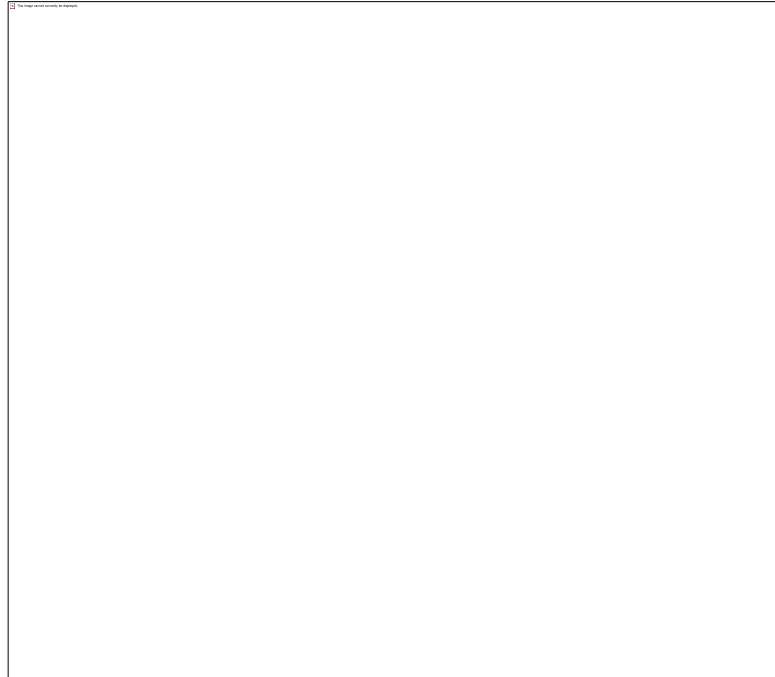


**BINDURA UNIVERSITY OF SCIENCE EDUCATION**



**FACULTY OF COMMERCE**

**BACHELOR OF ACCOUNTANCY (HONOURS)**

**AN ANALYSIS OF THE IMPACT OF PRICING STRATEGIES ON FINANCIAL  
PERFORMANCE OF MANUFACTURING PACKAGING SMEs IN HARARE**

**BY**

**Melissa Rumbidzai Chimuzano**

**A DISSERTATION SUBMITTED TO BINDURA UNIVERSITY OF SCIENCE  
EDUCATION IN FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF  
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**SUBMITTED JUNE 2024**

## APPROVAL FORM

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## **DEDICATION**

To my family who have been supporting me financially and emotionally being my source of strength. To my mentors and colleagues at school, thank you for your valuable insights and patience through this journey. To my friends whose encouragement and understanding have been valuable.

## ABSTRACT

This study aimed to analyze the impact of pricing strategies on financial performance in manufacturing packaging SMEs in Harare. The study examined pricing strategies that included cost-based, value-based, competition-based and premium pricing strategies by employing a mixed approach research design. It also examined factors affecting the choice of pricing strategies which include cost components, competition, customer preferences and business objectives. Challenges faced in developing and implementing pricing strategies include high production costs, competition, limited access to market data and high inflation rates. The research design was a both quantitative and qualitative approach which makes use of questionnaires and interviews. The target population was packaging SMEs in Harare who specialize in flexible packaging, paper and cardboard packaging, labels and stickers packaging and rigid packaging. The sample size was 110 manufacturing packaging SMEs and sampling methods were stratified and purposive sampling. Both descriptive (mean, standard deviation and percentage) and inferential statistics (multiple linear regression) were calculated using the help of SPSS. The key findings of the study were that there is a relationship between pricing strategies and financial performance and cost of production and competition are important factors to consider when setting a pricing strategy. Competition is both a factor and challenge when it comes to pricing approaches. The study recommends that SMEs should frequently analyze and adjust their pricing strategies to become accustomed to cost variations and fluctuating market conditions caused by inflation rates and competition. It is also important to establish strong cost accounting systems to manage production costs, hence understanding cost structures is very important. Suggested areas of additional research include exploring the role of technology in shaping pricing approaches and economic outcomes resulting from pricing decisions and assessing the financial performance implications of adopting sustainable and eco-friendly packaging solutions in Harare.

**Keywords:** Pricing strategies, Financial performance, Manufacturing packaging SMEs, cost-based pricing, value-based pricing, premium pricing

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# **CHAPTER I**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter provides an overview of the background of the study which explains the context behind the research, review of important literature, formulation of research questions and objectives. Research assumptions, limitation and delimitation are also discussed in this chapter.

### **1.1 Background of the study**

Small and Medium enterprises manufacturing packaging companies are very significant to the global economy by providing packaging solutions for a wide range of industries. During the 18<sup>th</sup> and 19<sup>th</sup> centuries demand for goods led to the formation of companies providing basic packaging solutions to protect and transport food and other items. As the world grew more interconnected industries developed and specialized packaging companies began to cater to specific sectors such as food, beverage and pharmaceuticals. Over time the packaging industry has continued to evolve, reflecting the dynamic nature of global trade. E-commerce has presented both opportunities and challenges to SME manufacturing companies as online shopping continues to flourish, the demand for packaging materials continue to grow however they is need to strike a balance between sustainability and environmental issues (Jones 2020). Pricing strategies are one factor that impact financial performance in manufacturing packaging SMEs.

Although the precise origin of packaging remains a mystery lost to time, historians suspect that our early ancestors utilized natural materials such as leaves, animal skins, nuts and gourds to contain, transport and preserve food. In essence, the concept of packaging was likely born out of the fundamental human need to efficiently preserve and distribute resources. Glass was a rare and expensive commodity and the fascination with this precious stone spurred the development of glass containers for food and water storage. Chinese people introduced the world's first flexible packaging which was used to wrap and safeguard food, they went on to excel at their paper- making techniques leading to the use of paper for packaging. As the world progressed the practicality and

durability of wooden barrels and boxes gained control as a means of transporting and storing a variety of goods.

Nicolas Appert, a French confectioner who cemented his place in history as father of canning, in 1809 he cracked a code for food preservation by developing a process of boiling food in sealed glass jars effectively extending the shelf-life of perishable goods. Francis Wolle invented a machine to mass produce paper bags known as Shelf-Opening sacks, they differ from the modern paper bags we are familiar with today. In 1973, Nathaniel Wyeth introduced the Polyethylene terephthalate (PET) bottles which enabled manufacturers to produce beverages offering a competitive alternative to the traditional glass bottles. Innovations such as biodegradable and edible packaging not only reflect our society's ecological awareness but also demonstrate the packaging industry's adaptability in responding to shifting consumer demands and priorities.

Globally, SMEs in the manufacturing packaging sector utilize a variety of strategies to pricing to become accustomed to fluctuating market conditions and consumer needs. Value-based pricing, cost-based pricing, penetration pricing and other models are employed to maximize and boost financial performance. Industry analyses and case studies from international markets provide valuable lessons in effective pricing strategies and their influence on SME profitability (Kotler et al 2017, Potter 2008). In the fiercely competitive landscape of the global manufacturing packaging industry, effective pricing strategies are significant in an SME's financial performance, market position and long-term sustainability (Kotler & Armstrong 2020). Adopting optimal pricing strategies models enables SMEs to balance revenue growth, profitability, market share and overall competitiveness to survive in the market.

Regionally, the interplay of factors such as cultural preferences, regulatory environment, market conditions and competition create a diverse range of pricing challenges and opportunities for SMEs across different geographic regions. Examining these regional variations in pricing trends provides valuable insights into the unique circumstances facing SMEs, enabling informed decision making and strategic planning for achieving maximum competitiveness and financial success. SMEs in developing regions face challenges in setting optimal pricing strategies due to limited market information and resources and also high technological advancement in the region (Brown et al 2019).

The economic development of Zimbabwe is sustained through various means that include the significant role played by Small and Medium enterprises. These enterprises employ a large number of the population and contribute a certain percentage to the country's GDP (Chidamoyo and Dumba 2012). Small and Medium enterprises are acknowledged as major contributors to the economy, however, they have limited access to finances, limited access to market data and they are affected by hyperinflation in the country or other economic conditions (Dlamini and Schutte 2020). SMEs have been defined from different perspective including number of employees, size of the organization and annual revenue. Pricing strategies involve many approaches incorporated by a firm to establish the selling price for their products and services, they cover production costs, achieve business goals, gain market share and sustain profitability.

Small and medium enterprises are essential to the manufacturing sector; they operate in dynamic environments with intense competition which makes pricing decisions even more critical. SMEs have limited resources and tight budgets as a result they need to be more strategic and creative with their pricing taking into account their business environment and competition (Daniels and Bryson 2018). Despite the importance of pricing strategies, these firms face several obstacles in implementing these strategies which include fierce competition, customers' specific needs, fluctuating market conditions and lack of pricing knowledge (Mendelson et al., 2021). With the right pricing strategies, SMEs can boost their revenues, increase their profit margins, build stronger customer relationships and differentiate themselves from competitors.

## 1.2 Statement of the problem

SMEs in the packaging sector are often constrained by limited resources, which makes it difficult for them to develop and implement optimal pricing strategies. These companies face challenges in navigating the dynamic and hyperinflationary environment which requires them to continually adapt and adjust their pricing decisions (Achrol and Kotler 2016). In addition, these firms face various practical challenges that further hinder their ability to make informed pricing decisions for example operating in highly competitive markets, limited pricing expertise, determining optimal prices and being vulnerable to market fluctuations (Mendelson, Dawson and Glick 2021). All of



these factors have negative implications for the financial performance of SMEs in the manufacturing packaging sector. The importance of effective strategies in SME manufacturing firms cannot be overstated. By analyzing the factors that influence pricing decisions and their impacts on financial performance, SMEs can improve their competitiveness and long-term viability. By looking at the challenges and opportunities facing SME manufacturing firms, this research will offer meaningful perspectives to assist these firms develop pricing strategies that drive sustainable growth and competitiveness.

### **1.3 Research objectives**

- i. To determine the pricing strategies used by SMEs in the manufacturing sector
- ii. To establish the factors affecting the choice of pricing strategies
- iii. To examine challenges faced by SMEs manufacturing firms in developing and implementing effective pricing strategies
- iv. To determine the relationship between pricing strategies and financial performance

### **1.4 Research questions**

- i. What are the pricing strategies used by SMEs in the manufacturing sector?
- ii. What are the factors affecting the choice of pricing strategies?
- iii. What are the challenges faced SMEs manufacturing firms in developing and implementing effective pricing strategies?
- iv. What is the relationship between pricing strategies and financial performance?

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

#### **1.5.1 To the researcher**

- i. Research is significant to the student in fulfillment of the requirements to complete the degree and it will help the researcher on her quest of becoming a professional accountant as she has gained deep insights into price development.

### **1.5.2 To the university**

- ii. If the outcome of the research is excellent as will be determined by the university, it will get credit and be used as a reference to other students who many find the topic interesting and want to research on the suggested areas of future research.

### **1.5.3 To the manufacturing packaging industry**

- iii. Knowledge acquired can be transferred and applied to improve pricing strategies and drive better financial outcomes. The study plays a valuable role in empowering SMEs to take control of their pricing strategies.

