



THE EFFECT OF PRICING POLICIES ON A FIRM PROFIT (A CASE STUDY OF GHANAIAN FIRMS)

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INTRODUCTION

Firms today are constantly looking for innovative ways of achieving profitability. The quest for maximizing profit in these volatile markets is of paramount importance to competing firms. Organizations achieve profitability by adjusting prices to the dictates of market condition and stated objectives of firms. Adjustment made to prices ensures that firms boost market shares, reduces cost of production, and achieve competitiveness over rivals. Prior studies indicated that pricing is a vital element of the marketing mix that influences production cost and profitability in the short term. However a wrong approach to pricing would mean loss of profitability and eventual collapse of the business. The purpose of project is to analyze the effect of pricing policies on Transmed Ghana limited profitability. the study found that the major consideration in determining prices of goods at Transmed Ghana limited are Taxation, Company's Objective, and Cost of Production. This consideration is premise of cost considerations. However Transmed still faces challenges in the area of not enough research or survey on pricing, grey import, high tax rate, suppliers pricing, high interest rate, high exchange rate differentials, and importation of substitutes .

The study found that skimming pricing policy $\beta = 0.510$, $t(3.101) = .021$, $p < .05$; cost based pricing policy $\beta = -0.056$, $t(0.797) = .007$, $p < .05$; competition base pricing policy $\beta = 0.061$, $t(1.761) = .015$, $p < .05$ and premium pricing policy $\beta = 0.74$, $t(3.401) = .004$, $p < .05$ were significant predictors of sales performance in Transmed Ghana limited whilst Economy pricing policy $\beta = .013$, $t(2.623) = .070$, $p > .05$; Penetration pricing policy $\beta = 0.025$, $t(2.003) = .130$, p

> .05; Value based pricing policy $\beta = .020$, $t(.379) = .716$, $p > .05$; and Demand base pricing policy $\beta = .013$, $t(.628) = .507$, $p > .05$; were weak predictors. In order to achieve high profitability Transmed should focus resources on developing skimming pricing policy, cost based pricing policy, competition base pricing policy, and premium pricing policy.

1.1 Background of the study

Firms today are constantly looking for innovative ways of achieving profitability (Kallhoefer & Salem, 2008). The quest for maximizing profit in these volatile markets is of paramount importance to competing firms (Simon et al., 2008). Organizations achieve profitability by adjusting prices to the dictates of market condition and stated objectives of firms. Adjustment made to prices ensures that firms boost market shares, reduces cost of production, and achieve competitiveness over rivals (Fellows & Langford, 2000). Prior studies by Simon et al., (2008) indicated that pricing is a vital element of the marketing mix that influences production cost and profitability in the short term. However a wrong approach to pricing would mean loss of profitability and eventual collapse of the business. One of the major obstacles to achieving an optimal pricing regime is how to combine all elements in price determination. Pricing policy therefore is the considerations firm's makes when setting prices of its products and services. These considerations include demand and supply dynamics, cost of input, value derive from products, and competition.

A sound marketing policy demands that a decision framework is developed to guide price determination. The absence of a framework would mean that firms have the risk of allowing prices to run out of control (Atuma, 2013). The sole aim of any business entity is to make profit and therefore several considerations underlying their profit motives determine their pricing mechanism (Onhvisit & Shaw, 1997). A business whether small or big, private or public is establishes to provide competitive price. It is note worthy that consumers do not necessarily object to price but what they object to is the lack of relationship between the perceive value of the product or service and the price that is being offered or charged. Consumers wants a fair price that reflect the perceive value they associate with the product (Luqman, 2015). Price can be high from cost perspective but low on the demand side in relation to perceived product value and other features (Atuma, 2013).

A majority of firms lacks the capacity to undertake baseline studies such as market research, market segmentation, market planning and control. They are therefore unaware of the competition, the state of perceive product value at any point in the product life cycle, which leads to poor pricing methods. The poor pricing policy leads to poor pricing thus affecting demand and profitability of the business. It is therefore imperative for businesses to invest in pricing mechanisms that ensure the delivery of optimal prices at any point in the product supply chain (Luqman, (2015). The development of a pricing strategy that account for communication of product information and signaling firms pricing strategy is therefore essential (Varadarajan, 2010).

The determination of optimal pricing decision requires a strong linkage between marketing and other departments of the firm. The pricing decision ought to be defined by basic systematical understanding of customers' needs and internal capabilities. Thus there is a need for proper examination of price management as a crucial element in the marketing mix (Shipley & Jobber, 2001). In this study, pricing policies would be assessed by their linkages with firms' profitability of sales performance. The various elements of economic pricing, skimming pricing, penetration pricing, premium pricing, cost based pricing, competition based, and price optimization strategy would be linked with their effect of firm's profitability.

1.2 Profile of the Organisation

Transmed Ghana Limited

Transmed is a full service distributor, managing and controlling the entire distribution value chain from supply chain, logistics, distribution, sales and promotions. Transmed continued expanding its portfolio and managed to penetrate other markets in the regions of the Middle East, Near East, West and East Africa, including UAE, Saudi Arabia, Jordan, Cote d'Ivoire, Senegal and others. Established in Lebanon since 1946, Transmed focused on the distribution of a very extensive range of Household and Personal Care Products from Procter & Gamble and Clorox, and in parallel developed the distribution of Food products starting with Mars confectionery range, and expanded it throughout the years to include McCain, Danone baby food, United Biscuits, Kellogg's, Mondelez, Bahlsen, Perfetti, Siblou, Junior croissants, Castania kernels, Walkers biscuits as well as many other brands.

The sales operations are organized in groups of products, each having its own dedicated sales team to deliver the right focus by product and by customer. These groups cover directly all channels including modern trade, wholesale, traditional and specialty channels. Transmed optimizes the use of information and telecommunication technology to provide the maximum operational efficiency and access to online real time data across all functions. Transmed has a well-established Foodservice operation, and offers a large selection of premium products and ingredients coupled with a customer centric service, making it a major player in supplying a wide range of restaurants and hospitality customers across its markets.

Vision

Transmed Vision is to achieve 100% customer satisfaction by delivering quality products and services at an affordable cost. The forward vision is to strive to become an entity in technology based healthcare solutions, capable of demanding unconditional response from the targeted niche.

Value Systems Beliefs

1. Our primary focus is to make our products available, visible, & irresistible everywhere

2. Mutually beneficial partnerships with principals are based on sustained performance, and strong personal relationships
3. Customer delight is driven by providing a range of relevant products at the best value, amazing service, category, knowledge and growth ideas.
4. In creating a sense of individual ownership throughout the company.
5. Strong results come from talented, motivated people learning and exploring ways to expand, and to improve efficiency and effectiveness.

1.3 Business Issue (Opportunity Statement)

Pricing policy is intrinsically linked with profitability of firms. Traditionally the determination of firm's price is fundamentally determined by the supply and demand dynamics on the market. However other forces such as manufacturer's price objectives, economic situation, level of competition and availability of close substitute also has significant influence on price. Firms that seek competitive advantage often adopt effective pricing policy by incorporating all factors in determining the most advantageous price for their product. Firms that do not incorporate these factors in setting the right prices for their product are characterized by unplanned ventures that have led many to winding up, and downsizing of their workforce.

Despite the importance that prices decision play in organizations, it appears that this element has not received proper attention by many academics and marketers since it represents, according to estimates, less than 2% of the papers on leading journals in the field. In addition, none of these studies focused on the effect of pricing policy on profitability of Ghanaian firms.

What is not also clear is the current state of utilization of pricing policy among retail firms in Ghana? The current study therefore sought to delve into aspects of pricing policy utilization among Ghanaian firms with specific focus on Transmed Ghana limited. This will add to existing literature for academia and industry by providing information on better ways of using optimal pricing policy to improve upon profitability.

Objectives

The purpose of project is to analyze the effect of pricing policies on Transmed Ghana limited profitability.

