study, the researcher employed questionnaires and interviews.

#### **3.8.1 Questionnaire**

According to Bucher (2013), a questionnaire is a document with a list of questions intended to gather information from respondents for analysis. They have the potential to provide more accurate data if they are well-structured because they are meant to address the study objectives. Both closed-ended and open-ended questions were utilized in this study to analyze how pricing strategies affected financial performance. Giving out questionnaires to a large number of responders at once allows for time savings and fast data conversion into usable information. However, as noted by the author, a questionnaire is not flexible in that it does not allow for further clarification.

#### **3.8.2 Interviews**

It is a qualitative research methodology that aims to explain the significance of major life themes relevant to that particular issue as described by (Baker, Edwards and Dodge, 2012). A participant's experience can be revealed through an interview, which can also be utilized to gather more information about a topic (Cresswell, 2014). Face-to-face interviews can be either unstructured, with no restrictions, or structured, with instructions. A structured interview with closed-ended questions and an unstructured interview with open-ended questions were both used by the researcher.

##### **Open ended**

According to Shrivastava (2016), all respondents are asked the same open-ended questions, which speeds up the interview process and makes it easier for the interviewer to compare and analyze the data gathered. Answers are given freely, and further information is reviewed. However, according to Keogh (2012), interviewees may ask respondents for information they don't really need or they may not be honest with their responses.

##### **Closed ended**

It is a technique used to ask respondents the same types of closed-ended questions, and there will be a list of options from which the respondents are supposed to choose as specified by (Kogan and Herzog, 2012). They limit the respondents' options because the questions can only be answered in a single word or short phrase, leaving no room for more details. Closed-ended questions, according to Bucher (2013), save time and are simple to statistically analyze, but they also limit the amount of detail that respondents will be ready to provide. Instead of using closed-ended questions during the interview, the researcher decided that open-ended ones would be more beneficial because there would be no information restriction and respondents could be more honest with the researcher.

### 3.8.3 Likert scale

According to <https://www.statisticshowto.com> Likert scale is a type of rating scale that enables respondents to choose from a range of options in order to reveal more about their attitudes, beliefs, or opinions. It is attained through how one strongly disagree, disagree, neutral, agree and strongly agree. The table below shows the Likert scale.

**Table 3.1 Likert scale**

<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Uncertain</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

Source <https://www.statisticshowto.com>

### 3.9 Reliability and validity of data

In order to ensure that the researcher does not lose focus on the aim of the study, the researcher in this study carefully considered the research questions as well as the literature review when creating the questionnaire. The researcher conducted a pre-test on the instruments that will be utilized in the main investigation. There were no contradictions found when the researcher compared the answers from the questionnaires and the interview data. This was done to see if the instrument actually measured what it was meant to measure.

A pilot study using the questionnaires was undertaken to make sure the instrument was reliable. Prior to the main study, this allowed the researcher to change some of the questions that the

respondents had trouble understanding. Both in terms of how they were used and what they were meant to measure, the instruments maintained consistency. The instruments were trustworthy since they were able to generate consistent results.

### **3.10 Data presentation and analysis**

All data were handled by the researcher. First, the surveys were edited to remove obvious flaws and ensure their accuracy. Both quantitative and qualitative approaches were applied. The primary goal of the study was to get a thorough understanding of the impacts of pricing strategies on financial performance. The use of descriptive tables and pie charts helped to reduce the size of the data volumes to meaningful proportions. For data entry, the researcher used the SPSS software suite. With the aid of this software, the researcher was able to display the information gathered from the questionnaires and interviews in the form of pie charts and tables. The data was then examined based on the patterns seen in the descriptive tables and pie.

### **3.11 Ethical considerations**

The researcher made sure that participants were fully informed of the nature and purpose of the research, that consent was given voluntarily, that those involved had the legal capacity to do so, and that the onus of obtaining consent lay with the participants. The researcher also made sure that the privacy and confidentiality of the information he would have gotten from the respondents was upheld. In order for the respondents to respond willingly, the researcher made it clear to them that participation was entirely voluntary.

### **3.12 Summary**

The chapter detailed the research techniques the author employed during the process of gathering data. These included the study's methodology, population, instruments, and methods for gathering data, sources, presentation, analysis, and summary. The approaches for presenting data, analysis, and clarification of conclusions will all be covered in the following chapter.