## **1.6 Assumptions**

These are the assumptions the researcher will make during the course of the research

- i. SME manufacturing firms within the sample share similarities in terms of industry and operational environment.
- ii. Effort will be made to ensure data used to analyze pricing strategies and financial performance is accurate and reliable
- iii. The study included the confidentiality and privacy of participants ensuring informed consent and avoiding conflict of interest, the targeted population is going to provide accurate information

## **1.7 Delimitations of the study**

This research study is designed with specific boundaries that should be recognized to contextualize the scope and applicability of the findings

- i. The study will focus on manufacturing packaging SMEs in Harare
- ii. Time for measurement of financial performance will be constrained to a specific period from 2020 to 2023
- iii. Specific metrics of financial performance (sales volume) and pricing strategies will be used

## **1.8 Limitations of the study**

Refers to the factors that may constrain the scope of the research findings

- i. Researcher may face resistance from the target population and less cooperation to share information, when faced with questions employees tend to withhold information which might be useful to the research.
- ii. The study was conducted over a specific period of time which may not be enough to capture the long term effects of pricing approaches on financial performance.

### **1.9 Definition of terms**

Pricing Strategies: The mechanism used by firms to set prices for their goods and services (Nagle, Zale and Hogan 2020).

Financial performance: An evaluation of a company's financial health using metrics such as net profit and revenue (Kaplan and Norton 1996).

Small to Medium Enterprises (SMEs): Businesses that are smaller in size and scale with fewer employees and generate less revenue (Dhanesh and Milne 2019).

### **1.10 Summary**

This chapter covered all the highlighted points in the introduction with more detail. Relevant theoretical frameworks such as pricing strategies and financial performance were introduced to provide a foundation of the study.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter seeks to investigate the existing research on pricing strategies and their impact on the financial performance of SME manufacturing firms. It aims to identify gaps in literature, provide a comprehensive understanding of the topic and theoretical insights.

#### **2.1 Theoretical literature**

The theoretical framework provides a layout for understanding and analyzing the topic as it helps to organize the research to ensure that relevant theories and ideas are taken into account (Grant and Osanloo 2014). It points out the theories that already exist about pricing strategies and indicates the extent to which they have been analyzed.

#### **2.3 Pricing Theories**

##### **2.3.1 Economic Theory**

This theory was proposed by Adam Smith and it holds that prices are determined by forces of demand and supply. Supply and demand are influenced by factors such as cost of production, consumer preferences and availability of resources. Economic principles should be taken into account by firms to analyze market conditions, identify pricing opportunities and make informed decisions. In addition, economic theory provides case studies and real-world examples to demonstrate how economic principles can be used in new product pricing and competitive markets (Nagle, Hogan and Zale 2020).

##### **2.3.2 Institutional theory**

This theory provides insights on how manufacturing SMEs are influenced by external factors as they develop and implement pricing strategies. Manufacturing SMEs may adopt pricing strategies similar to those of other companies in their industry, even if those pricing strategies may not be the most effective for their business this is due to external pressure from their environment. In

addition, these SMEs may feel pressure to adhere to certain norms such as offering discounts or engaging in price competition (Scott 2008, Zhou and Guan 2010).

### **2.3.3 Game Theory**

This theory is a tool that can be used to understand how firms choose prices, how those prices affect profit, consumer behavior and analyze competition between firms. It provides a useful framework for analyzing pricing decisions between rational decision makers known as players. Firms in a competitive market must constantly adapt their pricing strategies to the actions of their competitors, each firm's pricing decision affects the outcome of the game and each firm must anticipate the reactions of other players (Osborne and Rubinstein 1994).

### **2.3.4 Resource-based theory**

This theory explains that when a company uses its valuable resources that is resources that have unique features it can gain a competitive advantage. SMEs in the manufacturing sector can leverage their valuable resources, for example producing quality products to develop pricing strategies that contribute to a competitive advantage. The theory explains that firms should possess unique resources to develop pricing strategies that align with their strengths and capabilities such as premium pricing for their products to improve financial performance (Barney, 1991). When an organization has credibility in product innovation it may adopt premium pricing strategy, whereas if it has reliable relationships with customers it may adopt value-based pricing strategy and if it has efficient production processes it may adopt cost-based pricing strategy.

## **2.4 Empirical review**

This refers to the analysis of past studies to answer the present research topic. The review shows what previous authors researched and their outcomes, that is where the research gap is established. There might be a difference in approach, theoretical starting points and untested theories.

A research pointed to explore the effects of cost-based, value-based and competition-based pricing strategies on the sales performance of telecommunication companies in Mwanza city using

quantitative and descriptive design. Sample size was ascertained by means of the Krejcie and Morgan table and statistics were gathered by means of questionnaires and analyzed with inferential and descriptive statistics. The study found that the pricing strategies positively impact sales performance of telecommunication companies (Kileo et al 2023).

An investigation was carried out to plan and examine a theoretical example displaying the effects of pricing approaches on company earnings. The study focused on 150 metal mechanic companies and researcher examined how value-based, cost-based and competition-based pricing strategies integrated with high and low price levels impact profitability. Findings suggests that companies employing value based pricing with high price levels experienced profitability, in contrast, low price levels had a negative impact on profitability. This highlights the importance of strategic pricing policies in organizations and managers should use this aspect to maximize profitability (Toni et al 2019).

A research investigated on the significance of pricing approaches on the corporate performance of Nigeria's brewery industry. To do so, a descriptive research design was adopted and secondary data were collected from listed breweries which were analyzed using a panel data regression model. The outcomes of the investigation revealed that strategies to pricing play a pivotal role in the performance of the Nigerian brewery industry with 91%. Sales strategy had a negative impact on performance of the brewery industry. The investigation suggested that breweries should implement perceived value pricing to address gaps between sales and marketing units, focus on effective market segmentation to drive sales growth and revenue generation (Oke et al 2016).

Another research study aimed to identify the determinants of the effects of pricing approaches on the performances of Micro, Small and Medium Enterprises in Kenya. The study utilized a descriptive design and a sample size of 368 licensed MSMEs using stratified and random sampling techniques. Data was gathered using questionnaires and analyzed through content analysis and inferential statistics. Results indicated that effective pricing approach had a significant positive effect on the performance of MSMEs. The researcher also noted that effective pricing should be

based on pricing objectives, target market, demand curve, competition and costs. This is crucial for establishing and maintaining a competitive advantage in the market, ultimately leading to improve performance for the company (Kawira 2021).

A research study was set to examine the correlation concerning pricing strategies and performance among SMEs in Malaysia. The study used a quantitative research design and conducted a survey of 151 SMEs in Malaysia. The study found that pricing strategies particularly valued based pricing have a significant positive impact on SMEs' financial performance, customer loyalty and market share. The study also emphasized on the importance of considering dynamic and competition based pricing strategies when developing and implementing pricing strategies (Iliyas and Badrul 2021).

In addition, a research was carried out to investigate the impact of pricing policies on the performance of firms in Nigeria and 110 non- financial listed companies were analyzed. The statistics were gathered from annual reports of the sampled firms and analyzed using regression. The outcomes indicated that business objectives and cost of sales have a positive return on assets. However, factors such as market segment, macroeconomic trends and customer preferences were statistically insignificant. These results suggest that reducing production costs should be a priority to be able to remain profitable (Olawale et al 2018).

Furthermore, a research study looked at how significant are factors influencing pricing strategies for Small Business enterprises when making pricing decisions. The research relied on primary data collected from South African SMEs using questionnaires. The sample size had 88 SMEs and statistics were analyzed by how frequently the data occurred and the significance of the problem. The outcomes of the study indicated that pricing decision are influenced by competitor information and inflation. The SMEs agreed that it is important customer relationships and product performance are important considerations in determining prices (Cant et al 2016)

Another research focused on exploring how competitive advantage mediates the link between pricing strategies and financial performance in Ugandan private primary schools. The study implemented a quantitative approach and an observational study using both explanatory data analysis and inferential statistics for analyzing data. To analyze mediation effects and construct a comprehensive model of financial performance in these schools the Med Graph program and Sobel tests were utilized. Research outcomes revealed that competitive advantage plays a role as an intermediary to some extent, in linking pricing strategies with financial performance. (Nafuna et al 2019).

The primary goal of another research the paper was to analyze the pricing strategies employed in various business entities. It examined the importance, timing and methodologies for developing appropriate pricing strategies and their impact on the desired objectives of these entities. It reviewed various research studies concerning pricing strategies, price establishment, influential factors, challenges and development of pricing strategies. In order to find established concepts of the pricing process and empirical analyses of pricing strategies, Search Strategy and Study Selection were employed. The review further pointed out that pricing remains an unfamiliar concept for most marketing managers resulting in a considerable gap in their understanding of pricing process (Hussien 2022)

A research investigation sought to determine the impact of three distinct pricing strategies that is skimming, penetration and premium pricing on the financial performance of insurance companies looking at profitability perspective. Descriptive research design was chosen for the study which focused on 45 insurance firms operating in Kenya. Statistics were gathered using questionnaires and interviews. Regression and correlation analysis revealed a statistically significant and positive correlation between the pricing strategies and profitability. The outcomes recommend that adopting appropriate pricing strategies can significantly enhance financial performance (Muema 2017)



## 2.5 Conceptual framework

This is a compilation of broad themes and ideas obtained from a diversity of research areas and embraced to coordinate a corresponding demonstration (Muthoni and Bula 2023). Concepts are used to comprehend and assess the topic under investigation. The independent variables in this study are types of pricing strategies, challenges faced in developing and implement pricing strategies and financial performance while the dependent variable is financial performance.

### Moderating variables

Independent variables

Dependent Variable

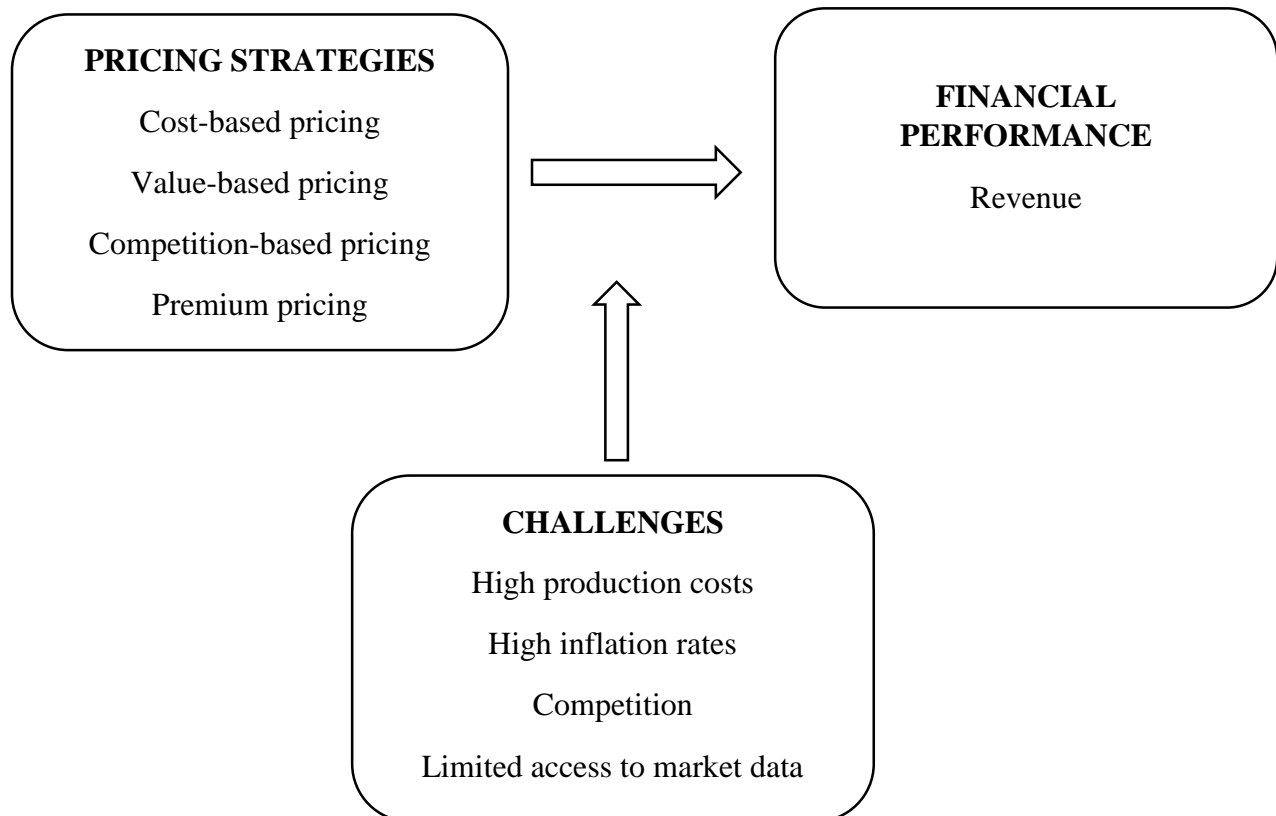


Figure 1: Conceptual Framework

Source: Authors compilation (2024)