To achieve this aim, the following specific objectives were outlined:

1. To examine the preferred form of pricing policy decision that influence profitability of Transmed Ghana limited.
2. To examine the consideration in determining prices of goods at Transmed Ghana limited.
3. To identify challenges with adopting pricing policies at Transmed Ghana limited
4. To evaluate the effect of pricing policy on profitability at Transmed Ghana limited.

significance

Pricing policy is a major determinant of firms profitability. Evaluating its impact on the firm's profitability will help managers understand the most effective policy to implement to attain

desired profit. Thus this study will help managers and marketers to benefit from an optimal price regime that sustain firm's product by maximizing profit. This will help them achieve competitive advantage over rival firms. Secondly this study would be beneficial to channel and supply chain managers in their attempt to formulate pricing framework that engender growth and development of the firm. Thirdly the outcome of this study will highlight that all considerations in determining pricing decision are properly accounted before prices are set for products. Lastly the outcome will add to existing literature and practice by filling a study gap in academia leading to formulation of regulations that governs firms pricing.

LITERATURE REVIEW

Price theory

The Price theory explains economic activity of a product in terms of its ability to create and transfer value (Stigler, 2004). It addresses puzzling questions such as “why is water so cheap but diamonds are so expensive even though water is needed for survival and diamond is not?”. In a discussion about the Diamond –Water paradox Adam Smith noted that “the word value, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys (Agbaeze et al., 2020). The one may be called “value in use”; the other, “value in exchange.” (Luqman, 2015). According to Adam Smith, precious stones such as diamond derive their value from their scarcity and intensity of labour required to extract these stones (Atuma, 2013). Labour forms the basic unit of exchange that determines their real prices (Stigler, 2004). The nominal price is also connected with the currency used in transaction that might fluctuate with time (Agbaeze et al., 2020). The diamond-Water paradox settled on the fact that it is much more difficult to acquire a kilogram of diamond than a kilogram of water (Luqman, 2015). This study therefore adapts pricing theory to explain pricing influence of Transmed Ghana limited.

Price Discrimination Theory

This theory explains why different prices are associated with the same product in different market segment (Luqman, 2015). For instance a movie ticket can command different prices depending on the time period in which it is premiered. Similar attributes exist for sporting games where live games command higher prices that post coverage of games (Stigler, 2004). The use of price discrimination ensures that maximum benefit is derived from the premiering or the live telecast of games by discriminating prices to attract consumers with varied needs and expectations (Agbaeze et al., 2020). This is referred to as a first degree or perfect price discrimination aimed at extracting surplus from consumers by charging exactly different prices according to their willingness to pay.

However the willingness to pay for a product are only known to potential buyers (Stigler, 2004).. The firms would have to observe customer characteristics to determine what is in (their minds). For instance, a sporting club may offer discounted ticket to student by observing perceived

characteristics referred to as third degree price discrimination (Agbaeze et al., 2020). If the firm cannot discriminate base on perceived characteristics, then another segment is created to transfer consumers in to different groupings in order to obtain product bundling (Luqman, 2015). For instance, a sporting club may sell tickets at a lower price by giving a quantity discount. This allows consumers to select a bundle or product they like during the day or for weekends (Sije & Oloko, 2013). The practice of offering different bundles of similar goods by varying quantity or time of delivery is referred to as non-linear pricing or second degree price discrimination (Luqman, 2015).

Game Theory

This theory explain the complexity and challenges faces in determining optimal prices for products or services in what is referred to as “chicken and egg problem”. The theory provides a comprehensive framework for adopting better pricing practices (Stigler, 2004). Since its formulation in the 1940s and 50s it has transformed from a body of knowledge to other fields of management. It is akin to a game involving interplay among players and the adoption of best strategies and action plans to achieve success. For instance players in retail business such as Melcom or Shoprite has a distinctive pricing strategy they adopt to achieve profitability. The assembly of each of these approach constitutes a strategy profile that enables firms to predict the actions of players in any situation (Atuma, 2013). A key assumption is that strategies and rewards adopted are open knowledge to all players (Nyaga, 2017). However this is not always the case, an elusive competitor with market knowledge can cause customers to react to competitors prices negatively (Agbaeze et al., 2020). This phenomenon is referred to as the Bayesian game because it probability of indentified elements are uncertain. Again the underlining assumption is that firms sees their rivals as being rational and therefore can predict their choices by considering their perspectives. Firms have a plethora belief on strategies in the game (Agbaeze et al., 2020).

Empirical literature emphasis should be on similar project

Ros (2010) in an empirical study examined the major determinants of pricing in the Mexican domestic airline sector. The methodology was conducted using an ordinary least square (OLS) regression to analysed 10 airlines data. The study found that at least one low cost airline on route is associated with prices which were approximately 30 percent lower.

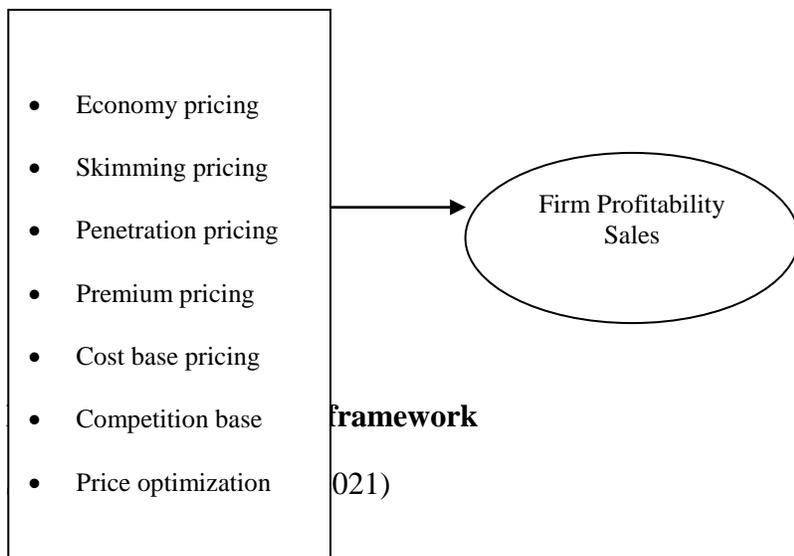
In another study, Sije and Oloko (2013) examined the relationship between penetration pricing strategy and SME performance in Kenya. Data were sourced from employees of selected SMEs in Kenya’s food industry. The results of the study showed a strong positive correlation between penetration pricing and performance. The study therefore concluded that the SMEs should place more emphasis on using a penetration pricing strategy, as there is significant relationship between penetration pricing strategy and the number of customers, quality of food and service, and customer loyalty.

Nyaga (2017) conducted his study on the effect of skimming, economy, premium pricing and penetration pricy strategies on profitability of insurance firms in Kenya. The population was drawn from 45 insurance firms operating in Kenya and set up using descriptive research design. The purposive sampling was used to select 900 employees using questionnaire. This was summarized and analysed using inferential statistical techniques. The study found a positive significant relationship between skimming, economy, premium pricing and penetration pricing, price optimization strategies and performance of insurance companies. A correlation test conducted also suggest a strong positive relationship between skimming, economy, premium pricing and penetration pricy strategies which all explains profitability. The study recommends that insurance firms must put in place measures to examine the most effective strategy that reduces cost but increase profitability.

Luqman, (2015) examines determinants of pricing policy in Nigeria manufacturing firms on the criteria of competition levels, close substitute, financial indices among others. The study examines pricing decisions of manufacturing industries and their effect on revenue and profitability. Secondary data was generated from annual reports of selected firms in Nigeria. Using purposive sampling Dangote cement which have about 85% of market capitalization and 75% of net asset was selected. The Ordinary Least square and correlation was used to establish relationship among the variables in the study. The study found that return on equity, Cost of sales, competitors net asset, and distribution cost impact on pricing policies. Again cost of sales, and inventory impact on pricing policies whilst cost of sales is the major determinant of pricing policies that impact on return on equity and inventory. The study recommends that managers should pay close attention on reducing production cost without having significant effect on quality. Firms should optimize their production base by using minimum resources to achieve maximum output. Similarly firms should invest in operational research to tackle logistical challenges as well as supply chain so as to reduce distribution cost. The use of an appropriate algorithms and scientific methods can help reduce distribution cost.