## CHAPTER 4

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.0 Introduction

This chapter primarily focuses on the information gathered using questionnaires and interviews. The chapter's main focus is the display, analysis, and discussion of the survey's data, which are all analyzed using SPSS. We'll take a quantitative approach, where the replies are broken down into number items and corresponding percentages are shown. In order to provide answers to the study questions and enable the drawing of conclusions and actions deemed appropriate, this offers the findings sound significance.

#### 4.1 Response rate of the target population

**Table 4.1 Response rate**

<b>Respondent Group</b>	<b>Questionnaire Distributed</b>	<b>Questionnaires returned</b>	<b>Percentage of Respondent Rate</b>
FMP Management	2	2	100%
FMP Property services	10	10	100%
FMP Accounting department	20	17	85%
FMP Internal audit department	8	6	75%
<b>Total</b>	<b>40</b>	<b>35</b>	<b>87%</b>

Source: Primary data (2022)

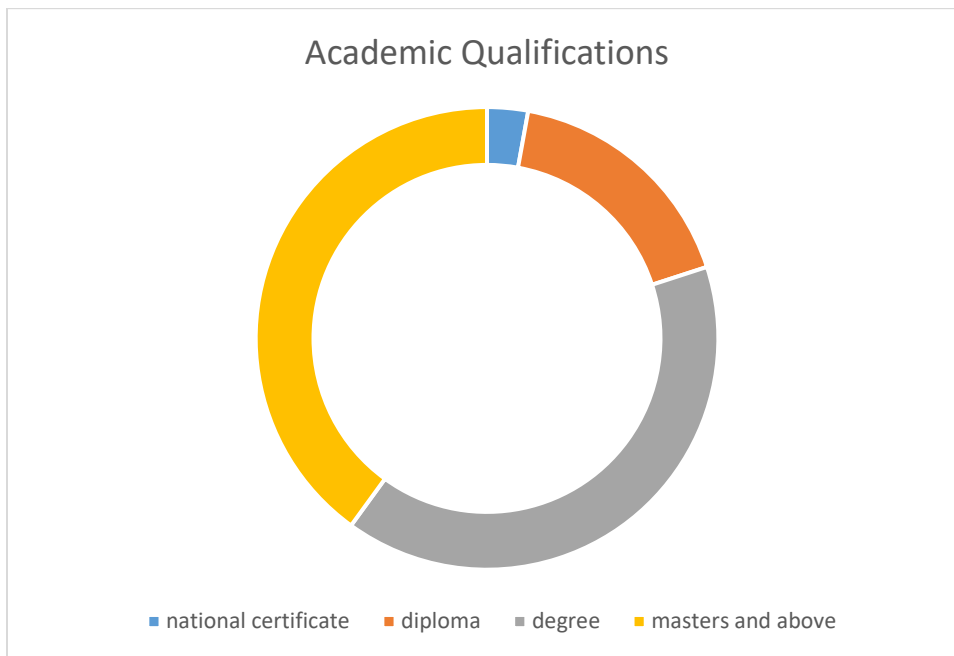


#### 4.2 Level of academic qualifications of respondents

**Table 4.2** The table shows level of academic qualifications

level of education				
	Frequency	Percent	Valid Percent	Cumulative Percent
national certificate	1	2.9	2.9	2.9
Diploma	6	17.1	17.1	20.0
Degree	14	40.0	40.0	60.0
masters and above	14	40.0	40.0	100.0
Total	35	100.0	100.0	

Source: Primary data (2022)



**Figure 4.1** Academic Qualifications

According to table 4.2 above, 2.9% of respondents had completed a national certificate, 17.1% had completed a diploma, 40% had completed a master's degree or above, and 40% of respondents said they had completed a first-year degree. This suggests that because the majority of respondents had tertiary-level education, their turnover intentions are higher than anticipated. In general, intellectuals who understood the demands of the research conducted, the questionnaire and

interviews. They sought to convey that they meet the criteria established by management processes in order to provide accurate responses.