### Operationalization of variables

Table 1: Operationalization of variables

Variable	Measurement
<b>Independent variable</b>	
Cost-based pricing	Breakeven analysis (The sales volume at which total revenues equal total costs)
Value-based pricing	Revenue growth (what customers were willing to pay for)
Competition-based pricing	Sales growth ( Analyzing the company's sales growth to specific competitors)
Premium pricing	Total revenue generated from premium priced products
<b>Dependent variable</b>	
Financial performance	Revenue

Source: Primary data (2024)

## 2.5.1 Pricing strategies in the manufacturing sector

### Cost-based pricing

This is a strategy that covers the costs of production and distribution when setting prices. The goal is to set a price that will cover cost of raw materials, labor, production and other factors and apply a markup percentage. To set the actual price they will charge to consumers, SMEs will compute the costs and combine them with desired profit margin. First the company figures out the cost of their variable expenses, determines fixed costs and figures out how much profit they desire on each unit to get the selling price (Ellering 2023, Horngen, Sundem & Schatzberg 2013).

### Value-based pricing

This strategy points out that the greatest way to price a product is based on the value it generates for its customers and the customers perceived worth (Zimbroff & Schlake 2015). To implement

this strategy, SMEs, analyze customers' needs, preferences and demands to produce high relevant products. It is important to tailor prices that match with what customers recognize and set these prices accordingly to build strong customer relationships (Hinterhuber & Liozu 2014).

### **Competition based pricing**

This is an approach that places the competitors' price and actions at the center of attention and the aim is to ensure that the product is priced competitively in the market. For SME manufacturing firms, it is important to understand how their pricing compares to that of their competitors. By analyzing competitors' pricing and benchmarking their own prices against those of the competitors, SMEs can price their products higher if customers are willing to pay more help them remain competitive in the market and boost profit (Kotler and Keller 2015).

### **Premium pricing**

This is a strategy where SMEs sets a higher price for its unique products as compared to its competitors (Vignali et al 2016). This strategy can be effective if the manufacturing SME has a strong brand and can differentiate its products through quality and innovation. SMEs can charge a premium price for its packaging when the customers perceive their high prices worthy, that is high quality packaging. SMEs can use premium pricing to highlight the quality of its materials and design.

## **2.5.2 Factors affecting choice pricing strategies**

### **Cost components**

The cost components include the production and distribution cost incurred by SMEs in the manufacturing sector. Components such as raw materials, labor, overhead costs are all significant factors affecting the pricing decisions of small businesses (Brown, Currie & Phiri, 2011). SMEs should consider the cost of raw materials, salaries and wages for labor, rent, depreciation and other

cost directly involved in making pricing decisions. To determine effective pricing strategies it is important to consider all the costs connected with manufacturing a product (Gosselin et al, 2015).

### **Goals and objectives of a business**

SMEs have set goals and objectives being the main reason why they conduct their business operations, one of the goals being profit maximization. Pricing decisions are very significant in achieving this goal hence the prices should be set at a level that generates profit. The cost- plus strategy and value based strategy should be implemented to achieve this goal (Kotler & Keller, 2015). Brand building and product differentiation is also another objective, SMEs will be differentiating themselves from competitors by supplying high quality products employing premium pricing strategy (Kotler & Keller 2015). When the manufacturing firms' aim is customer satisfaction and loyalty, they may adopt value based pricing strategy to build long term relationships with customers (Nagle et al, 2020).

### **Competitive Environment**

Awareness of competition is very important as it influences strategic decisions as well as pricing strategies. The environment refers to condition under which a business operates with factors such as number of competitors, degree of price sensitivity among customers and level of product differentiation, these factors can impact a company's ability to set prices and achieve profitability (Porter 1980). SMEs should monitor competitor's actions and adjust accordingly, if competitors raise their prices they may need follow suit and pricing decisions should align with market positioning and strategic objectives.

### **Consumers**

Pricing decisions that can be made by a business should take into account consumers as they rely on consumers for their success. While setting low prices may attract customers initially, this can

ultimately lead to loss of business if consumers are able to find cheaper alternatives elsewhere (Kotler 2008, Jobber 2016 and Porter 2008). Manufacturing SMEs must carefully consider market conditions and their consumers purchasing power when setting prices.

### **2.5.3 Challenges faced in developing and implementing pricing strategies**

#### **High production costs**

High production costs can impact profitability negatively as the cost of raw materials, labor and equipment can fluctuate any time making it difficult to predict future expenses and costs. When facing high production costs, it may be difficult to compete in the market hence SMEs may not be able to price their products competitively in the market (Singh & Perepu 2015).

#### **Competition from larger manufacturers**

Manufacturing SMEs often face competition from larger manufacturers who may have lower production costs and greater economies of scale. It is a challenge to SME manufacturing firms as they may not be able to match their prices with that of their competitors. Larger manufactures have a stronger brand recognition which they can use to the advantage in terms of pricing, making it challenging for SMEs to compete (Porter 2008).

#### **Limited access to market data**

SME manufacturing have limited resources to conduct market research and collect relevant information needed for making pricing decisions. Access to market data is important to manufacturing firms as it helps to understand market demand that is market trends, analyze competitor pricing and revenue forecast (Yoshino and Hesary 2016).

#### **High inflation rates**

Inflation has been an issue of concern in the manufacturing sector, SMEs are finding it difficult to manage cost fluctuations and customers become price-sensitive during phases of high inflation. Inflation can have a significant impact on cash flow management for manufacturing SMEs as it can create a lag time between when expenses are incurred and when revenue is received making it difficult to cover costs and expenses. SMEs also face the need to increase their prices as costs need to be adjusted regularly to remain profitable and competitive. With increased uncertainty around production costs, it can be difficult for SMEs to determine how to price their products (Siyakiya 2014).

#### **2.5.4 Relationship between pricing strategy and financial performance**

Cost-based pricing is positively related to financial performance and adopting this strategy generates profitability and boosts liquidity. SMEs adopting value-based pricing tend to achieve higher profit margins and revenue growth and it is more effective than other pricing strategies in improving financial performance (Jones, Smith and Johnson 2019). Pricing strategies are directly linked to financial performance but the strength of this relationship varies by industry context and also most successful pricing strategies are those that are aligned with the firm's objectives (Gupta and Lehmann 2020). Manufacturing SMEs that use value-based and penetration pricing experience a significant impact on sales growth and net income (Baker and Hart 2021). SME manufacturing firms must adopt a combination of different pricing strategies for distinctive product classes but must find a balance between achieving their goals and producing effective results (Agbaeze 2020)

### **2.6 Research gap**

This study seeks to link a significant knowledge gap in the literature by analyzing the impact of pricing strategies on financial performance among manufacturing packaging SMEs in Harare. There are previous studies that have been conducted on pricing strategies in various SME industries, but the challenges and factors affecting the choice of pricing strategies encountered by manufacturing packaging SMEs have remained in the shadows. In developing countries like Zimbabwe, these manufacturing packaging SMEs suffer distinctive challenges like currency fluctuations, frequent power outages, limited access to advanced technologies and regulatory

frameworks which significantly impact their pricing strategies. More research is needed to fill this gap to provide manufacturing SMEs with valuable insights and practical guidance on their pricing decisions.

## **2.7 Summary**

This chapter looked into the theories that were applicable to the study goals to get a comprehensive understanding of the research, the empirical review focused on what other authors found out in relation to the topic and the conceptual framework was used to analyze the topic. SMEs need to take time to understand and use pricing strategies that are right for their business to become more competitive and optimize profitability to survive and grow in the fast changing and challenging world of packaging industry.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter highlights the research methodology as a set of procedures and techniques used to conduct a research study. It involves choosing the research design, collecting participants, collecting data and analyzing data.

#### **3.1 Research design**

This refers to the key procedures used in the gathering of data, using the numerical data for answering research questions along with the examining of results (Creswell 2014). It also includes procedures to ensure the validity and reliability of the findings. It also means finding data collection methods, sampling methods, steps taken to collect data and choice to use primary or secondary research.

The identified research design was a mixed method design, which is an integral aspect of both quantitative and qualitative research design. To comprehend the research problem, mixed method design assists with both numerical measurements and contextual perspectives (Creswell 2014). The quantitative approach involves providing objective and reliable results that can be generalized to a larger population. It provides precise and measurable data. This research design involved collecting numerical data using questionnaires related to pricing strategies and financial performance metrics from a sample of manufacturing SMEs.

The qualitative approach involved exploring the subjective experiences, perceptions and behaviors of stakeholders involved in pricing decisions within manufacturing SMEs. The approach allowed the researcher to have a practical understanding of the study through interviews. The approach allows us to understand the study from a participant's perspective and the goal is to provide contextual insights rather than numerical measurements. (Creswell 2014, Patton 2014).



### 3.3 Target population

A population is the number of people or elements that have the same features or attributes applicable in a particular study (Creswell 2014). The target population in this research was all the manufacturing SMEs operating in the packaging sector in Harare. These are businesses that are involved in activities related to creating or designing services related to flexible, paper and cardboard, labels and stickers and rigid packaging. The main focus was directed to the managers from the finance department, production department, sales department and procurement department.

Table 2: Population

<b>Packaging Categories</b>	<b>Population</b>
Flexible packaging	45
Paper and cardboard packaging	50
Labels and stickers packaging	25
Rigid packaging	35
<b>TOTAL</b>	<b>152</b>

### 3.4 Sampling techniques

#### Stratified Sampling

This sampling technique comprises of partitioning targeting population into constituencies called strata originating from certain features or attributes. Randomly a sample a selected from each constituency and each strata represents the whole population (Denzin and Lincoln 2018). The population was divided into strata based on relevant characteristics such as packaging categories

for example flexible packaging, rigid packaging, labels and stickers packaging and paper and cardboard packaging.

### **Purposive Sampling**

This is a sampling technique where the researcher selects a sample based on their knowledge or judgment about the population. It is applicable to qualitative research methods such as interviews that focus on participant's perspectives and insights. The researcher purposefully selected a sample of companies that best matched with the research objectives to ensure that the selected SMEs provide insights that accurately represent the population of manufacturing SMEs in the packaging sector. This involved careful consideration of the relevance of each selected SME to the research objectives (Patton 2014, Morse 2015).

### **3.5 Sample size**

Sample size is the number of participants included in the research study. The sample size was representative of the population. Sample size was determined using a formula by Taro Yamani.