2.3 Conceptual framework

Pricing Policy → Firm Profitability



The pricing policy process segmented into economy pricing, skimming, penetration pricing, premium pricing, cost base pricing, completion pricing, and price optimization will be stated as the **Independence Variables** whilst the outcome stated as Competitive advantage is the **Dependent Variables**.

Consideration for Adoption of Pricing Policies

Cost Considerations in Pricing

The given price of a product is a component of cost of production, distribution, promotion, and profit margins given to valued product (Amuwa, 2013). This represents economic value of the product in the market place. The cost oriented approach has three basic variations: rate of returns pricing, markup pricing, and cost plus pricing (Luqman, 2015). This approach is criticized for not considering demand factors and does not also reflect the complete state of competition in the market. Markup pricing is commonly used in retailing to determine final selling price (Amuwa, 2013). The cost plus pricing refers to the cost incurred in producing a product. The rate of return or target pricing is commonly used in manufacturing firms and is determined by adding a rate of return on investment. It involves circular reasoning since unit cost is dependent on sales volumes. A break even analysis for expected production and sales to determine optimal production point. This approach has been criticized for not accounting for estimated sale volumes (Amuwa, 2013; Luqman, 2015).

Product Considerations in Pricing

There are basic characteristics that are considered in pricing namely distinctiveness, perishability, and the stage of product in the product life cycle. Products such as meat, fruits, bakery goods, and raw materials have the tendency to perish before they are purchased. Sometimes discounting prices is a way of ensuring that they are quickly supplied to the consumer before their date of expiry (Luqman, 2015). Similarly high fashion items that are not bought on time go out of style or in the case season fashion accessories such as rain coat or winter jackets are difficult to forecast. Their demand pricing is dependent on customers interest at specific times. Usually the price at peak seasons is higher than price at off seasons. Firms usually discount prices to be able to attract attention of customers and make up the difference by raising prices in the peak season when their demand is very high (Luqman, 2015). Additionally firms distinguish their products from competition in order to attract premium prices by introducing styling features, ingredients, and physical attributes (Amuwa, 2013). This gives them brand images and loyalty. For instance brands such as Lexus, Rolex, Tiffany's command high prices because of the brand equity and loyalty they have created (Amuwa, 2013; Luqman, 2015).

Product Life Cycle consideration in pricing

The stage in the life cycle of a product has implication on its pricing mechanism. Generally the penetration and skimming policies are used to determine prices. A skimming policy is one that is used when a firm's product is price inelastic and enjoys temporary monopoly. In the later stage, as competition moves to accommodate changes in market factors, prices are then lowered. In penetration pricing policy, a lower price is set for the product (Luqman, 2015). Generally the penetration policy is used when firms expect competition to rise quickly and demand in the short term is price elastic. It is used to obtain economies of scale and for creation of mass market for a new product. However pricing below market rate reduces profit margins which may ultimately reduce competition. In the later stage of the product life cycle, the price is altered to conform to the dictates of the market (Amuwa, 2013; Luqman, 2015).

Determinants of Pricing Decision

Decision about optimal pricing are made in consideration of several factors which includes the following as explained by Luqman, (2015):

Cost of Production: a firms cost is the sum total of factors of production. Mathematically it is the sum total of total fix cost and total variable cost. The fixed cost includes equipment, factory building, whilst the variable cost includes inventory cost, advertising cost, depreciation among others. Pricing decisions base on cost becomes defective when both costs (TFC and TVC) are not

fully accounted for in setting the right price for the product. It can lead to severe losses and eventual collapse of the business.

. **Nature of market competition:** The nature of market competition is also worth considering. Firms that enjoy monopoly are able to set their prices arbitrary but these prices are set in respect of demand conditions. In free market conditions where there are many firms competing optimally prices setting is base on several factor among which includes the demand and supply dynamics. In situations where the market leader dictates the price and others follows, the firm should be aware of the threat of substitute products from competitors. If the competitor gains economies of scale, the market leader risks eventual price collapse and therefore must price at an optimal rate to be able to survive.

Customers and market segment: firms are able to price depending on the segment that they wants to focus on in achieving profitability. The chosen segment is an indication of what price and value they wants to command. In this respect, firms consider demographic and earning capacity of customers under ascribe segment. There are specific products for different segment. For instance a car brand can focus on the high, semi, and low income bracket to focus on the specific needs of its target customers. Some cars brand such as the Mercedes benz is considered a luxury brand and hence focuses on the high end market segment by targeting wealthy consumers. A car brand like Kia focuses on the lower end of the segment by targeting low income consumers. Firms usually are able determine whether they are producing for spcific group or for the masses.

Demand: the demand dynamics for a particular product is also a key pricing consideration. Firms whose products are in high demand set prices above the competition as a way of building perceive value and prestigious brand. Firms make use of penetrating pricing policy to capture market share for new products even if it is at par with total cost of production. For highly demanded products, increasing prices does not necessarily affect their demand. There are demand levels for every product. While some are vertical in scope others are horizontal. Products such as alcohol command significant price irrespective of price increment over a given period whiles products such as footwear would fail to meet consumer attention if prices rise astronomically. To boost demand, some firms offer discount packages to entice consumers and create a focal attention for the product.

. **Consumer behavior and perception:** the concept of pricing is not only a demand and supply dynamic factors but is also about what consumers perceive as the value offered by the product. Firms usually consider consumer attitude and product perception to arrive at an optimal pricing decision for a product. Increasing the product of perceive low valued product means less of it will be demanded and vice versa. There are however certain products whose value increases with price. Among them includes hard drugs, precious stones, oil, among others.

Channel of distribution: The determinant of pricing is dependent on cost that were incurred to produce the product, cost of marketing, inventory cost, profit margin and cost of distribution to the final consumer. These costs are channel to the consumer in pricing the products. For a product that have gone through various channels of distribution from the wholesaler to the final consumer, the activities of middlemen also add to the price of products. In some instances firms adopt price control measures to avoid prices getting out of control. The firm are able to discount prices for the middlemen so that set prices can be charged.

Macroeconomic trends: The economic indicators or trends include inflation, tax policies, budgetary allocations, disposable income, economic growth, exchange rates, inflation rates, interest rates, disposable income of consumers and unemployment rates. These factors may have a direct or indirect long term impact on the firm, since it affects the purchasing power of consumers and could possibly change demand/supply models in the economy. Factors that can affect demand for products include competitors' products, advertising and pricing actions, rates of unemployment, consumer confidence, health care costs, including increased cost, significant shifts in government policies, commodity costs, fuel and other energy costs and other economic factors affecting consumer spending behavior and changes in tax policies. These trends affects the way company's price their products and services.

Company Objective: a firms stated objectives determines their profit motives and hence the kind of pricing it will set for its products. Additionally the price set by the firm must be in-line with the objective of the firm. For monopolistic firms, the objective for setting prices is different from that of firms operating in a common market.

Taxation: Firms pricing considers the cost element of corporate tax. Setting price is affected by profit after tax deduction which minuses the revenue attain by firms. If the government increases the tax component of products it affect prices of such products. Firms usually passes on the cost to the consumer so as not to incur losses.

Organization Reputations: firms reputations can be influence the price of its products on the market. Firms that have good reputation engendered trust and quality in their products which ultimately transcend to consumers paying premium prices for their products.

Product type: the type of product offered by a firm affects it market price. Luxury goods will always command higher price compared to public goods. Luxury goes with quality, brand image, product features, and product consumer appeal. Inferior goods will always command lower prices. Firms that deal in luxury products have higher turnover than firms with inferior products.

Bank Lending Rate: the lending rate is the prevailing rate that firms acquire money from lending institution to undertake product development for the market. If the lending rate is high

firms would produce at a higher cost which in turns is pass on to the consumer in the price. Firms risk huge losses if they price below cost which is carried on in lending.