### 4.3 Period of service at FMP

**Table 4.3 Period of service**

years in department	Frequency	Percent	Valid Percent	Cumulative Percent
less than 1 year	5	14.3	14.3	14.3
1 to 4 years	12	34.3	34.3	48.6
more than 4 years	18	51.4	51.4	100.0
Total	35	100.0	100.0	

**Source: Primary data (2022)**

### Period of service

The respondents were given a length of service checklist and asked to designate the groups they belong to in order to learn more about the length of service for the staff members. The majority of respondents were seasoned employees in the business who gave highly helpful and informative answers to surveys and interviews. Nearly half of respondents (51.4%) had worked for the organization for more than four years. Only 14.3% of respondents worked for the bank for less than a year, while 34.3% had been employed by the organization for between one and four years.

### 4.4 Analysis of the findings

This particular aspect of the study intends to show the findings following a thorough analysis of the data that was obtained. The results are presented in accordance with the research questions from the study.

#### 4.4.1 Current pricing strategy

### Table 4.4

### Descriptive statistics

## Statistics

	Value added pricing	Cost based pricing	Demand-oriented pricing	Competition based pricing
N Valid	35	35	35	35
Mean	1.74	4.00	2.11	1.97
Std. Deviation	.657	.686	.718	.707
Minimum	1	3	1	1
Maximum	3	5	3	3

Source: Primary data (2022)

### 4.4.2 Value added pricing

From the study findings, the respondents disagreed that value added pricing is employed by FMP with a mean of 1.74 and a standard deviation of 0.657.

As a result, the researcher can confidently state that FMP does not currently use value-based pricing as its pricing strategy. According to Kotler (2013), value-added features on services draw greater prices without taking into account the perspective of the client receiving that particular service, and this will encourage clients to raise the number of voids so lowering the entity's overall revenue. Most interviewees emphasized that FMP does not add extra services or features to its buildings in order to calculate their overall cost; as a result, value-based pricing is not used by the business.

In a nutshell, the majority of respondents to both the questionnaire and interviews agreed that value-based pricing is not FMP's current pricing strategy.

### 4.4.3 Cost based pricing

There is a mean of 4 which shows that respondents agreed that cost based pricing is being employed at FMP and the standard deviation 0.686.

Therefore, the vast majority of respondents concurred that FMP currently uses cost-based pricing. According to Bushnell (2014), cost-based pricing is best suited for trade organizations rather than property firms. This was demonstrated by the fact that FMP's revenue fell when it transitioned to

cost-based pricing. Analysis of FMP's (2018) report revealed that tenant revenue had been steadily falling since 2016 and that the company had been charging excessive rent.

The vast majority of interviewees also stated that FMP includes running costs and management commission, which caused the price to be much higher than even the market price and led to the loss of tenants, as the interviewees all agreed that the existing pricing system is cost-based.

#### **4.4.4 Demand Oriented Pricing**

The respondents disagreed that demand oriented pricing is employed by FMP with a mean of 2.11 and there is a wide variance in the view of the respondents with a standard deviation of 0.718.

The technique needs a company to maintain reserve resources to cater to demand swings at any moment while holding other elements, such as inflation constant. According to Howard (2015), demand-oriented pricing is most effective for businesses that are financially secure. The majority of those who participated in the interviews pointed out that since real estate companies are distinct from retail businesses, which are influenced by demand, it is inappropriate to base rental space price on demand.

#### **4.4.5 Competition based pricing**

The respondents disagreed that demand oriented pricing is employed by FMP with a mean of 1.97 and there is a wide variance in the view of the respondents with a standard deviation of 0.707.

Therefore competition based pricing strategy is not being implemented within FMP as respondents disagreed. In accordance to Holland (2016), competition-based pricing is not appropriate in a volatile economy since operating costs within enterprises won't be comparable, which, if implemented, will raise credit losses because clients may break their agreements. The vast majority of interviewees agreed that FMP does not base the cost of its renting space on the prices of its competitors.

### **4.5 Implementation of current pricing strategy**

#### **Table 4.5**

#### **Descriptive statistics**

**Statistics**

	Qualified personnel who approve strategy	Effective objectives that increase revenue	Pricing policies which would have been reviewed	Guidelines of the organization
N	Valid Missing	35 0	35 0	35 0
Mean		1.91	3.97	1.91
Std. Deviation		.742	.707	.658
Minimum		1	3	1
Maximum		3	5	3

**Source: Primary data (2022)**

#### **4.5.1 Qualified personnel who approve strategy**

A large segment of people disagree that FMP pricing strategy is implemented by qualified personnel who approve strategy with a mean of 1.91 and a standard deviation of 0.742 which displays a variance in the responses.