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

Where,

Y= Sample size

N= Population

1= Constant

ε= Degree of error (5%)

$$Y = \frac{152}{1 + 152(0.05)^2}$$

$$= 110$$

### **Sampling Frame**

Table 3: Sampling Frame

<b>Manufacturing packaging SMEs</b>	<b>Population</b>	<b>Sample</b>
Flexible packaging	45	34
Paper and card board packaging	50	40
Labels and stickers packaging	25	16
Rigid packaging	35	20
<b>TOTAL</b>	<b>152</b>	<b>110</b>

Source: Primary data (2024)

### 3.6 Research instruments

These are tools administered to participants in order to gather statistics to be used to achieve the research goals. The researcher used questionnaires and an interview. Interviews are slightly different from questionnaires as interviews are verbal means of collecting information and questionnaire is a written means of collecting research information.

#### Questionnaire

A questionnaire is a tool used to gather data from respondents through a set of compiled questions. These questions can either be closed-ended, offering a finite set of response options and facilitating quantitative data analysis or open-ended questions permitting respondents to elaborate at length and supply qualitative information (Bryman and Bell 2015). The questionnaire was designed taking into consideration the research objectives, ensuring that questions are relevant. The questionnaires were distributed to managers and employees responsible for setting prices and involved in monitoring and analyzing financial performance. The following Likert scales were utilized in the questionnaire.

#### Likert Scale

Rarely used= 1, Used Occasionally=2, Utilized as a primary strategy=3, Frequently used=4, Utilized Extensively = 5

Scale	1	2	3	4	5
Pricing Strategies					

To a lesser extent=1, To a moderate extent=2, To a large extent= 3, To a very large extent= 4, To an extremely large extent=5

Scale	1	2	3	4	5
Factors, challenges and relationship					

## Interview

An interview is a research tool that involves a conversation between a researcher and respondent aimed at gathering information about a particular topic (Rubin and Rubin 2012). It involved reaching out to heads of departments that is the managers and business owners to gather insights on pricing strategies and financial performance. The interview was guided by a set of developed questions from the research objectives. A deeper comprehension of how pricing decisions are made was gathered through interviews. The researcher made appointments through email, telephone and WhatsApp for the interview. Interviews were done face to face and through video calls. To ensure every detail was captured the researcher recorded the interviews and took detailed notes of key points. For each department, the researcher interviewed individuals who hold key positions, responsible for making decisions related to pricing strategies and financial performance analysis and overall business operations.

## 3.7 Data collection procedure

These steps placed in motion to administer research instruments and collection of data in the study. To provide a representative and diversified sample, this approach involved choosing a sample of manufacturing SMEs from the packaging industry in Harare. To get information about pricing strategies and financial performance, manufacturing SMEs were requested to participate in the

study. This included making appointments through email, telephone and WhatsApp to the target population. Questionnaires were distributed in person and also via electronic mail.

### **Primary data**

Statistics are gathered directly from the source or the individuals being studied (Creswell 2014). The primary data was the information that was collected from the study's participants through questionnaires and interviews. It was important as it provided a firsthand understanding of the research objectives. To measure the financial performance of SMEs and assess the effectiveness of their pricing strategies, primary statistics were used.

### **3.8 Data presentation and analysis procedure**

After gathering data, the following stage is to examine how pricing methods relate to financial performance. Based on research objectives different statistical tests were used to address each objective. Descriptive statistics such as frequencies, mean and standard deviation were used to summarize the distribution of different pricing strategies employed by manufacturing SMEs. To identify common themes and patterns in the challenges faced by SMEs and qualitative data from interviews thematic analysis was used. Regression analysis was done to determine the effect of pricing strategies on financial performance. The survey data was analyzed using the SPSS software and Microsoft Excel which presents the data in tables, graphs and pie charts.

### **Multiple regression equation**

$$FP = \beta_0 + \beta_1 M1 + \beta_2 M2 + \beta_3 M3 + \beta_4 M4 + \varepsilon$$

Where,

FP= Financial Performance

M1=Cost based pricing

$\beta$ =Constant

M2= Value based pricing

M4=Premium pricing

M3=Competition based pricing

$\varepsilon$ = Error terms

### **3.9 Reliability and Validity**

It is the capacity of an instrument to yield reliable results over time, across different scenarios and when used by different individuals. This is an important aspect of measurement as it ensures that any observed differences or changes are not due to inconsistencies in the instrument itself. Research instruments were closely examined, errors and adjustments were made to ensure that all the research objectives were incorporated into the instruments. The scope to which a measurement tool or instrument reliably measures what it intends to measure is validity. The aim was to evaluate whether the instruments accurately measure pricing strategies and financial performance.

### **3.10 Ethical considerations**

Ethical considerations are done to show that research was carried out in a way that is fair, just and respectful to all participants. The research was conducted fairly and any information given remained confidential. All participants were given room to answer questionnaires in their own time and the interviews were scheduled according to when the respondent will be free to do the interview. Participants were treated with respect; their decisions were respected.

### **3.11 Summary**

This chapter presented the research methodology used to find the impact of pricing strategies and financial performance. It also discussed the research design which employed the use of quantitative and qualitative which is a mixed method design. The chapter also discussed subject, population, sample size and the research instruments which were used that is the questionnaire and interview in more detail. It shows the approach on how the research was conducted.

## CHAPTER IV

### DATA PRESENTATION AN ANALYSIS

#### 4.0 Introduction

Chapter Four covers how the gathered statistics were presented. It also delivers an analysis of the data obtained throughout the study. The results will be discussed in relation to the existing literature on the objectives to be able to draw conclusions.

#### Response rate

It is an essential metric in research studies that represent the percentage of people who took part in a study out of the total number of people who were contacted to participate. A high participation rate is desirable while a low response rate can introduce bias as the sample may accurately reflect the characteristics of the study (Ali et al 2021).

#### 4.1 Questionnaire response rate

Table 4: Questionnaire response rate

<b>Instrument</b>	<b>Questionnaires distributed</b>	<b>Questionnaires returned</b>	<b>Percentage Response rate %</b>
Finance Managers	40	38	95%
Sales Managers	34	32	94%
Production Mangers	20	18	90%
Procurement Managers	16	12	75%

<b>Questionnaire</b>	<b>110</b>	<b>100</b>	<b>91%</b>
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Source: Primary data (2024)

Out of 110 distributed questionnaires, 100 were completed resulting in a participation rate of 91%. This high rate reflects a strong level of engagement from the targeted audience and implies that most participants considered the study relevant and were willing to provide feedback. A percentage response rate of 60% and higher is good although this benchmark can vary depending on the specific context of a study (Babbie 2016). For data to be accurate and meaningful, a higher participation rate is necessary. Managers from these key departments provided relevant insights and knowledge on financial implications, cost structures and financial outcomes of pricing strategies.

## 4.2 Presentation of demographic characteristics

Table 5: Demographic information

Demographic category	Demographic variable	Frequency	Percentage %
Department	Finance	32	32
	Sales	26	26
	Operations	22	22
	Procurement	20	20
	<b>Total</b>	<b>100</b>	<b>100</b>
Duration in the Department	Less than 1 year	12	12
	1 to 5 Years	40	40
	More than 5 Years	48	48
	<b>Total</b>	<b>100</b>	<b>100</b>
Highest Level of Education	Diploma	16	16
	Higher National Diploma	24	24
	Bachelor's Degree	30	30
	Master's Degree	20	20



	PhD	10	10
	<b>Total</b>	<b>100</b>	<b>100</b>
Number of employees	1 to 20	26	26
	21 to 40	24	24
	41 to 60	22	22
	61 to 100	16	16
	101 to 250	12	12
	<b>Total</b>	<b>100</b>	<b>100</b>
Years of Operation	Less than a year	8	8
	1 to 5 years	22	22
	6 to 10 years	34	34
	Over 10 years	36	36
	<b>Total</b>	<b>100</b>	<b>100</b>

Source: Primary data (2024)

The table displays the departments found in manufacturing packaging SMEs and the finance department had a higher frequency as the department is responsible for managing the company's financial resources including setting prices, analyzing financial performance and ensuring profitability. The sales department had a high frequency and this shows that the department is closely involved in setting prices, they also analyze sales performance to evaluate the effectiveness of pricing strategies. The Operations department has a moderate frequency as they provide information about resource allocation and production efficiency. The procurement department had a lower frequency, their contribution is essential as the cost of raw materials impacts the cost structure and profitability.

For less than 1 year of employment, few people have been working in their current departments, new employees may offer fresh viewpoints while those with longer tenures bring experience and understanding that contributes to informed pricing decisions. Overall, these results show how the length of tenure might influence perspectives on pricing strategies. Familiarity with business procedures is shown by more employees that worked in their various departments for more than five years. Their perspectives are likely to be influenced by institutional knowledge, industry expertise and the historical context of pricing decisions and outcomes.

According to the table, the most advanced level of education according to the participants is a Bachelor's Degree indicating considerable level of formal education within the industry. The next most common level of education is a Higher National Diploma followed by a Master's Degree, Diploma and PhD. The results suggest that respondents are a well-educated group with majority of them having completed a Bachelor's Degree. It also reflects skills and expertise among participants that contribute to the growth of the packaging sector.

The results display that most packaging SMEs in Harare have 1 to 20 employees indicating a smaller number of employees in the sector. Overall this suggests that the packaging sector is dominated by small businesses, with most of them having few staff members. A small presence of packaging SMEs who have 101 to 250 employees indicates these companies are considered larger with more workforce. The distribution reflects the diverse landscape of the industry ranging from small to medium enterprises according to employee size.

Results show that the majority of manufacturing packaging SMEs have been in operation for over 10 years. This indicates a level of stability and experience within the industry with a substantial proportion of SMEs having established themselves for a considerable period. Newer businesses may initially face challenges but bring fresh ideas, while more established businesses are focusing on growth and sustainability.

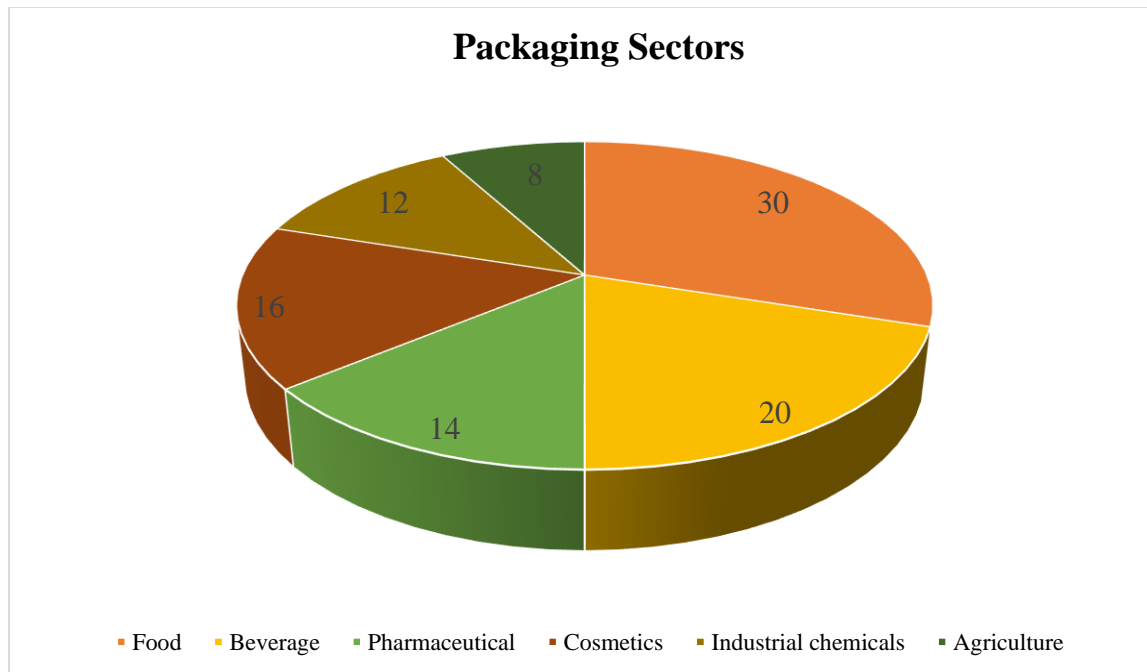


Figure 2: Packaging Sectors

Source: Primary data (2024)

The results detail the distribution of manufacturing packaging SMEs based on their industry sector. It shows that most SMEs are concentrated in the food sector, reflecting a significant demand for packaging solutions. The beverage sector includes packaging solutions for liquids such as water, soft drinks and dairy products. The pharmaceutical sector ensures the safety of medicinal products. The cosmetics sector offers a range of skin care products. These industries require a high level of precision and quality control. Industrial chemicals and Agriculture are also represented but to a smaller extent, these may be because they require robust materials and designs. Each sector holds a noticeable share of the overall market that meets the demands of various industries.