Product Development Cost: For a new product, the cost of developing the product, innovation, research cost, and market research cost must be considered in setting prices. Mostly, producers use price skimming to attain high cash inflow at the introduction stage of the product.

Determinants of Pricing Policies

Economy pricing policy

This type of policy involves firm's deliberately pricing low in order to capture presence in the market. Firms adopt economic pricing policy to meet specific objectives within factors that influence pricing decision (Ekundayo, 2012). Usually firms utilize economy pricing policy in times of recession by setting prices that consumers will bear (Fellows & Langford, 2000; Nyaga, 2017). From empirical evidence stated by authors on effect of pricing policy on firm performance; this study hypothesis that:

H₁: There is a significant positive relationship between Economy pricing policy and Firms Performance

Skimming pricing policy

Price skimming involves the setting of high price and lowering it as the product gains acceptance (Nyaga, 2017). This type of pricing policy is base on the central assumption that consumers pay a price below reservation price (Nyaga, 2017; Besanko & Winston, 2000). The consumer in making his or her purchase decision, respond to price skimming. Firms profit maximization is therefore dependent on investigating variables such as competition, production learning curves, and diffusion rate to assess their impact (Robinson & Lakhani 2005; Irwin & Klenow, 2004; Nyaga, 2017). From empirical evidence stated by authors on effect of pricing policy on firm performance; this study hypothesis that:

H₁: There is a significant positive relationship between Skimming pricing policy and Firms Performance

Penetration pricing policy

This type of pricing policy set a low price to enter the market initially to test its acceptance but later raise the price when demands for the product picks up (Luqman, 2015). In his view Henard (2001) noted that penetration policy is usually used to introduce new products with the sole objective of gaining market shares in subsequent periods. This policy is only applicable when prevailing price of product demanded is at the level where demand is increasing and sales volumes is also increasing (Nyaga, 2017). Therefore firms that adopt this policy must reference

total cost of production of products and compensate its decisions with economics of scale it hopes to enjoy in the future (Henard, 2001). Similarly enough justification should be made to reduce total cost so as to realize greater profit in the market (Nyaga, 2017). From empirical evidence stated by authors on effect of pricing policy on firm performance; this study hypothesizes that:

H₁: There is a significant positive relationship between Penetration pricing policy and Firms Performance

Premium pricing policy

This type of pricing policy is used by firm to project luxury items. Premium pricing found expression in Adam Smith Diamond –Water paradox when he argues that “the word value, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys (Bain, 2001). The one may be called “value in use”; the other, “value in exchange.”(Nyaga, 2017). According to Adam Smith, precious stones such as diamond derive their value from their scarcity and intensity of labour required to extract these stones (Nyaga, 2017). Labour forms the basic unit of exchange that determines their real prices. The nominal price is also connected with the currency used in transaction that might fluctuate with time. The diamond-Water paradox settled on the fact that it is much more difficult to acquire a kilogram of diamond than a kilogram of water (Nyaga, 2017). Therefore firms set prices for luxury goods like Rolex watch, Lexus car, Mercedes Benz, Narcotic drugs, precious stones among others. From empirical evidence stated by authors on effect of pricing policy on firm performance; this study hypothesizes that:

H₁: There is a significant positive relationship between Premium pricing policy and Firms Performance

Cost based pricing policy

This type of pricing policy accounts for all fixed cost as well as variable costs attributable to products or services. The firm then adds a profit margin to the total cost to determine the market price. The overarching goal is the need to cover all cost incurred in delivering products to achieve targeted profit. This method in itself requires firms to study accounting and financial records to determine prices. Proponent contends that this method is simple and straightforward requiring firms to study accounting and financial records to determine prices. It is also popular because the method is based on age-old practices that firms can easily obtain. Additionally the firm can defend its pricing policy and demonstrate that it is able to cover cost of production.

Critics of this policy suggest that it is not an effective policy because determining unit cost of product is difficult since it depends on volume. Similarly cost base policy leads to high prices in weak markets and a relative low price in strong markets; an indication that profitability can be impeded if strategic prices were taken into consideration. They further contend that cost alone is

not the only determinant but rather firms must sell their products at incremental cost to make substantial profit from their best customers. From empirical evidence stated by authors on effect of pricing policy on firm performance; this study hypothesis that:

H₁: There is a significant positive relationship between Cost based pricing policy and Firms Performance

Competition base pricing policy

This pricing policy presents a situation where firms set their prices by determining what competing firms are charging. A firm develop competition base pricing by first identifying its present competitors. Then the firm examines its own products or services after which it set either a higher price or lower price depending on what advantage can be derived by the firm. Additionally response to pricing by the market especially in a market with few competitors should be altered with caution because other firms can respond equally to lower or increase prices in anticipation of rival firms prices. Proponents of this policy argue that firms requires little effort the obtain accurate data as the demanding price. Additionally it makes product distributors price within company's range. Furthermore it enables firms to select different pricing strategies in order to achieve their long term goals. That is firms can choose to set prices above, below or at par with the competition. From empirical evidence stated by authors on effect of pricing policy on firm performance; this study hypothesis that:

H₁: There is a significant positive relationship between Competition base pricing policy and Firms Performance

Value based pricing policy

This pricing policy adheres to the perceived value consumers derive from product and not just the cost of producing such products. The perceived value derived from consumer's needs, expectations, preferences, and competitors offering. It involves firms asking customers about what value they want to see in a product and tailoring products to meet their expectations. Additionally firms compare their products to what competing forms are offering to identify value advantages and disadvantages. Value base pricing is not only meant to achieve customer satisfaction or increasing sales performance alone but it application with discounting could lead to greater sales. However a greater sale does not mean profitability but consumer appreciation of value can increase profitability. Critics argue that this approach is heavily dependent on strong advertising especially for new products in order to communicate products attributes to consumers and cause them to buy products. From empirical evidence stated by authors on effect of pricing policy on firm performance; this study hypothesis that:

H₁: There is a significant positive relationship between Value based pricing policy and Firms Performance

Demand base pricing policy

This pricing policy concentrates on characteristics of consumers and matches them against attributes of products. Demand oriented pricing focuses on demand – oriented pricing for

products but not on material costs, labour cost among others. Firms try to determine amount of products they can set at different prices. Using demand schedules can enable firms to figure out which production and sales levels would be profitable. Managers must examine production cost and marketing cost estimates at different sales levels. Proponents of this study assert that it depends on the reliability of estimates and hence firms face crucial task of gauging demand which requires extensive knowledge of market condition. Firms can enlist the help of sales persons or market experts to estimate increasing or decreasing demand for products. Alternatively firms can make use of market researchers and consultants to provides sales level estimates. From empirical evidence stated by authors on effect of pricing policy on firm performance; this study hypothesis that:

H₁: There is a significant positive relationship between Demand base pricing policy and Firms Performance

IMPLEMENTATION

Methods

Philosophical Assumptions

Philosophical assumption that underpins social research has different perspectives which are dependent on the worldview of the researcher (Joubish et al., 2011). Guba & Lincoln (1994.p.105) defined research paradigm as “the basic belief system or worldview that guides the investigator, not only in choices of the method but in ontologically and epistemologically fundamental ways”. Thus Guba & Lincoln (1994) underscore five paradigms to include Critical Theories, Positivist, Critical Theories, Cooperative/Participatory, and Constructivism. Consistent with this study; the post post-positivist worldview was used to address stated objectives. The post-positivist approach make use of epistemological and ontology stance. Additionally Post-positivism help to examine the causal and effect relationship by verifying theory to arrive at a common outcome.

Research Design

Research design is defined as the procedure followed by a social researcher in collecting data, analysis it, and interpreting results (Creswell, 2013). Three research designs are available for social research: mixed research method, qualitative, and quantitative. The qualitative study make use of open ended questions set in an interview format to answer the “how” and “why” questions. This has the advantage of unearth responses in-depth to derive meaningful results. The quantitative study design makes use of close ended questions in the form of questionnaires to solicit information from respondents (Saunders et al., 2016). This design enables the use of descriptive research design to scope out the magnitude of the problem as well as evaluating the

cause and effect relationship between pricing policies and firm performance. Therefore descriptive design was used for the study.