According to Harvey (2015), firms need specialists to approve the pricing strategy instead of just staff members for the adoption of a price cycle to be successful. The corporation is more worried about an effective price strategy, as seen by the minority interview response, which revealed that the company has hired specialists to endorse the price plan they wish to adopt.

Basing on the responses, there are no qualified personnel who are hired to approve the current price system for pricing rental space.

#### **4.5.2 Effective objectives that increase revenue**

In order to implement current pricing strategy at FMP, participants agreed with a mean of 3.97 and a low standard deviation of 0.707 indicating that the responses were clustered around the average. In a nutshell, effective objectives that increase revenue assess the implementation of the current pricing strategy as shown by majority of the respondents.

#### **4.5.3 Pricing policies which would have been reviewed**

A large segment of people disagree that FMP pricing strategy is implemented by pricing policies which would have been reviewed with a mean of 1.91 and a standard deviation of 0.658 which

displays a variance in the responses. According to Micu (2014), an effective implementation policy must be assessed in order for the organization to determine whether the policy is acceptable for that specific environment or industry. Most interviewees agreed that policies are there but management occasionally neglects the review process, as evidenced by the rate of growth in credit losses, which served as a signal that the policy needed to be reviewed.

According to the response rate, pricing implementation is not influenced by policies that would have been evaluated.

#### 4.5.4 Guidelines of the organization

With the intention of the researcher in trying to find out if guidelines of the organization assist in the implementation of the current pricing strategy, he found that the respondents disagreed with a mean of 2.14 and a standard deviation of 0.692 to this statement.

Halligian (2013) argues in favor of the respondents' position that an organization cannot follow the price cycle rules unless it has created guidelines for its activities.

#### 4.6 Challenges faced in price implementation

**Table 4.6**

##### Descriptive statistics

Statistics		Long lines of communication	Financial stability	Effective management of voids	Competence of staff
N	Valid	35	35	35	35
	Missing	0	0	0	0
Mean		3.51	3.86	1.89	2.06
Std. Deviation		.781	.772	.718	.639
Minimum		2	2	1	1
Maximum		5	5	3	3

Source: Primary data (2022)

##### 4.6.1 Long lines of communication

The respondents agreed that it is true that long lines of communication is a challenge which is being faced by FMP in price implementation with a mean of 3.51 and a standard deviation of 0.781 showing a variance in responses.

According to Halligian (2013), efficient communication is essential for operations to proceed as planned without distortion because it reduces implementation errors and saves resources. The majority of the interviewees claimed that decisions are made in a centralized manner and that the company's communication channels are not sufficiently transparent.

Based on the questionnaire replies, it can be concluded that there are numerous channels of communication and that most interviewees agree that decisions are centralized.

#### **4.6.2 Financial stability**

With the intention of the researcher in trying to find out if financial stability is a challenge faced by FMP in price implementation, he found that the respondents agreed with a mean of 3.86 and a standard deviation of 0.772 to this statement.

These findings were reinforced by Harvey (2015), who stated that most organizations skip several crucial pricing implementation stages because they lack the resources to complete the entire cycle. The majority of the interviewees also acknowledged that there are not enough resources to carry out all the necessary steps that must be taken during implementation. For instance, void analysts are not involved in price implementation because it is expensive to hire analysts. Instead, the company uses its available staff.

In a summary, the majority of the interviews and questionnaire respondents acknowledged that FMP faces difficulties maintaining its financial stability during price implementation process.

#### **4.6.3 Effective management of voids**

The respondents agreed that there is no effective management of voids in price implementation with a mean of 1.89 and a standard deviation of 0.718.

French (2013) emphasized that in order to avoid failing, an entity must understand the effects of void analysis on pricing implementation. The results of the interviews also revealed that it is difficult to manage voids as a result of the nation's economic crisis, which makes it challenging to accurately price a particular space.

#### 4.6.4 Competence of staff

A mean of 2.06 and a standard deviation of 0.639 clearly shows that respondents agree that competence of staff is a challenge faced in price implementation.

Although firms are cutting expenses, KPMG (2016) emphasized that hiring specialists is necessary during implementation as this helps to increase more income and also conserve resources. The majority of the interviewees stated that it is difficult to ensure staff competence because the company is unable to introduce or train employees on every step of the implementation process in order to improve the appropriate strategy.