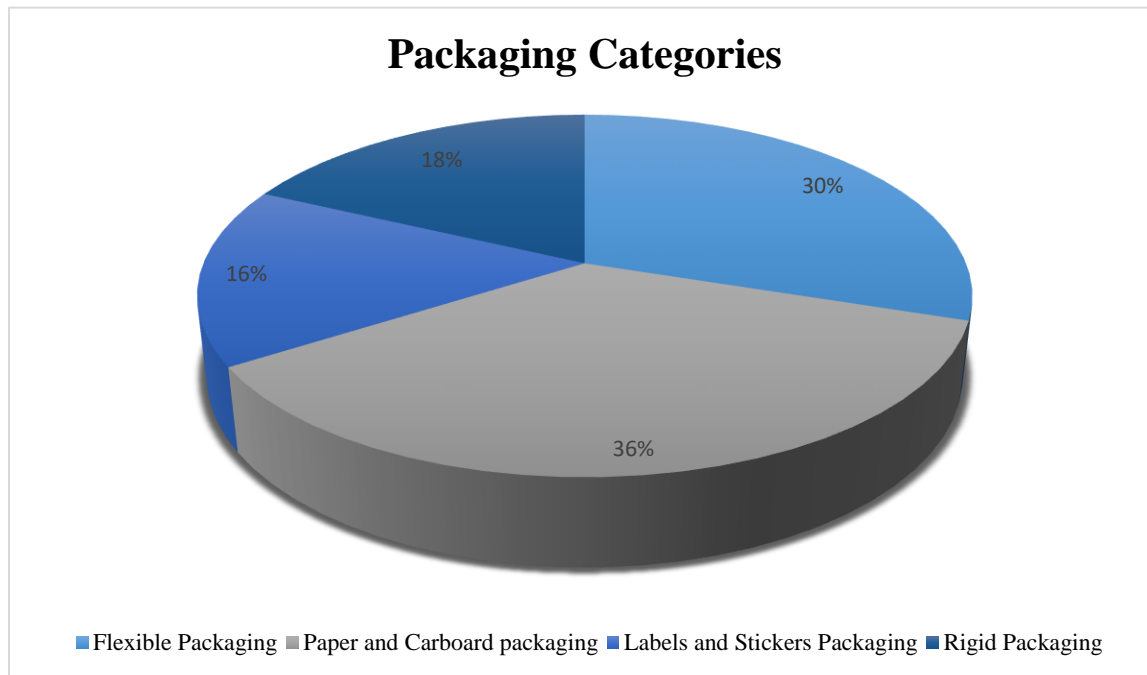


Figure 3: Packaging Categories

Source: Primary data (2024)

Paper and cardboard packaging hold a significant portion of the market followed by SMEs which do flexible packaging, rigid packaging and labels and stickers packaging. These percentages offer insights into the distribution packaging categories within the manufacturing industry. The dominance of paper and cardboard emphasizes the importance of sustainability in today's packaging solutions. Flexible packaging is also important due to its lightweight nature, versatility and cost-effectiveness. Versatility refers to the ability of packaging materials to adapt to various product types, sizes and shapes. Labels and stickers represent the importance of branding and information dissemination in packaging. Rigid packaging offers durability due to its shape providing sturdy protection for the contents inside. Overall, these results reflect a diverse landscape within the packaging industry, with different materials catering to consumer preferences, product requirements and environmental considerations.

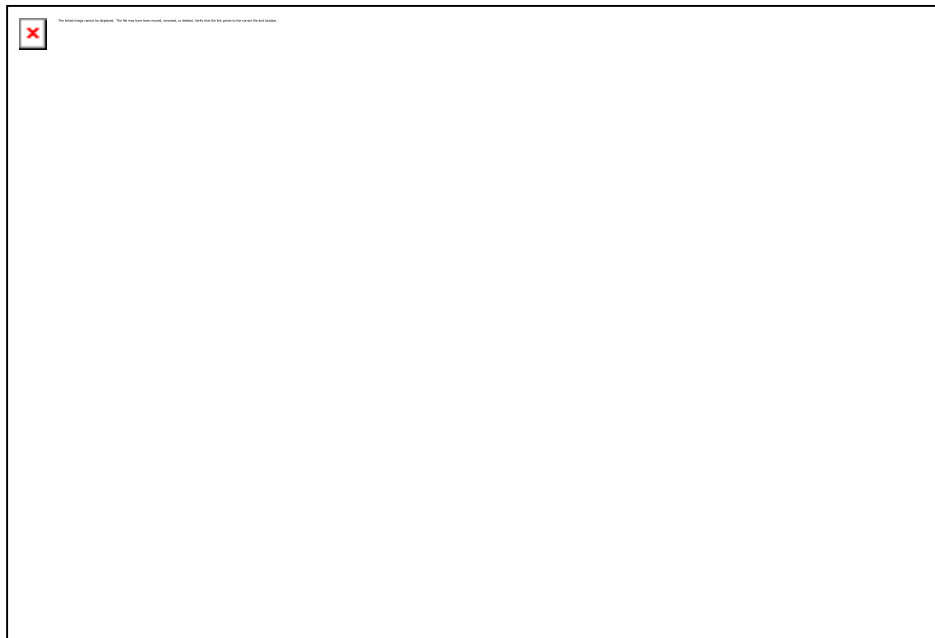


Figure 4: Annual Revenue in USD

Source: Primary data (2024)

The above graph shows the annual revenue expressed in United States American dollars and the number of respondents who revealed how much their SME makes in a year. From the graph, nearly half of the respondents revealed that they make \$251 000 to \$500 000 indicating it is the most common revenue range in most SMEs. These companies have established themselves in the market and serve a broader customer base. The other portion of the respondents represent they make \$100

000 to 250 000 per annum indicating that the companies offer a range of packaging solutions. While representing a smaller proportion, businesses that make \$500 000 to \$1M have higher sales volume and may include companies with specialized premium packaging solutions. A small minority of SMEs make less than make relatively low annual revenue, these companies maybe small- scale businesses.

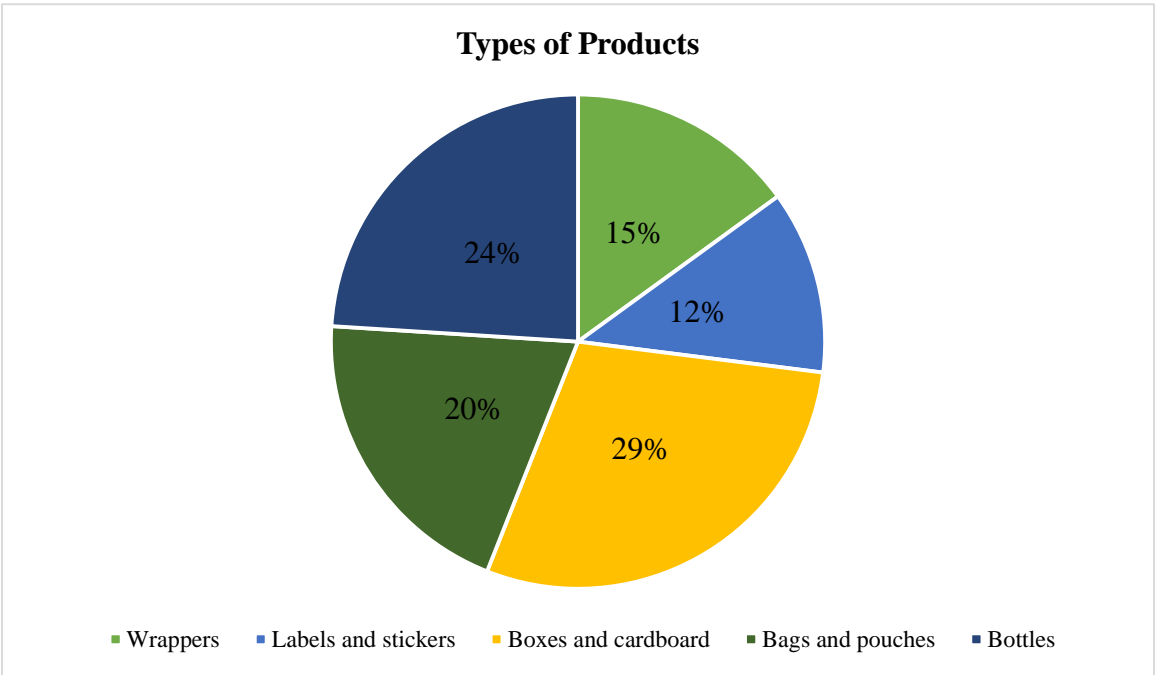


Figure 5: Types of products

Source: Primary data (2024)

The chart above illustrates the range of packaging products SMEs manufacture, each catering to customer requirements. The boxes and cardboard category represent packaging solutions for various industries offering protection and customization options. Bottles are commonly used for packaging liquids such as beverages and oils. Bags and pouches are flexible packaging options used for products like snacks, detergents and pet food. Wrappers encompass packaging materials

like foils and paper wraps used for individual or bundled products. Labels and stickers provide product information and branding elements, they are essential for product identification.

### 4.3 Reliability test



The table displays that of the 12 items tested, they produced dependable statistics with 0.821 gathered through questionnaires and interviews.

### 4.4 Presentation of research objectives

#### 4.4.1 Pricing strategies used in manufacturing packaging SMEs

Table 6: Pricing strategies used in manufacturing packaging SMEs

Strategies	1	2	3	4	5	Total	Statistics	
	F	F	F	F	F		Mean	St. D
Cost- based pricing	2	18	30	40	10	100	3.38	0.962
Competition - based pricing	6	28	21	30	15	100	3.2	1.181
Value-based pricing	4	20	28	34	14	100	3.34	1.075
Premium pricing	24	31	25	12	8	100	2.49	1.21

Source: Primary data (2024)

F= Frequency      St. D= Standard Deviation

### **Cost based pricing**

The table displays that this approach grounded in costs is frequently utilized in the manufacturing packaging sector with most of the respondents representing a strong reliance on production costs as a basis for setting prices. An important portion of respondents with prioritize cost-based pricing strategy as their primary pricing strategy. Some of the SMEs consider costs in certain pricing decisions indicating that it is not their primary pricing strategy. A smaller but noticeable portion of respondents with depend on cost-based pricing strategy, signifying that they heavily factor production costs into their pricing strategies. The reminder portion of respondents possibly depend on other pricing strategies where costs play a minor role in pricing decisions. The mean implies that packaging SMEs are primarily focused on covering their costs and the standard deviation suggests that there is some variability among SMEs in their reliance on the approach. This strategy for pricing is noted for being non-competitive in the market and for neglecting the product's value proposition (Ellering, 2023). While the approach is considered a good starting point it is important to consider the value of the product and other factors when making pricing decisions (Hornngen, Sundem and Schatzberg, 2013). Utilizing this pricing approach based on costs has a notable and beneficial effect on revenue performance (Kileo et al 2023). It is recommended to experiment with different pricing approaches and find what works best for them and maximize profits.