Population of the Study

The population is made up of all entities, elements or variables that the researcher want to study (Cooper & Schindler, 2011). This entities or units consists of all staff from Transmed Ghana limited. Therefore the target population is 450 staffs of Transmed Ghana limited.

Sampling Techniques

Sampling is defined as the selection of representative portion of a larger population for study (Saunders, et al., 2009). Basically there are two main type of sampling: probability sampling and non-probability sampling (Creswell, 2013). Probability sampling involves selection of subjects devoid of any bias selection. In this type of sampling each subject has an equal chance of being selected. The non-probability sampling is base of researcher's judgment. This study made use of simple random sampling which is a probability sampling to select 211 respondents from Transmed Ghana limited for study.

Sample Size

Sample size is defined as the selection of representative quota from the general population (Creswell, 2013). The simple random sampling was used to select respondents of Transmed Ghana limited that has staff strength of 450 employees. These staff exercises administrative, operational oversight, sales and marketing function for the firm. In calculating the minimum sampling size, Yamane (1967:886) formula:

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

Where e = a 95% confidence level = 0.05

$$\begin{aligned} n_o &= \frac{450}{1 + 450(0.05)^2} \\ &= 450/5.7975 \end{aligned}$$

The calculated sample size = 211

The distribution of the respondents is detailed in table 2 below:

Table 3.1: Sampled Respondents of Transmed Ghana limited

Selected respondents	
Operations manager	11
GL Accountant	23
Category manager	39
System Analysis	22
IT Support specialist	10
Sales executive	54
Account officer	5
Demand Planner	4
Regulator Affairs / Shopping & Clearance	6
Market Planner	3
GL Team Leader	13
Customer service	14
Marketing manager	1
Marketing executive	17
Brand Management	2
Category Manager	2
Senior Crest Controller	1
Cashier	12
Finance manager	1
Operations Accountant	1
General Ledger Accountant	3
Total	211

Source: field study (2021)

Instrumentation

The instrument for data collection was the questionnaire. Cooper & Schindler (2002) describe questionnaire an efficient and effective means of collecting data from a sampled population. The questionnaire was divided in to three sections each soliciting information to answer the three stated research questions. The first section solicit personal data on individual characteristics such (education and number of years working with Transmed). The second section solicits data on significant consideration and preferred pricing policy in determining prices of goods at Transmed Ghana limited. The third section determines the effect of pricing policies on firms profitability at Transmed Ghana limited. All questions were closed end set in a likert scale format that requires the respondent to tick appropriately their agreement and disagreement.

Pre-Testing (Validity and Reliability)

Pretesting of the questionnaire was examined for validity and reliability in order to limit incidence of errors in the questionnaire (Saunders & Thornhill, 2003). Reliability measures opinions to ascertain whether they are consistent and free from error. A reliability test of an alpha value was 0.812 above 0.7 which is acceptable. The validity of questionnaire was first piloted prior to the main study on small number of staff. Besides the questionnaire was validated by the researcher's supervisor because according to Amin (2005) content and construct validity is determined by expert.

Material Data

Data Collection Procedure

Transmed Ghana limited has its head office located in Accra along the Spintex road where it has its key staff. The sample size was first calculated from the total employee strength that amounted to 211 employees. Prior phone calls were made to the firm in order to seek consent about possibility of conducting the study and also to explain rationale for study. This was then followed by personal visit to the institutions to seek formal authorization. The authorization was facilitated by means of an introductory letter from the researcher's institution and validated further with a student's identity card. Additional justification was made to the institutions by stating clearly that it's for academic purposes only. The selected respondents were scheduled and contacted when they were less busy and taken through all ethical protocols. They were assured of confidentiality, and anonymity which ensured effective cooperation from respondent. They were again given the option to opt out if they feel very uncomfortable answering the given questions. The questionnaire was administered personally face to face. Those who opted out were replaced with those willing until the required sample size was achieved. In all 211 respondents were successfully administered with questionnaire.

Analytical tools

The correlation test was used to establish the effect of pricing policy on profitability. A computerized data analysis software also known as Statistical Package for Social Sciences was used to analyze solicited data which produces descriptive outputs of charts and tables for interpretation.

Explanation of the Correlation test Used

Correlation indicates the strength and direction among variables when there are independent and dependent variables. The strength ranges from -1 and +1 while its direction is either positive or negative (Christensen et al., 2014). a value of $r = +1$ indicates a perfect positive correlation

whilst a value of $r = -1$ is perfect negative correlation (Zikmund et al., 2013). In this study the Pearson correlation coefficient is used to measure pricing policies against profitability of Transmed Ghana limited.

Variable Description

Pricing policy as the name suggests is the modalities firms used to set their prices on the market. This is presumed as the **cause variable** also known as the **independent variable**; whereas firm profitability is measured as increases in sales is presume under the model as the “**effect**” also known as the “**dependent variable**”.

Table 3.2: Expected Signs of Explanatory Variables

Explanatory Variable	Expected Sign
Economy pricing policy	+
Skimming pricing policy	+
Penetration pricing policy	+
Premium pricing policy	+
Cost based pricing policy	+
Competition base pricing policy	+
Value based pricing policy	+
Demand base pricing policy	+

Ethical issues addressed

Ethical issues exist in social research to ensure that no harm befall respondents. These issues include anonymity, deception, confidentiality, harm to participants, and voluntary participation. These issues were considered and followed by using codes to identify respondent, assurance of anonymity, explaining rationale of the study to respondents, confidentiality, and an option to discontinue if respondent feel uneasy about the lines of questioning. A schools introductory letter and student’s identity card was used to validate these claims. This ensured objectivity and neutrality in following ethical principles.

RESULT AND DISCUSSION

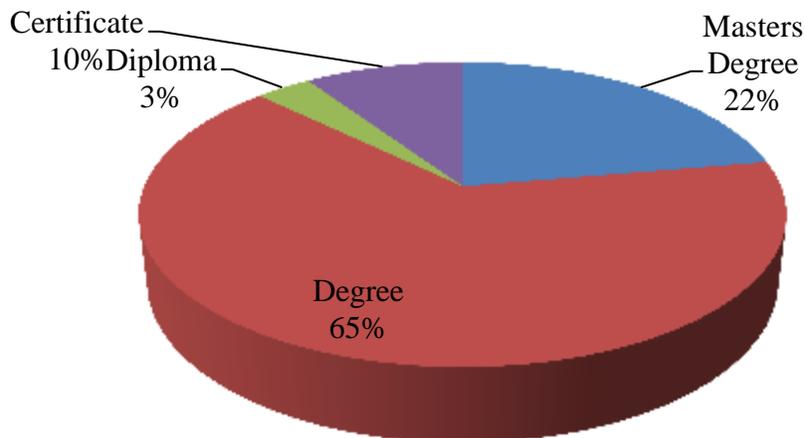
Results

Demographic Background of Respondents

The demographic background of respondents is presented as educational background, and number of years associated with Transmed Ghana limited.