Based on the majority responses from the questionnaire and the interviewees, it can be concluded that the company uses available workers without any inductions or training, making it difficult for the personnel to implement the strategy.

#### 4.7 Controls placed over price implementation

**Table 4.7**

##### Descriptive statistics

Statistics		Operating reviews	Segregation of duties	Access controls	Effectiveness internal audit
N	Valid	35	35	35	35
	Missing	0	0	0	0
Mean		1.91	1.80	4.03	2.00
Std. Deviation		.612	.632	.568	.804
Minimum		1	1	3	1
Maximum		3	3	5	4

Source: Primary data (2022)

##### 4.7.1 Operating reviews

The respondents agreed that during implementation of a pricing strategy there are no operating reviews with a mean of 1.91 and a standard deviation of 0.612.



The aforementioned findings demonstrate that operating reviews might indeed be existent but are not being properly monitored during the implementation phase. Puttick (2015) provides additional evidence in support of the findings above, arguing that in order for operations evaluations to be carried out as intended by management, employees in each department must be honest and dependable hard workers, rather than being coerced into working. The majority of the participants claimed that managers may work under intense pressure and may fail to recognize the significance of these operating reviews.

#### **4.7.2 Segregation of duties**

The respondents agreed that at FMP during implementation of a pricing strategy there is no segregation of duties with a mean of 1.80 and a standard deviation of 0.632.

According to Jackson and Stent (2012), one person cannot manage more than three activities at once during the implementation phase in order for it to be effective. A small number of interviewees disagreed, claiming that the organization has enough employees and that because each duty is assigned to a single person, no one will be expected to perform two tasks at once.

#### **4.7.3 Access controls**

The survey indicated that, since respondents agreed with a mean of 4.03 that during implementation process, access controls are present.

Biometric systems are one of the efficient access controls, and they must be used by strictly authorized employees during the implementation phase. The respondents' confirms the existence of access controls throughout implementation, but suggests that staff members may conspire to undermine them.

#### **4.7.4 Effectiveness internal audit**

From the results of the study, it can be noted that the internal audit function is present during implementation process but not effective as the respondents agreed to this with a mean of 2 and a standard deviation of 0.804.

KPMG (2016) asserts that in order to preserve accurate and impartial records, the opinions of the internal audit function must be taken into account and not disregarded. The majority of those surveyed acknowledged the internal audit function's existence but claimed that it is ineffective

since some of its members also assist the operations department with implementation which compromises the independence of the function.

#### 4.8 The best practice in pricing rental space

**Table 4.8**

##### **Descriptive statistics**

<b>Statistics</b>		Value added pricing	Cost based price	Strategic pricing	Competition based pricing
N	Valid	35	35	35	35
	Missing	0	0	0	0
	Mean	1.89	2.03	4.20	2.41
	Std. Deviation	.404	.667	1.02	.877
	Minimum	1	1	3	1
	Maximum	3	3	5	3

**Source: Primary data (2022)**

##### **4.8.1 Value added pricing**

The respondents disagreed in the view that value based pricing is the best practice in charging rent with a mean of 1.89.

Kolter (2013) confirms the opinion of the respondents who disagreed when he stated that the majority of property service companies incur maintenance expenses on buildings and that in few situations, property increased an extra cost due to the added feature or service. However, Nagle (2015) notes that because of the rapid advancement of technology, consumer preferences are changing quickly. As a result, there is a need for an organization to provide distinctive extra services to clients at a price that will maximize both the entity's revenue and the level of client satisfaction.

##### **4.8.2 Cost based pricing**

A mean of 2.03 shows that the majority of the respondents disagree that that cost based pricing strategy is the best practice in pricing rental space. Cost-based pricing strategies result in high

rental rates for tenants and, in some cases, income loss due to an increase in void rates. Majority of the interviewees further supported said that cost based pricing is not the best pricing strategy for pricing rental space.

#### **4.8.3 Strategic pricing**

The intention of the research towards this question was to see if strategic pricing is the best practice in rental space or not, he found that the respondents agreed with a mean of 4.20 and standard deviation of 1.02 meaning the responses were more spread around the average.