### **Value based pricing**

The table indicates that most of the respondents frequently utilize value-based pricing strategy showing a strong reliance on what their customers perceive as the value of their offerings in determining prices. A noticeable portion of the respondents based on the value attributed to their packaging solutions. While the other portion of the respondents consider value-based pricing, it is not their primary pricing strategy. A deep incorporation of perceived value into pricing strategies indicates that respondents rely on this strategy. Lastly, some respondents rarely use value-based pricing indicating a lower emphasis on the perceived value of their packaging solutions. Mean suggests that SMEs price their products based on the value they deliver to their customers.



Standard deviation suggests that most manufacturing packaging SMEs emphasize on this approach while others may not prioritize as much while the high level of variability indicates SMEs are struggling to implement the strategy. Perceived value pricing is a more suitable strategy because it enables companies to grasp more of the value they create and it also retains customers this was noted by (Ellering 2023). This approach to pricing is seen as a powerful tool that can help companies to increase their profits by capturing more value that products create for customers, improve customer satisfaction when they sense they are receiving products worth their money and improve market share by offering a better value than your competitors (Zimbhoff and Schlake 2015). Other authors argued that this approach can be a valuable tool for businesses but it is also significant to take into account the unique circumstances of each business before implementing it (Hinterhuber and Liozu 2014). Implementing perceived value to pricing results in improved profitability when prices are high and a decline in profitability when prices are low. (Toni et al 2019). The performance of a firm is directly linked to the pricing approaches adopted and customer-oriented pricing should be used to improve sales (Oke et al 2016).

### **Competition based pricing**

The table shows that a higher portion of the SMEs employ competition-based pricing strategy frequently signifying reliance on competitor's prices as a basis for setting their own. A larger portion of the respondent's employ competition-based pricing but it might be only used when the SME is facing competition not consistently. A portion of respondents prioritize competition-based pricing indicating they benchmark their prices against competitors. The other respondents rely extensively on the pricing strategy suggesting they consider competition from other manufacturers. A smaller but noticeable portion of the respondents consider competition when setting prices, they might be offering high-quality products that require them to use the strategy rarely. This strategy is often used where there are many competitors in the market and when offering similar products. Mean indicates the central price point competitors are gravitating towards. The standard deviation reflects an environment where players are not simply matching each other's prices. This approach to pricing can be a good way to attract customers but can also lead to price wars (Kotler and Keller

2015). The authors also noted that it is important to understand the advantages and disadvantages of the approach before using it. Utilizing this approach based on competition has a notable and beneficial effect on revenue performance (Kileo et al 2023). This approach to pricing should be considered by most firms when implementing their strategies for pricing (Iliyas and Badrul 2021).

### **Premium pricing**

The table above shows how respondents replied in terms of utilizing premium pricing strategy in their SMEs. Nearly a quarter of the respondents rarely used this pricing strategy this may be because they prefer other pricing strategies. A higher portion of the respondents indicated they use the pricing strategy occasionally probably because they use it for certain high-quality products. A quarter of the respondents use premium pricing as their primary strategy, these SMEs focus on producing high-quality products where customers are willing to pay more. A smaller portion frequently uses premium pricing though it might not be the only pricing method. A minority of respondents use the strategy extensively because of their high-value products and strong brand image. Mean suggests that on average, SMEs in this sector rely less on this pricing approach and the standard deviation indicates some firms consider the approach significant while others do not consider it. Overall these findings demonstrate a varied adoption of premium pricing among manufacturing packaging SMEs. Premium pricing can be a successful approach for firms that can create a strong brand and differentiate their products from those of competitors and it is also important to note that the approach may not be successful if consumers are not willing to pay a premium for quality (Vignali et al 2016). Companies can effectively differentiate their products and create a perception of higher value in the minds of customers by strong branding, marketing and tailoring experiences to customer needs (Kotler and Keller 2015). When an organization has credibility in product production innovation it may adopt a premium pricing strategy. An organization may use its valuable resources that have unique features to gain a competitive advantage and improve financial performance (Barney 1991).

#### **4.4.2 Factors affecting choice of pricing strategies**

This objective aimed to gather opinions regarding factors affecting choice of pricing strategies in manufacturing packaging SMEs.

Table 7: Factors affecting choice of pricing strategies

<b>Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Total</b>	<b>Statistics</b>	
	<b>F</b>	<b>F</b>	<b>F</b>	<b>F</b>	<b>F</b>		<b>Mean</b>	<b>St. D</b>
<b>Cost components</b>	<b>0</b>	<b>17</b>	<b>28</b>	<b>32</b>	<b>23</b>	<b>100</b>	<b>3.61</b>	<b>1.024</b>
<b>Business objectives</b>	<b>0</b>	<b>0</b>	<b>38</b>	<b>41</b>	<b>21</b>	<b>100</b>	<b>3.83</b>	<b>0.753</b>
<b>Customer preferences</b>	<b>4</b>	<b>21</b>	<b>32</b>	<b>29</b>	<b>14</b>	<b>100</b>	<b>3.28</b>	<b>1.074</b>
<b>Competitor pricing</b>	<b>5</b>	<b>20</b>	<b>35</b>	<b>28</b>	<b>12</b>	<b>100</b>	<b>3.22</b>	<b>1.060</b>

Source: Primary data (2024)

### **Cost components**

The table displays that participants believe to a large extent and more, cost of production is a significant factor affecting the choice of pricing strategy. This is likely due to the fact that most of the manufacturing SMEs consider costs as a central basis when pricing their products. A smaller portion of the respondents sees the cost of production as moderately influential when making pricing decisions. No respondents believe that cost of production has no impact on pricing decisions. The mean suggests that cost of production is an important factor to consider when making pricing decisions and the standard deviation indicates there is a moderate agreement among respondents that is while the importance of cost components is high there is some diversity in how different SMEs weigh these components. Understanding and managing cost components is important when implementing pricing approaches that not only cover costs but also achieve desired profit margins (Brown, Currie and Phiri 2011). Another study highlighted that while managing costs it is important to consider market conditions and consumer expectations which align with business objectives to develop effective pricing strategies. Costs should be controlled so that companies can adopt more competitive pricing strategies (Gosselin et al 2015). For strategies to pricing to be effective, it should be based on costs and other factors to remain competitive (Kawira 2021).

### **Business objectives**

The results in the table show all respondents consider business objectives to have a large extent and more on their pricing decisions. This highlights that aligning pricing strategies with business objectives is a concern for manufacturing SMEs. No respondents believe that objectives have no impact on their pricing strategies. Mean indicates that business objectives are generally considered very important in influencing pricing strategies and the standard deviation indicates there is a strong agreement among respondents. To be able to achieve business objectives prices need to be consistent, when a business wants to differentiate itself from competitors it can adopt premium pricing by supplying high-quality products (Kotler and Keller 2015). When manufacturing firms aim to retain customers they should adopt perceived value pricing (Nagle et al 2020). Objectives to pricing are very important to achieve effective pricing approaches and maintain competitive advantage (Kawira 2021). SME manufacturing firms must adopt a combination of different pricing strategies for distinctive product classes but must find a balance between achieving their goals and producing effective results (Agbaeze 2020).

### **Customer preferences**

The table shows that most of the participants consider customer preferences to a large extent and more, this indicates customer needs are of major consideration in the packaging sector. A higher portion of the respondents see customer preferences as having moderate influence suggesting that customer preferences are one of the several factors considered in pricing. The remaining portion suggests that customer preference has little to no impact on their pricing decisions. Mean indicates that customer preference is seen as an important factor and standard deviation reflects that there is a moderate agreement among respondents with varying opinions, some may place high importance on aligning prices with customer expectations while others might focus less on this aspect. (Kotler 2008, Jobber 2016 and Porter 2008) noted that pricing should reflect the value perceived by customers, account for price sensitivity and support the company's broader strategic goals hence customer preferences are an important factor in determining pricing approaches.

### Competitor pricing

The results on the table show that most of the respondents consider competitor pricing to a large extent and more as a key factor to consider when setting prices in manufacturing packaging SMEs. A noticeable share of the respondents sees competitor pricing as one of the factors that affect pricing decisions. A smaller portion of the respondents believe that competitor pricing has little to no impact on their pricing strategies. Mean indicates there is a moderate level of emphasis on competition with high variability in standard deviation indicating the importance of monitoring and responding to competitor prices. It is important to understand all of the forces that shape competition when setting prices (Porter 1980). Competitive advantage to some extent acts as a link in connecting approaches to pricing and financial outcomes (Nafuna et al 2019)

#### 4.4.3 To examine challenges faced by manufacturing packaging SMEs in developing and implementing pricing strategies

Table 8: Challenges faced by manufacturing packaging SMEs in developing and implementing pricing strategies

Challenges	1	2	3	4	5	Total	Statistics	
	F	F	F	F	F		Mean	St. D
High production costs	6	15	26	34	19	100	3.45	1.14
Competition	7	25	31	26	11	100	3.09	0.111
High inflation rates	0	10	37	32	21	100	3.64	0.927
Limited access to market data	22	29	23	16	10	100	2.96	1.082

Source: Primary data (2024)

#### High production costs

The results show that a higher portion of the respondents agree to a large, very large and extremely large extent that their SME face high production costs as a challenge in developing and implementing pricing strategies. This indicates that managing costs is very important for their businesses and high cost of production can limit their pricing flexibility. A moderate portion of the

respondents are of the view that production costs are a noticeable challenge but manageable, there may be some cost control strategies yet still find it considerable when setting prices. A small portion sees production costs as a minor issue probably because production costs can be managed to allow flexibility in pricing. Mean suggests that high production costs are a considerable challenge in making pricing decisions and the standard deviation indicates SMEs encounter this challenge differently for example market conditions or efficiency. Reducing production costs should be a priority to be able to remain profitable (Olawale et al 2018). When facing high production costs, it may be difficult to compete in the market hence SMEs may not be able to price their products competitively in the market (Singh & Perepu 2015).

### **Competition from larger manufactures**

Survey results in the table indicate that most of the respondents are of the opinion that to a large, very large and extremely large extent, more competition from larger manufacturers is an important challenge for manufacturing packaging SMEs. Competition may drive SMEs to find ways to differentiate themselves to survive in the market. These companies may feel pressure from large manufacturers who have economies of scale and brand recognition. A quarter of the respondents acknowledge the impact of larger manufacturers but likely have some strategies to mitigate the issue to some extent. The remainder of the respondents find competition as a minor challenge because of their unique packaging or their services are not affected by larger competitors. Mean suggests that while it is recognized as a challenge it is not perceived as a severe obstacle, SMEs are aware of the competition. A low standard deviation suggests that the challenge is universally acknowledged within the industry. Larger manufacturers have a stronger brand recognition which they can use to their advantage in terms of pricing, making it challenging for SMEs to compete (Porter 2008). Firms in a competitive market must constantly adapt their pricing approaches to the actions of their competitors, each firm's pricing decision affects the outcome of the game and each firm must anticipate the reactions of other players (Osborne and Rubinstein 1994). Companies may adopt pricing approaches that may not be effective for them because of external pressure from the environment. They may also feel pressure to adhere to certain norms such as offering discounts or engaging in price competition (Scott 2008, Zhou and Guan 2010).