Educational level of Respondents

Figure 4.1 Educational Background of respondents



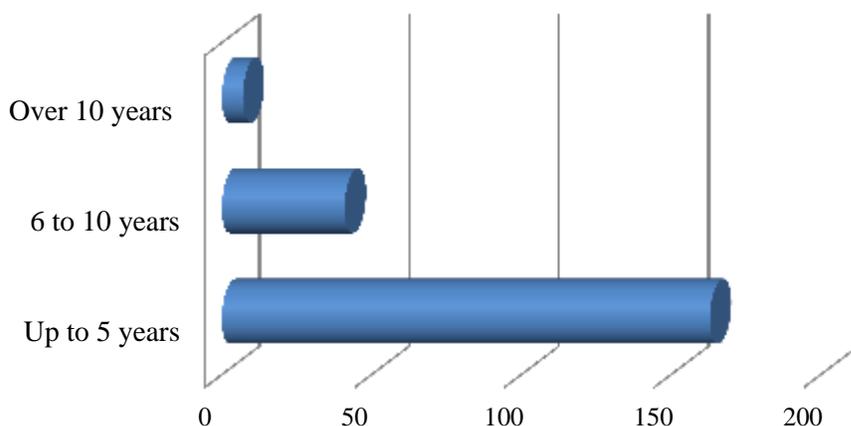
Source: Fields Study (2021)

The study examines respondent's educational background and found the following. Out of 211 respondents examined, 65.0 percent holds degree in diverse fields, 22.0 percent holds masters degree, 10.0 percent holds Certificate, and 3.0 percent holds a Diploma. This means that majority of respondents hold a first degree qualification.

Number of years associated with Transmed Ghana Limited

An assessment of the number of years respondents associated with the company generated the following findings.

Figure 4.2: Number of years associated with Transmed Ghana Limited



Source: Fields Study (2021)

The study examines respondent's association with Transmed Ghana limited and found the following. Out of 211 respondents examined, 75.1 percent is associated with Transmed for up to 5 years, 18.9 percent is associated for between 6 to 10 years, and 3.2 percent is associated for over 10 years.

Findings on Pricing Policy Decisions, Consideration and Profitability

1. Findings on the preferred form of pricing policy decision that influence profitability of Transmed Ghana limited.

The study examined the preferred form of pricing policy decision that influence profitability of Transmed Ghana limited using the likert scale where: very high; high; moderate; low; and very low. This generated the following results:

Table 4.1: the preferred form of pricing policy decision

	Very High	High	Moderate	Low	Very Low
Cost Considerations in Pricing Decision	44.2	35.0	12.4	2.8	0.0
Product Considerations in Pricing Decision	22.6	53.0	21.7	0.0	0.0
Product Life Cycle consideration in pricing Decision	19.4	31.3	46.5	0.0	0.0

Source: Fields Study (2021)

Table 4.1 shows the responses when respondents were asked to state the extent of pricing policy decision on profitability of Transmed Ghana limited in relation to “*Cost Considerations in Pricing Decision*”. The responses stated were very high, high, moderate, low, very low with frequencies 96, 76, 27, 6, and 0 out of 211 giving percentages 44.2%, 35.0%, 12.4%, 2.8% and 0.0% respectively. From these frequencies it indicates that respondents agree that Cost Considerations in Pricing Decision is high.

When asked to indicate on “*Product Considerations in Pricing Decision*”. The responses stated were very high, high, moderate, low, very low with frequencies 49, 115, 47, 0, and 0 out of 211 giving percentages 22.7%, 53.0%, 21.7%, 0.0% and 0.0% respectively. From these frequencies it indicates that respondents agree that Product Considerations in Pricing Decision is high.

When asked to indicate on “*Product Life Cycle consideration in pricing Decision*”. The responses stated were very high, high, moderate, low, very low with frequencies 42, 68, 101, 0, and 0 out of 211 giving percentages 19.4%, 31.3%, 46.5%, 0.0% and 0.0% respectively. From these frequencies it indicates that respondents agree that Product Life Cycle consideration in pricing Decision is high.

Findings on the consideration in determining prices of goods at Transmed Ghana limited.

The study examined the significant consideration in determining prices of goods at Transmed Ghana limited using the likert scale where: very high; high; moderate; low; and very low. This generated the following results:

Table 4.2: the consideration in determining prices of goods

the consideration in determining prices of goods	Very High	High	Moderate	Low	Very Low
Cost of Production	28.1	50.2	15.7	0.0	3.2
Nature of market competition	28.6	46.5	18.9	0.0	3.2
Customers and market segment	18.4	44.7	34.1	0.0	0.0
Demand	22.1	56.2	12.9	6.0	0.0
Consumer behaviour and perception	12.9	40.1	37.8	6.5	0.0
Channel of distribution	25.8	39.6	31.8	0.0	0.0
Macroeconomic trends	3.2	49.8	38.2	6.0	0.0
Company’s Objective	28.1	47.5	18.4	3.2	0.0
Taxation	31.8	37.8	27.6	0.0	0.0
Organization Reputations	9.7	53.9	27.6	2.8	3.2
Product type	19.4	61.8	12.9	3.2	0.0
Bank Lending Rate	16.1	44.2	24.0	6.5	6.5
Product Development Cost	12.9	51.2	26.7	6.5	0.0

Source: Fields Study (2021)

Table 4.2 shows the responses to factors that are considered in determining prices of goods at Transmed Ghana limited in relation to “*Cost of Production*”. The responses stated were very high, high, moderate, low, very low with frequencies 61, 109, 34, 0, and 7 out of 211 giving percentages 28.1%, 50.2%, 15.7%, 0.0% and 3.2% respectively. From these frequencies, respondents agree that cost of production is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Nature of market competition”. The responses stated were very high, high, moderate, low, very low with frequencies 62, 101, 41, 0, and 7 out of 211 giving percentages 28.6%, 46.5%, 18.9%, 0.0% and 3.2% respectively. From these frequencies, respondents agree that Nature of market competition is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Customers and market segment”. The responses stated were very high, high, moderate, low, very low with frequencies 40, 97, 74, 0, and 0 out of 211 giving percentages 18.4%, 44.7%, 34.1%, 0.0% and 0.0% respectively. From these frequencies, respondents agree that Customers and market segment is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Demand”. The responses stated were very high, high, moderate, low, very low with frequencies 48, 122, 28, 13, and 0 out of 211 giving percentages 22.1%, 56.2%, 12.9%, 6.0% and 0.0% respectively. From these frequencies, respondents agree that Demand is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Consumer behaviour and perception”. The responses stated were very high, high, moderate, low, very low with frequencies 28, 87, 82, 14, and 0 out of 211 giving percentages 12.9%, 40.1%, 37.8%, 6.5% and 0.0% respectively. From these frequencies, respondents agree that Consumer behaviour and perception is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Channel of distribution”. The responses stated were very high, high, moderate, low, very low with frequencies 56, 86, 69, 0, and 0 out of 211 giving percentages 25.8%, 39.6%, 31.8%, 0.0% and 0.0% respectively. From these frequencies, respondents agree that Channel of distribution is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Macroeconomic trends”. The responses stated were very high, high, moderate, low, very low with frequencies 7, 108, 83, 13, and 0 out of 211 giving percentages 3.2%, 49.8%, 38.2%, 6.0% and 0.0% respectively. From these frequencies, respondents agree that Macroeconomic trends is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Company’s Objective”. The responses stated were very high, high, moderate, low, very low with frequencies 61, 103, 40, 7, and 0 out of 211 giving percentages 28.1%, 47.5%, 18.4%, 3.2% and 0.0% respectively. From these frequencies, respondents agree that Company’s Objective is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Taxation”. The responses stated were very high, high, moderate, low, very low with frequencies 69, 82, 60, 0, and 0 out of 211 giving percentages 31.8%, 37.8%, 27.6%, 0.0% and 0.0% respectively. From these frequencies, respondents agree that Taxation is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Organization Reputations”. The responses stated were very high, high, moderate, low, very low with frequencies 21, 117, 60, 6, and 7 out of 211 giving percentages 9.7%, 53.9%, 27.6%, 2.8% and 3.2% respectively. From these frequencies, respondents agree that Organization Reputations is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Product type”. The responses stated were very high, high, moderate, low, very low with frequencies 42, 134, 28, 7, and 0 out of 211 giving percentages 19.4%, 61.8%, 12.9%, 3.2% and 0.0% respectively. From these frequencies, respondents agree that Product type is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Bank Lending Rate”. The responses stated were very high, high, moderate, low, very low with frequencies 35, 96, 52, 14, and 14 out of 211 giving percentages 16.1%, 44.2%, 24.0%, 6.5% and 6.5% respectively. From these frequencies, respondents agree that Bank Lending Rate is considered in determining prices of goods at Transmed Ghana limited.