#### **4.8.4 Competition based pricing**

On aggregate the majority of the respondents disagreed that competition based is the best practice in pricing rental space with a mean of 2.41 and a standard deviation of 0.877. As evidenced by the data presented above and backed by the majority of interviewees, competition-based pricing is not the greatest approach for pricing rental space, and First mutual properties hasn't employed it to set rental space prices.

### **4.9 Interviews response**

**Table 4.9 Responses to interview**

<b>Instrument</b>	<b>Scheduled</b>	<b>Respondents</b>	<b>Response Rate</b>
<b>Phone</b>	<b>7</b>	<b>6</b>	<b>85%</b>

**Source: Primary data (2022)**

It can be shown from the table above that of the seven face to face interviews scheduled only six were undertaken giving a response rate of 85%. The interview targeted the key informants.

#### **Interview response analysis**

##### **4.9.1 Question 1: What is the current pricing strategy within FMP?**

The majority of individuals surveyed claimed that running costs are passed on to tenants together with the commission received when determining rent. The majority of those surveyed went on to say that FMP currently employs a cost-based pricing model, with all total costs serving as the

foundation for determining how much rent will be paid to tenants. A small percentage of the interviewees claimed that utilizing a cost-based pricing strategy had led to their pricing their floor area substantially higher than the market price, which has led tenants to vacate FMP premises. The company has experienced a fall in revenue over the previous three years, according to management, who believe that the present price strategy is to blame for the rising number of voids and credit losses. The majority of the interviewees disagreed that they price their space using value-based pricing, demand-oriented pricing, or pricing based on competition.

#### **4.9.2 Question 2: How have you implemented your current pricing strategy?**

The majority of those interviewed claimed that the board meeting serves as the initial forum for discussion on the current price strategy before passing along the hierarchy the rules for how the process is to be carried out. The majority of those interviewed went on to say that a price cycle is utilized in the execution of a pricing strategy for space, and that businesses must hire specialists to monitor the entire process and to follow all necessary steps. The vast majority of interviewees also stated that management receives assurance from personnel adhering to rules throughout implementation rather than placing more importance on reviewing pricing policies.

#### **4.9.3 Question 3: What challenges have you face in price implementation?**

The majority of the interviewees claimed that the Zimbabwean economy is in decline, renters do not have enough resources, and FMP is also experiencing financial difficulties that prevent it from hiring qualified personnel to start the price implementation process. The majority also stated that tenants are now employing brick and mortar to lower their operational costs, which is causing a higher rate of voids in FMP as well as an intolerable amount of credit losses. All responses emphasized that tenants now perceive FMP properties to be expensive and this alone has caused even leasing discussions during implementation to fail.

#### **4.9.4 Question 4: What controls have placed over price implementation?**

The majority of interviewees stated that authorization is present during the price implementation process but that practically speaking within FMP the approval of the pricing strategy is not following the proper channel. Minority interviewees stated that controls are of major concern within the organization and that all activities to be undertaken during implementation must be approved by a superior. The majority of respondents also stated that having biometric is sufficient

because the systems are run by qualified individuals through the separation of roles. Only a small portion of the interviewees acknowledged the existence of both an efficient internal audit function and operating reviews.

**4.9.5 Question 5: In your own opinion, what is the best practice in pricing rental space?**

The majority of those interviewed agreed that using strategic pricing to determine rent is the best option because it values both the landlord and the renter. The majority of those interviewed went on to say that if the tenant's value is taken into account and the entity pays attention to the rent that the tenant expects to pay or can afford, it will help to reduce the FMP's credit losses and revenue loss. The minority also pointed out that even the rise in voids would be kept to a minimum because both the organization and the renter will be happy with the price to be charged. The majority of those surveyed disagreed that cost-based pricing, along with cost-based pricing and value-based pricing, are the best methods for pricing rental space.

**4.10 Secondary data**

**Table 4.10 8 FMP’s credit losses for five-year period.**

<b>Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Amount of Credit losses</b>	<b>221,410</b>	<b>322,100</b>	<b>410,960</b>	<b>498,390</b>	<b>520,200</b>

**Source: FMP 2020 1<sup>st</sup> Quarter report**

Table 4.10 shows that the amount of credit losses continue to increase each year. One of the property managers, Mr. N. Mugari, emphasized that most tenants who complain that rents are high will be breaking their lease agreements since tenants only become aware of high rents if their businesses are not doing well. Despite the fact that tenant activities have decreased, Mr. Munemero, a financial accountant, disagreed with Mr. Mugari's assertion that the present pricing structure does not take the client's values into consideration. The head of finance, Mr. Muzorewa, stated in the quarterly report (2020), "The rise in credit losses results in lease contracts being terminated, reduces income expected to be generated for a given time."