## **High inflation rates**

A high response indicates that respondents are of the view that to large, very large and extremely large extent high inflation rates are a significant challenge for manufacturing SMEs. SMEs have been facing challenges with fluctuating exchange rates, they must constantly adjust their prices to keep up with the rising costs and remain profitable. The remainder of the respondents see inflation as a moderate challenge as may have measures in place to manage the impact. None of the respondents believe inflation to be a minor challenge. The mean and standard deviation indicate inflation is recognized as a challenge with some variation. This highlights the need for flexible and proactive pricing approaches to manage the effects of inflation. SMEs may need to place emphasis on managing costs to mitigate the rising input costs due to inflation. With increased uncertainty around production costs, it can be difficult for SMEs to determine how to price their products (Siyakiya 2014). Pricing decisions are influenced by inflation and it may difficult to determine optimal prices when faced with fluctuating exchange rates (Cant et al 2016).

## **Limited access to market data**

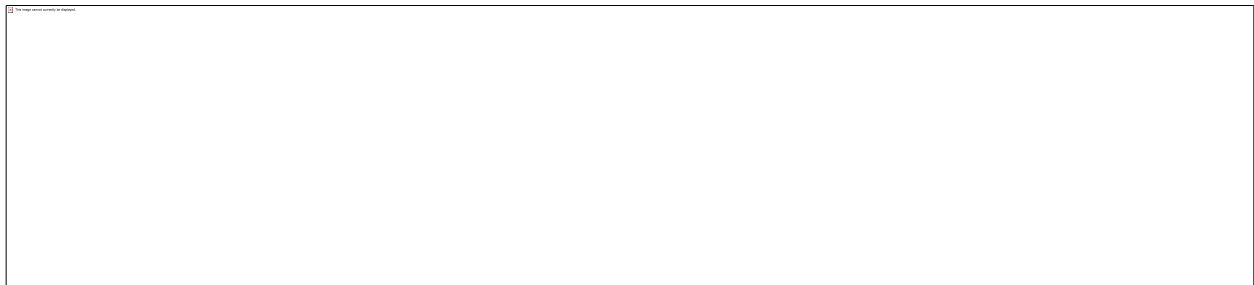
The results on the table show that a higher portion of the respondents with a large, very large and extremely large extent indicate that access to market data is a challenge when developing and implementing pricing strategies. This indicates that a substantial portion of the SMEs have problems with obtaining market insights which affect their capability to set effective prices. A noticeable portion of the respondents are of the view that access to market data is a moderate challenge as they may have some access to useful information giving them room to make pricing decisions to some extent. The other respondents view limited access to data as a minor challenge, they might have alternatives. The mean and standard deviation indicate that limited access to market data is moderately recognized as a challenge, with significant variation. This highlights the need for tailored approaches to market data access depending on the needs and capabilities of each SME. SMEs affected by this challenge might invest more in obtaining market data, while others focus on a different strategic area. Access to market data is important to manufacturing firms as it

helps to understand market demand that is market trends, analyze competitor pricing and revenue forecast (Yoshino and Hesary 2016). The outcomes of the study indicated that pricing decisions are influenced by competitor information and inflation.

#### **4.4.4 The relationship between pricing strategies and financial performance**

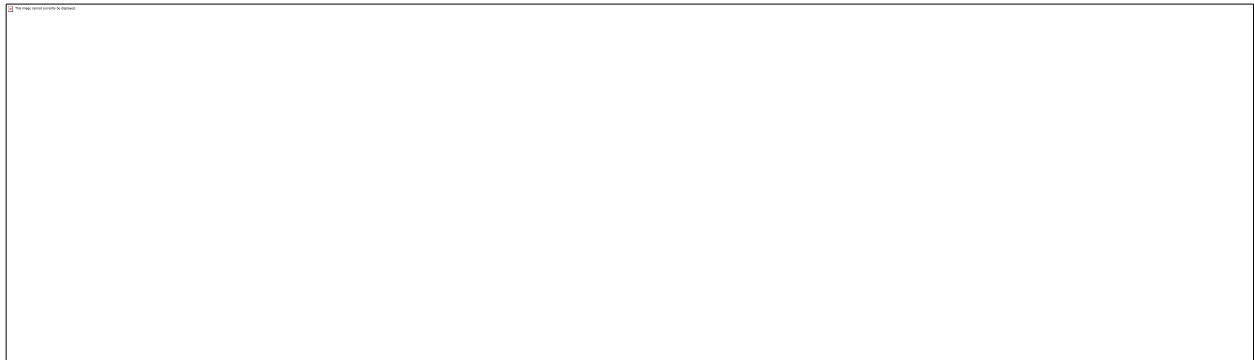
Multiple linear Regression using SPSS Software

Table 9: Model Summary

The table area is currently blank, representing the missing content for Table 9: Model Summary.

The above table show the model summary the adjusted R square =0.682, which shows there is a strong relationship between pricing strategies and financial performance suggesting effective pricing is a major factor in financial success.

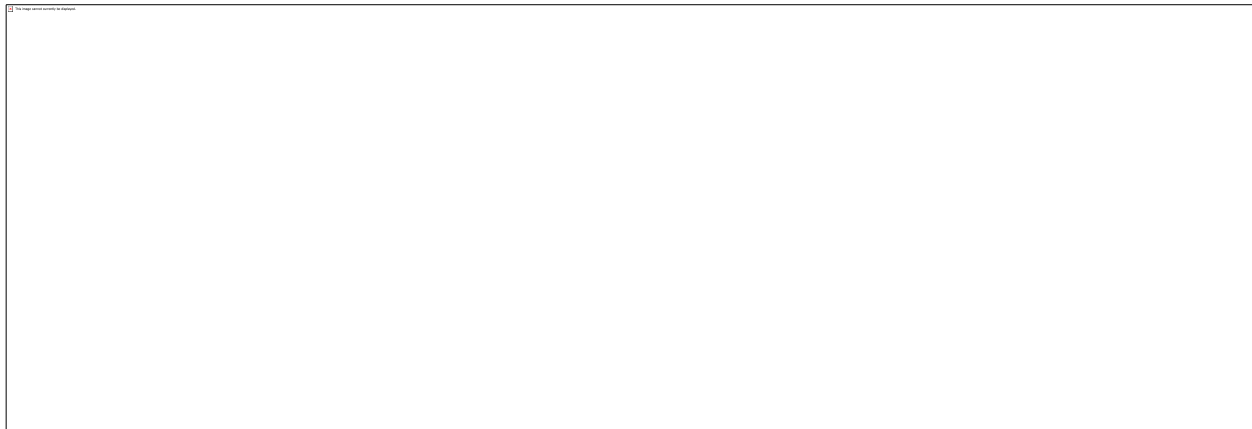
Table 10: Anova

The table area is currently blank, representing the missing content for Table 10: Anova.



The Anova is an overall significance test of model parameters, the (**F=12.667 Sig=0.000**) indicates that the model significantly explains the variance in financial performance. This means that regression model for pricing strategies and financial performance is statistically significant and could not have occurred by chance.

Table 11: Coefficients



$$FP= 0.796+0.251+0.126+0.299+0.174$$

The above table shows the results of four independent variables that measure financial performance in manufacturing packaging companies. The table shows that the independent variables have an effect on financial performance with cost-based pricing  $r=0.334$  at 0.00 significance level, this indicates the use of cost-based pricing increases financial performance with moderate strength of association. Competition-based pricing  $r=0.471$  at 0.023 significance level indicate the use of this strategy increases financial performance with a moderate to strong association. Value-based pricing  $r=0.129$  at 0.00 significance level indicates that use of this strategy increases financial performance with moderate association. Premium pricing  $r=0.589$  at a 0.025 significance level indicates that the use of this strategy increases financial performance with a strong association. Regression and correlation analysis revealed a statistically significant and positive correlation between the pricing strategies and profitability. The outcomes recommend that adopting appropriate pricing strategies can significantly enhance financial performance (Muema 2017) Pricing approaches are positively related to sales performance (Kileo 2023). Most successful pricing approaches are those aligned with the firm's objective (Gupta and Lehmann 2020). The

association between pricing approaches and financial performance is stronger in manufacturing SMEs that use value-based and penetration pricing (Baker and Hart 2021).

#### 4.5 Interview response rate

Table 12: Interview response rate

<b>Heads of department</b>	<b>Interviews expected</b>	<b>Actual interviews held</b>	<b>Percentage Response rate</b>
Finance	4	3	75%
Sales	3	3	100%
Procurement	2	2	100%
Operations	3	2	67%
<b>Total</b>	<b>12</b>	<b>10</b>	<b>80%</b>

Source: Primary data (2024)

12 interviews were targeted but 10 were successfully carried out reflecting an 80% rate of participation. This indicates that the managers were prepared to take part in the interview to provide answers based on their knowledge and practices.

#### 4.6 Response analysis

### **What are the pricing strategies used by manufacturing packaging SMEs?**

The interviews conducted showed that there are many pricing strategies used by manufacturing packaging SMEs that included cost-based pricing, value-based pricing, competition-based pricing, target pricing and premium pricing. Most of the companies use a blend of these pricing strategies.

*“Previously it was cost plus fixed markup across the product range. However, with the coming of new players in the environment, it has become very competitive thereby forcing us into target pricing in order to undercut competitor prices”*

*“We use premium pricing because we are the only company able to gravure work so we can charge as much as we can although sometimes we use competition pricing when facing competition as well but cost plus strategy is our main pricing strategy”*

In a nutshell, interviews revealed that to achieve profitability in this volatile economy where there are consistent fluctuations in exchange rates, choosing the appropriate pricing strategy for our products is important. They highlighted that market analysis is important to make adjustments to align with or undercut competitors' prices. SMEs with strong brand reputation emphasize extensively on customer engagement in their pricing strategy. (Iliyas and Badrul 2021) noted that implementing competition-based and value-based pricing is important as they have a positive impact on SME financial performance.

### **What are the factors affecting choice of pricing strategies?**

Interviews revealed that most of the participants pointed out costs of production and competition as major factors. For other SMEs, they consider economic conditions are every particular point in time especially exchange rates.

*“We consider how big the customer is and how big the order is when setting our prices for our products”*

*“The factors to consider include product cost, desired margins and the desire to secure a contract with a customer, the idea right now is to reduce product cost as best as we can, this means we will be able to offer the lowest prices at healthy margins for the company”*

Grounding pricing approaches in operational costs, competitor prices, pricing objectives and target consumers is core in making pricing decisions. It is also pivotal in securing and sustaining a competitive position in the market, ultimately driving improved business outcomes (Kawira 2021). Prices are determined by forces of demand and supply which are influenced by factors such as cost of production, consumer preferences and availability of resources (Nagle, Hogan and Zale 2020).