When asked to indicate on “Product Development Cost”. The responses stated were very high, high, moderate, low, very low with frequencies 28, 111, 58, 14, and 0 out of 211 giving percentages 12.9%, 51.2%, 26.7%, 6.5% and 0.0% respectively. From these frequencies, respondents agree that Product Development Cost is considered in determining prices of goods at Transmed Ghana limited.

Findings on challenges with adopting pricing policies at Transmed Ghana limited

This section discusses the challenges in adopting pricing policies at Transmed Ghana limited using a five point likert scale: very high; high; moderate; low; and very low. Pricing policies registering means less 2 is considered acceptable.

Table 4.3: the challenges with adopting pricing policies

	N	Mean	Standard deviation	Ranking
Not enough research or survey on pricing	211	1.3412	0.5644	1 st
Grey import	211	1.4573	0.4260	2 nd
High tax rate	211	1.5100	0.6809	3 rd
Suppliers pricing	211	1.6500	0.6313	4 th

High interest rate	211	1.668	0.7806	5 th
High exchange rate differentials	211	1.7611	0.7020	6 th
Importation of substitute products	211	1.9716	0.6693	7 th
Pricing on maturity	211	2.0284	0.8020	8 th
Consumer behavior towards prices changes	211	2.0616	0.6904	9 th
Relying on sole distributors of products	211	2.3412	0.4474	10 th
Different channels not able to absorb new prices	211	2.3886	0.6904	11 th
Do not consider customers affordability	211	2.4123	1.5363	12 th
Internal systems not able to absorb new pricing models	211	2.4834	0.66437	13 th

Source: Field Study, (2021)

Table 4.3 indicates means and standard deviation the challenges in adopting pricing policies at Transmed Ghana limited. The results shows that Not enough research or survey on pricing (M = 1.3412), Grey import (M = 1.4573), High tax rate (M = 1.5100), Suppliers pricing(M = 1.6500), High interest rate(M = 1.668), High exchange rate differentials(M = 1.7611), and Importation of substitute products (M = 1.9716) are significant pricing challenges. This indicates that the challenges are not enough research or survey on pricing, Grey import, High tax rate, Suppliers pricing, High interest rate, High exchange rate differentials, and Importation of substitute products are significant pricing challenges.

Findings on the effect of pricing policy on profitability at Transmed Ghana limited.

The findings on assessment of pricing policy and their influence on profitability at Transmed Ghana limited indicates the following.

An assessment of the pricing policies effect on profitability was tested using bivariate correlation on a 90 percent confidence level. All the items independent variables of pricing policy correlated with the dependent variable of profitability measured as sales. The correlation table 4.3 below displays all the resulting outcomes.

Table 4.4: The outcome of correlation test between Pricing policies and profitability

		Correlations								
		1	2	3	4	5	6	7	8	Sales
Economy pricing policy	Pearson Correlation		1							
	Sig. (2-tailed)		.143							

	N	220								
Skimming pricing policy	Pearson Correlation	-	1							
	Sig. (2-tailed)	.521**								
	N	220	220							
Penetration pricing policy	Pearson Correlation	.094	.723	1						
	Sig. (2-tailed)	.164	.070							
	N	220	220	220						
Premium pricing policy	Pearson Correlation	.051**	.047	.042	1					
	Sig. (2-tailed)	.453	.488	.534						
	N	220	220	220	220					
Cost based pricing policy	Pearson Correlation	.067	-.204**	-.184**	.076	1				
	Sig. (2-tailed)	.325	.003	.007	.267					
	N	215	215	215	215	215				
Competition base pricing policy	Pearson Correlation	.089	-.188**	-.159*	.088	.507**	1			
	Sig. (2-tailed)	.190	.005	.019	.194	.000				
	N	218	218	218	218	215	218			
Value based pricing policy	Pearson Correlation	.005	.114	.155*	.003	.495**	.568**	1		
	Sig. (2-tailed)	.947	.092	.022	.968	.000	.000			
	N	218	218	218	218	215	218	218		
Demand base pricing policy	Pearson Correlation	.096	-.130	-.067	-.070	.123	.375**	.235**	1	
	Sig. (2-tailed)	.158	.056	.324	.303	.071	.000	.000		
	N	218	218	218	218	215	218	218	218	
Sales performance	Pearson Correlation	.220	.261**	.099	-.019**	.202**	.432**	-.097	.297	1
	Sig. (2-tailed)	.071	.000	.146	.000	.003	.000	.152	.120	
	N	211	211	211	211	211	211	211	211	211

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Field Study, (2021)

The result of correlation test between Pricing policies and profitability indicate the following:

Significant tested variables

The result shows a significant positive association between Skimming pricing policy ($r = 0.261$, $p < 0.05$), Cost based pricing policy ($r = 0.202$, $p < 0.05$), Competition base pricing policy ($r = 0.432$, $p < 0.05$) significantly affect sales performance. However there was a significant negative association between Premium pricing policy and sales performance ($r = -.019$, $p < 0.05$).

non- Significant tested variables

The result also shows that economy pricing($r = 0.220$, $p > 0.05$), penetration pricing policy($r = 0.099$, $p > 0.05$), value based pricing policy ($r = -0.097$, $p > 0.05$), and demand base pricing policy($r = 0.297$, $p > 0.05$) are non-significant predictors of sales performance in Transmed Ghana limited.

The Regression Analysis

Table 4.9 indicates the fitness of regression model in explaining dependent and independent variable. The result shows that economy pricing policy, skimming pricing policy, penetration pricing policy, premium pricing policy, cost based pricing policy, competition base pricing policy, value based pricing policy, and demand base pricing policy were satisfactory in explaining sales performance. The R-Square concludes that 81.6 percent of independent variables explains sales performance.

Table 4.5: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.903 ^a	.816	.780	.52074

a. Dependent Variable: Sales performance

b. Predictors: (Constant), Economy pricing policy, Skimming pricing policy, Penetration pricing policy, Premium pricing policy, Cost based pricing policy, Competition base pricing policy, Value based pricing policy, Demand base pricing policy.

Source: (Field study, 2021)

Statistical Significance**Table 4.6: ANOVA**

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.222	8	7.271	21.004	.000 ^b
	Residual	11.122	41	.362		
	Total	50.570	49			

a. Dependent Variable: Sales performance

b. Predictors: (Constant), Economy pricing policy, Skimming pricing policy, Penetration pricing policy, Premium pricing policy, Cost based pricing policy, Competition base pricing policy, Value based pricing policy, Demand base pricing policy.

Source: (Field Study, 2021)

Table 4.7 shows that the overall model displayed in analysis of variance are significant. This shows that all independent variables statistically predict dependent variable $F(8, 41) = 21.004$, $p < .05$ meaning it is a good fit.

Table 4:8 Coefficients of Independent Variables

Model	Coefficients ^a			T	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	.512	.104	.514	4.306	.001
Economy pricing policy	.013	.231	.022	2.623	.070
Skimming pricing policy	.051	.404	.601	3.101	.021
Penetration pricing policy	.025	.023	.029	2.003	.130
Premium pricing policy	.074	.391	.079	3.401	.004
1 Cost based pricing policy	.056	.202	.065	.797	.007
Competition base pricing policy	.061	.375	.070	1.761	.015
Value based pricing policy	.020	.204	.021	.379	.716
Demand base pricing policy	.013	.357	.018	.628	.507

a. Dependent Variable: Sales Performance

Source: Field Study, (2021)

$$\text{Econometrically, } SP = \beta_0 + \beta_1 EP_t + \beta_2 SK_t + \beta_3 PE_t + \beta_4 PR_t + \beta_5 CB_t + \beta_6 C_t + \beta_7 VB_t + \beta_8 DB_t + \mu_t$$

$$SP = .512 + .013EP_t + .051SK_t + .025PE_t + .074PR_t + .056CB_t + .061C_t + .020VB_t + .013DB_t + \mu_t$$

The regression coefficients in table 4.11 shows a significant positive relationship between skimming pricing policy, cost based pricing policy, competition base pricing policy, and premium pricing policy on sales performance. The Beta scores were 0.510, 0.206, 0.221, and 0.404 respectively. These indicates that profitability using pricing policy at Transmed Ghana limited is determined by skimming pricing policy, cost based pricing policy, competition base pricing policy, and premium pricing policy. This is because a percentage increase in skimming pricing policy will increase sales performance by 5.1%; a percentage increase in cost based pricing policy will increase sales performance by 5.6%; a percentage increase in competition base pricing policy will increase sales performance by 6.1%; and a percentage increase in premium pricing policy will increase sales performance by 7.4%.