## **4.11 Summary**

This chapter comprised of presentation and analysis of data that was collected by the researcher through the use of questionnaires. The researcher presented data in tables and pie charts as well as data that was obtained from interviews was summarized. The last chapter will deal with summary, conclusions and recommendations.

## CHAPTER 5

### SUMMARY, CONCLUSIONS AND RECOMMENDATION

#### 5.0 Introduction

Chapter 5 focuses on summarizing chapters, major findings as well as the conclusion of the study, recommendations and suggested areas of further study.

#### 5.1 Chapter summaries

Chapter 1 presented an issue at First Mutual Properties, which provided the researcher with a topic for study. The study's background was described in Chapter 1 where the researcher examined the effects of pricing strategies on financial performance. A trend analysis shows that revenue decreased as a result of the present pricing strategy in place. Landlords were accused of overcharging tenants, which led to an increase in voids and credit losses as a result of tenant complaints. The chapter also discussed the problem statement, the primary research question, the secondary research questions, and the study objectives. Discussions also included the study's boundaries, restrictions, importance, and key concepts.

The literature on pricing strategies and their effects on financial success was evaluated in Chapter 2 by a variety of academics, authors, and researchers. The application of various pricing methods by businesses as well as potential implementation difficulties were studied. The best pricing method for pricing rental space that helps to reduce credit losses and improve financial performance was offered, along with controls over price implementation.

The research strategy and the tools the researcher employed were detailed in Chapter 3. The researcher was able to collect primary data with the aid of questionnaires and interviews.

In chapter 4, the researcher presented and analyzed data that was obtained from the questionnaires and interviews conducted. Questionnaire response rate was 87% and interview response rate was 75%.

## **5.2 Major Findings**

### **5.2.1 What pricing strategy was currently used within First Mutual Properties?**

- ❖ Employees and management concurred that the FMP's current price strategy is cost-based pricing.

### **5.2.2 How have they implemented the current pricing strategy?**

- ❖ The study discovered that channels of communication that have to be followed during implementation are long and time consuming and this will result in distortion of some information obstructing an effective price strategy implementation.
- ❖ Some crucial price cycle stages, such as customer feedback tests, were bypassed in an effort to cut costs. This raised the rate of credit losses, which led to a decline in revenue.

### **5.2.3 What are the challenges faced during implementation?**

- ❖ FMP's concern for cost effectiveness leads to the use of non-experts who fail to consider some crucial factors during void analysis, leading to the implementation of an inappropriate pricing strategy for a given space, for example by having qualified staff members who are already on hand approve the pricing strategy before it is put into action.
- ❖ Zimbabwe's economy is in a recession, thus despite charging a fair price, all businesses are cutting costs as much as they can and migrating from commercial buildings to residential areas.
- ❖ Due to the necessity for brick and mortar, businesses no longer value renting out more space. As a result, the successful pricing strategy put in place is rendered ineffective because renters are unwilling to bargain fairly even though their values are taken into account.

### **5.2.4 What is the best practice in pricing rental space?**

- ❖ The findings demonstrate that, strategic pricing strategy is regarded as the best price in pricing rental space although not implemented by FMP.

## **5.3 Conclusion**



The success of the research was demonstrated by the fact that all the research questions were answered. Based on the findings, it can be said that FMP's current pricing strategy, which is cost-based, was ineffective because it prompted tenants to vacate the property, increased the number of voids, and increased the rate of credit losses, all of which had a negative impact on the company's financial performance as it slipped over the years.

## **5.6 Recommendations**

- ❖ Training employees and hiring experts should be done since these steps help to ensure that policies are followed and that time is managed efficiently inside the firm.
- ❖ FMP should be aware of technology advancements, adequately provide renters with services that are resistant to change, and value tenants' opinions through strategic pricing when setting rental prices since these actions help to reduce voids and boost revenue.
- ❖ Void analysis should not be disregarded because it helps create an efficient pricing approach.
- ❖ FMP should use strategic pricing while setting prices since it enables renters to discuss and agree upon the actual pricing for a certain space.