### **What are the challenges faced in developing and implementing pricing strategies?**

The respondents highlighted that they face many different challenges when developing pricing strategies and these include power cuts, smuggled goods from smaller SMEs who later charge lower prices, unavailability of USD official rates, actual product costing and price changes of raw materials. They also revealed that in a competitive environment, it is paramount to come up with the lowest prices to maintain customers and push volumes

*“Our work depends mainly on production, lately we have been experiencing power cuts so our production costs are high as more labor is required to meet targets when the electricity is available”*

*“The biggest challenge is to with actual product costing. Sometimes it is difficult to account for all the costs that go into making the product. We also experience price changes for our raw materials which has an impact on maintaining prices with our customers.*

The responses showed that manufacturing SMEs face various challenges when it comes to developing prices and the questionnaire supports the views. (Hussein 2022) highlighted that various business entities encounter obstacles in developing pricing strategies.

### **What is the relationship between pricing strategies and financial performance?**

The interviews disclosed that there is a direct link between pricing strategies and financial performance. With the right prices, profitability can be achieved and sales volume boosted. The financial health of manufacturing packaging SMEs is centered on pricing policies.

*“Pricing strategies work in hand with the financial performance of the organization. When we use premium pricing we experience more profit and an increase in revenue”*

*“The more volumes we push the more money we get but we have to be within or less than what our competitors are charging taking into consideration production cost”*

The response to the question was also supported by the questionnaire indicating a direct link between pricing approaches and financial performance. Regression and correlation analysis revealed a direct relationship between a company’s pricing approach and profitability (Muema 2017). Pricing approaches have a positive impact on sales performance (Kileo et al 2023).

#### **4.7 Summary**

This chapter presented and analyzed all data collected that was using questionnaires and interviews and results were clearly presented and explained giving the researcher’s own critical view and linking finding with the literature review. Statistics were presented using tables, graphs and pie charts for clear appearance.

## **CHAPTER V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

Chapter five gives a summary, conclusion and recommendations about the major outcomes based on the data presented in chapter four. The researcher is now informed of the pricing strategies used by manufacturing packaging SMEs and its impact on financial performance.

#### **5.1 Summary**

##### **5.1.1 To determine the pricing strategies used by SMEs in the manufacturing packaging sector**

The research revealed that SMEs in the manufacturing packaging sector employ different pricing approaches that best suit the needs of their organization. This highlights the importance of flexibility and adaptability in setting prices within this sector. The commonly used pricing strategies include cost-oriented pricing, competition-based pricing, perceived value pricing and premium pricing which vary depending on the service offered. The research instruments showed that SMEs in the manufacturing packaging sector used a blend of these pricing strategies that are customized to their organizational requirements. SMEs utilize cost-based pricing frequently to cover production costs and add a profit margin to remain profitable, while others prioritize the approach as their main strategy and a minority relies minimally on costs. Value-based pricing is also frequently utilized by determining the value that products offer to customers not relying only on costs, some consider the perceived value approach but not as their primary strategy and a few SMEs rarely rely on customer's perceived value. Competition-based pricing is employed frequently to remain competitive in the market and ensure to attract price-sensitive customers, other SMEs use the strategy when facing competition and some rarely use this approach. Premium pricing is also used by a significant portion of SMEs extensively as they offer high-quality

packaging solutions and customers are prepared to pay higher prices, a noticeable portion uses the approach occasionally and the other portion rarely uses premium pricing, preferring other strategies.

#### **5.1.2 To establish factors affecting the choice of pricing strategies.**

Numerous aspects are shaping the decisions for pricing strategies formulation and these also vary according to what the SME considers to be important. Cost of production was highlighted as a significant factor by most of the firms and it emerged as a fundamental element in maintaining profitability, no SME believed that cost of production has no impact on pricing decisions. The other majority of the respondents also highlighted competition as another essential factor that drives SMEs to charge prices that allow them to remain in their markets. SMEs often lower prices to match their competitors while others take advantage of lower prices by offering unique features to justify higher prices. The other respondents also consider business objectives as significant in making pricing decisions. Customer preferences are seen as a major factor in pricing decisions and a few respondents believe it has little to no impact on pricing approaches.

#### **5.1.3 To examine challenges faced by manufacturing packaging SMEs in developing and implementing pricing strategies**

The SMEs face different challenges when developing and implementing pricing strategies and the research instruments both showed that actual product costing and fluctuating exchange rates are very common challenges among the firms. These challenges significantly impact their ability to retain customers and maintain competitive advantage. High production costs that come from increases in the prices of raw materials and actual product costing affect SMEs and make it more difficult to account for product costs. SMEs are required to consistently adjust their prices because of the fluctuating exchange rates to remain profitable and competitive.

#### **5.1.4 To determine the relationship between pricing strategies and financial performance**

The study found that strategies for pricing are directly linked to financial performance. The respondents were of the view of the view that pricing decisions, policies and approaches significantly influence the financial success of SME manufacturing packaging companies.

## **5.2 Conclusions**

SMEs employ different pricing strategies which include cost-based pricing relying heavily on costs, value-based pricing focused on customer value perception, competition-based pricing in competitive scenarios and premium pricing often linked to high-quality products that suit the requirements of their goals and market conditions. When setting prices, it is important to consider covering production costs, adapting to changes in the market and being competitive while attending to consumer preferences. Pricing objectives are considered crucial indicating a strong alignment of prices with strategic goals. The challenges faced in developing and implementing pricing strategies include managing costs, setting the right price and dealing with competition. Pricing approaches are directly linked to financial performance as SMEs that use effective pricing strategies tend to have higher profits. Strategic pricing is key to financial success of manufacturing packaging SMEs.

## **5.3 Recommendations**

- i. It is important for SMEs in the manufacturing packaging sector to carefully consider factors that affect their pricing decision to develop pricing strategies that align with their business objectives to achieve long term goals.
- ii. SMEs should be aware of the challenges they face in developing pricing strategies and employ necessary steps to mitigate them.
- iii. To become accustomed to cost variations, fluctuating market conditions caused by inflation rates and competition, SMEs should price their products accordingly.
- iv. It is also important to establish strong cost accounting systems to manage production costs, hence understanding of cost structures is very important.
- v. SMEs should consider adopting dynamic pricing strategy as it considers market demand allowing businesses to adjust their prices based on real time data.
- vi. SMEs should blend different pricing strategies like cost oriented pricing and perceived value pricing to optimize profitability and customer satisfaction



- vii. For SMEs using premium pricing approach, it is important to continue strengthening brand image and emphasis on quality.
- viii. Collaborations with industry associations or market research firms to gain access to valuable market insights and data to understand customer needs and competitors enabling more informed pricing decisions.

### **Suggested areas of further studies**

Explore the role of technology in shaping pricing approaches and economic outcomes resulting from pricing decisions.

Assessing the financial performance implications of adopting sustainable and eco-friendly packaging solutions in Harare.

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## Appendix I



Bindura University of Science Education

Faculty of Commerce

Bachelor of Accountancy

Private Bag 1020

Bindura

Zimbabwe

24 January 2024

Dear Sir/Madam

### **RE: REQUEST TO RESPOND TO QUESTIONNAIRE**

I am a final year student at Bindura University of Science Education named B200668B. I am undertaking a research study on the topic: **An analysis of the impact of pricing strategies on financial performance of manufacturing packaging SMEs in Harare.**

You are kindly requested to assist in the research by completing the questions I have prepared openly and all the information you supply is to be used for academic purposes only and treated with the utmost confidentiality. Your ability to answer all the questions comprehensively and to the best of your knowledge will be greatly appreciated.

Yours Faithfully

(B200668B) Contact number 0775820950

Email address:b200668b@students.buse.ac.zw

## QUESTIONNAIRE

### A QUESTIONNAIRE SURVEY ON THE IMPACT OF PRICING STRATEGIES ON FINANCIAL PERFORMANCE OF MANUFACTURING PACKAGING SMEs in HARARE

The information relates to your organization, as a company in the manufacturing packaging industry and the purpose of this questionnaire is to gather feedback about your pricing strategies and they affect financial performance. The goal is to understand the topic I have chosen and use this information for my academic purposes.

#### Section A

Demographic information

##### 1. Department

Indicate by ticking in the box

Finance

☐

Sales

☐

Procurement

☐

Marketing

☐

##### 2. Duration in the department

Less than 1 year

☐

1 to 5 years

☐

More than 5 years

☐

##### 3. Highest educational level

Diploma

☐

Master's Degree

☐☐

Higher National Diploma

PhD

Bachelor's Degree

Please respond by filling in the spaces provided and ticking where appropriate

**4. What industry sector does your manufacturing SME operate in?**

Food

Beverage

Pharmaceutical

Cosmetics

Industrial chemicals

Agriculture

**5. Number of employees**

1 to 20

21 to 40

41 to 60

61 to 100

101 to 250

**6. How many years has the company been in operation?**

Less than a year

1 to 5 Years

6 to 10 Years

Over 10 Years

**7. What is the annual revenue of your manufacturing SME in USD?**

Less than \$100 000

\$100 000 to \$250 000

\$251 000 to \$500 000



\$501 000 to \$1million

**8. What type of products do you produce?**

Wrappers

Labels and stickers

Boxes and cartons

Bags and pouches

Bottles

**9. What does your manufacturing SME do?**

Flexible packaging

Paper and Cardboard packaging

Labels and printing

Rigid packaging

**SECTION B**

**10. Pricing strategies used in manufacturing SME**

Please indicate by ticking the extent to which your manufacturing SME employs these pricing strategies

**Likert scale**

**Rarely utilized= 1    Used occasionally=2    Utilized as a primary pricing strategy=3**

**Frequently used=4    Utilized extensively=5**

Pricing strategy	1	2	3	4	5
Cost-based pricing (Involves determining the selling price of a product or service by taking the production costs and adding a profit margin)					

Competition-based pricing (Basing product pricing on the prices charged by rival companies for comparable offerings)					
Value- based pricing ( Determining prices based on the value customers attribute to the product)					
Premium pricing (This is where a company sets a high price for its products, the high price is associated with unique design, high quality materials)					

### 11. To establish factors affecting choice of pricing strategies

Please indicate the extent to which each of the following factors affect the choice of pricing strategies on your manufacturing SME's by selecting the most appropriate option

**To a lesser extent=1, To a moderate extent=2, To a large extent=3, To a very large extent=4, To an extremely large extent=5**

<b>Factors</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Cost components					
Competitor pricing					
Market share					
Business goals and objectives					

### 12. To examine challenges faced by SME manufacturing firms in developing and implementing pricing strategies

Please indicate the extent to which your manufacturing SME faces challenges in developing and implementing pricing strategies

**To a lesser extent=1, To a moderate extent=2, To a large extent=3, To a very large extent=4,  
To an extremely large extent=5**

<b>CHALLENGES</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
High production cost					
Competition from larger manufactures					
High inflation rates					
Limited access to market data					

### **13. Relationship between pricing strategies and financial performance**

Please rate by ticking the extent of the relationship between pricing strategies and your manufacturing SME's performance.

**To a lesser extent=1, To a moderate extent=2, To a large extent=3, To a very large extent=4,  
To an extremely large extent=5**

<b>Relationship</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Negative( Pricing strategies have a negative impact on financial performance causing losses or financial distress)					
No ( Pricing strategies have little to no effect on financial performance)					
Positive(This indicates pricing decisions directly and consistently influence financial results of SME leading to profitability)					

Any other comments

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THANK YOU FOR YOUR CO-OPERATION

## **Appendix II**

### **INTERVIEW GUIDE**

1. What are the pricing strategies used by your SME?
2. What factors affecting choice of pricing strategies?
3. What challenges do you face when developing and implementing pricing strategies?
4. What is the relationship between pricing strategies and financial performance?

**END OF INTERVIEW**

**THANK YOU**