## **5.7 Suggested areas for further study**

- ❖ Not every factor that lowers income in real estate companies was examined in the research. Future studies can concentrate on how lease agreements affect revenue.

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## Appendix 1: LETTER OF CONSENT

### BINDURA UNIVERSITY OF SCIENCE EDUCATION



Dear participant

My name is Simon Kembo (B90175A). I am a 4th year student at Bindura University of Science Education undertaking an undergraduate degree. I am conducting a research entitled: The Impact of Pricing strategies on financial performance of a company, FMP. This is in partial fulfilment of the requirements of the Bachelor of Accountancy Honours degree.

This is an invitation to participate in a research study conducted by the researcher. Your cooperation is sought to complete the questionnaire to gather information on the research study. For further information, you can contact the university or the faculty of commerce at Bindura University of Science Education.

I thank you in advance for your support with this study

Yours faithfully

Simon Kembo

## REQUEST TO RESPOND TO QUESTIONNAIRE

My name is Simon T Kembo I am currently studying towards the attainment of a Bachelor of Accountancy (Honours) Degree at Bindura University of Science Education. As part of my degree requirements I am carrying out a research. I am researching on the **The impact of pricing strategies on the financial performance of a company: a case study of First Mutual properties**. May you kindly complete the following questionnaire, please note that this questionnaire is purely for academic purposes. Your responses shall be treated confidentially and they will not be published elsewhere. The responses are anonymous so please do not write your name on the questionnaire.

### Questionnaire for FMP staff

#### SECTION A: DEMOGRAPHICS

##### 1. Level of education

National Certificate

Diploma

Degree

Masters and above

Others (specify).....

##### 2. Position held

Finance manager

Property Manager

Internal auditor

Accountant

Debtors' controller

Creditors controller

**3. Department**

Management	<input type="text"/>	Property services	<input type="text"/>
Accounting	<input type="text"/>	Internal Audit	<input type="text"/>

**4. For how long have you been in the department**

Less than 1 year       1 to 4 years       More than 4 years

**SECTION B**

**Write your response on the space below**

5. What is the pricing strategy currently employed by FMP?

.....

**From the following Likert scale may you please tick in the respective box your answer to the statements below?**

Opinion	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
Points	1	2	3	4	5

**The current pricing strategy is;**

From the following statements may you please respond by indicating the extent to which you agree or disagree with the activities?

Statement	1	2	3	4	5
Value added pricing					



Cost based pricing					
Demand-oriented pricing					
Competition based pricing					

**SECTION C**

**Write your response on the space below**

6. What are the implications of your current pricing strategy

.....  
 .....

**Implication of your current pricing strategy is influenced by;**

From the following statements may you please respond by indicating the extent to which you agree or disagree with the activities?

Statement	1	2	3	4	5
Qualified personnel who approve strategy					
Effective objectives that increase revenue					
Pricing policies which would have been reviewed					
Guidelines of the organization					

**SECTION D**

**Write your response on the space below**

7. What are the challenges faced in price implementation?

.....  
 .....

**Challenges faced in price implementation;**

From the following statements may you please respond by indicating the extent to which you agree or disagree with the activities?

Statement	1	2	3	4	5
Long lines of communication					
Financial stability					
Effective management of voids					
Competence of staff					

**SECTION E**

**Write your response on the space below**

8. What are the controls placed over price implementation?

.....  
 .....

**Controls placed over price implementation;**

From the following statements may you please respond by indicating the extent to which you agree or disagree with the activities?

Statement	1	2	3	4	5
Operating reviews					
Segregation of duties					

Access controls over activities e.g. biometric system					
Effectiveness of internal audit function					

**SECTION F**

**Write your response on the space below**

9. What is the best practice in pricing rental space?

.....

**The best practice in pricing rental space in the current environment is;**

From the following statements may you please respond by indicating the extent to which you agree or disagree with the activities?

Statement	1	2	3	4	5
Value added pricing					
Cost based pricing					
Strategic pricing					
Competition based pricing					

**10. Any other comment**

.....  
 .....  
 .....

**Thank you for your cooperation**

## **Interview guide**

1. What is the current pricing strategy within FMP?
2. How have you implemented your current pricing strategy?
3. What challenges have you face in price implementation?
4. What controls have placed over price implementation?
5. In your own opinion, what is the best practice in pricing rental space?