Discussion of Results

Discussion of the preferred form of pricing policy decision that influence profitability of Transmed Ghana limited.

This section discusses the preferred form of pricing policy decision that influences profitability of Transmed Ghana limited using a five point likert scale: very high; high; moderate; low; and very low. Pricing decisions with the lowest mean between 1 and 2 is considered acceptable.

Table 4.9: the preferred form of pricing policy decision

	N	Mean	Standard deviation	Ranking
Cost Considerations in Pricing Decision	205	1.7220	0.8181	1 st
Product Considerations in Pricing Decision	211	1.9905	0.67606	2 nd
Product Life Cycle consideration in pricing Decision	211	2.2796	0.77614	3 rd

Source: Field Study, (2021)

Table 4.9 indicates means and standard deviation of pricing decisions that best influences profitability at Transmed Ghana limited. The results shows that Cost Considerations in Pricing Decision was ranked first, followed by Product Considerations in Pricing Decision, and finally Product Life Cycle consideration in pricing Decision ranked third. This indicates that the preferred form of pricing decision that influences profitability of Transmed Ghana limited is Cost Considerations. This confirms studies by Luqman, (2015) who stated that the cost plus pricing refers to the cost incurred in producing a product. The rate of return or target pricing is

commonly used in manufacturing firms and is determined by adding a rate of return on investment. It involves circular reasoning since unit cost is dependent on sales volumes.

Discussion of the significant consideration in determining prices of goods at Transmed Ghana limited.

This section discusses the significant consideration in determining prices of goods at Transmed Ghana limited using a five point likert scale: very high; high; moderate; low; and very low. Pricing considerations registering means less 2 is considered acceptable.

Table 4.10: the significant consideration in determining prices of goods

	N	Mean	Standard deviation	Ranking
Taxation	211	1.9573	0.78260	1 st
Company's Objective	211	1.9668	0.78306	2 nd
Cost of Production	211	1.9716	0.86693	3 rd
Nature of market competition	211	2.0000	0.88909	4 th
Product type	211	2.0000	0.68313	5 th
Demand	211	2.0284	0.78020	6 th
Channel of distribution	211	2.0616	0.76904	7 th
Customers and market segment	211	2.1611	0.78020	8 th
Organization Reputations	211	2.3412	0.82644	8 th
Product Development Cost	211	2.3412	0.94474	10 th
Consumer behaviour and perception	211	2.3886	0.76904	11 th
Bank Lending Rate	211	2.4123	1.05363	12 th
Macroeconomic trends	211	2.4834	0.66437	13 th

Source: Field Study, (2021)

Table 4.10 indicates means and standard deviation the significant consideration in determining prices of goods at Transmed Ghana limited. The results shows that Taxation (M = 1.9573), Company's Objective (M = 1.9668), and Cost of Production (M = 1.9716) are significant pricing considerations. This indicates that the significant consideration in determining prices of goods at Transmed Ghana limited are Taxation, Company's Objective, and Cost of Production. This confirms studies by Luqman, (2015) assertion that taxation, company's objective, and cost of production are significant consideration in achieving optimal pricing.

Discussion of challenges with adopting pricing policies at Transmed Ghana limited

This section discusses the challenges in adopting pricing policies at Transmed Ghana limited using a five point likert scale: very high; high; moderate; low; and very low. Pricing policies registering means less 2 is considered acceptable.

Table 4.11: identify challenges with adopting pricing policies

	N	Mean	Standard deviation	Ranking
Not enough research or survey on pricing	211	1.3412	0.5644	1 st
Grey import	211	1.4573	0.4260	2 nd
High tax rate	211	1.5100	0.6809	3 rd
Suppliers pricing	211	1.6500	0.6313	4 th
High interest rate	211	1.668	0.7806	5 th
High exchange rate differentials	211	1.7611	0.7020	6 th
Importation of substitute products	211	1.9716	0.6693	7 th
Pricing on maturity	211	2.0284	0.8020	8 th
Consumer behavior towards prices changes	211	2.0616	0.6904	9 th
Relying on sole distributors of products	211	2.3412	0.4474	10 th
Different channels not able to absorb new prices	211	2.3886	0.6904	11 th
Do not consider customers affordability	211	2.4123	1.5363	12 th
Internal systems not able to absorb new pricing models	211	2.4834	0.66437	13 th

Source: Field Study, (2021)

Table 4.11 indicates means and standard deviation the challenges in adopting pricing policies at Transmed Ghana limited. The results shows that Not enough research or survey on pricing (M = 1.3412), Grey import (M = 1.4573), High tax rate (M = 1.5100), Suppliers pricing (M = 1.6500), High interest rate(M = 1.668), High exchange rate differentials(M = 1.7611), and Importation of substitute products (M = 1.9716) are significant pricing challenges. This indicates that the challenges are not enough research or survey on pricing, Grey import, High tax rate, Suppliers pricing, High interest rate, High exchange rate differentials, and Importation of substitute products are significant pricing challenges.

Discussion of the effect of pricing policy on profitability at Transmed Ghana limited.

3 Discussion of Results from Hypothesis Tested

The study's hypothesis was tested at 5% level of significance. The results were mixed as indicated below. The constant term (.607) is the value of the dependent variable when all the independent variables and error term is zero, but these values are almost never equal to zero. It is interpreted as the regression line's intercept.

Skimming pricing policy and profitability at Transmed Ghana limited.

Skimming pricing policy ($r = 0.261$, $p < 0.05$) significantly affect profitability at Transmed Ghana limited. Price skimming involves the setting of high price and lowering it as the product gains acceptance (Nyaga, 2017). This type of pricing policy is base on the central assumption that consumers pay a price below reservation price (Nyaga, 2017; Besanko & Winston, 2000). The consumer in making his or her purchase decision, respond to price skimming. Firms profit maximization is therefore dependent on investigating variables such as competition, production learning curves, and diffusion rate to assess their impact (Robinson & Lakhani 2005; Irwin & Klenow, 2004; Nyaga, 2017).

Cost Based Pricing Policy and profitability at Transmed Ghana limited.

Cost based pricing policy ($t = 0.797$, $p < 0.05$) significantly affect profitability at Transmed Ghana limited. This type of pricing policy account for all fixed cost as well as variable costs attributable to products or services. The firm then adds a profit margin to the total cost to determine the mark price. The overarching goal is the need to cover all cost incurred in delivering products to achieve targeted profit. This method in itself requires firms to study accounting and financial records to determine prices.

Competition base pricing policy and profitability at Transmed Ghana limited.

Competition base pricing policy ($t = 1.761$, $p < 0.05$) significantly affect profitability at Transmed Ghana limited. This pricing policy presents a situation where firms set their prices by determining what competing firms are charging. A firm develop competition base pricing by first identifying its present competitors. Then the firm examines its own products or services after which it set either a higher price or lower price depending on what advantage can be derived by the firm.

Premium pricing policy and profitability at Transmed Ghana limited.

Premium pricing policy ($t = 3.401$, $p < 0.05$) significantly affect profitability at Transmed Ghana limited. This type of pricing policy is used by firm to project luxury items. Premium pricing found expression in Adam Smith Diamond –Water paradox when he argue that “the word value, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called “value in use”; the other, “value in exchange.” (Nyaga, 2017).

Implication for Practice

The findings of this study have some implication for policy and practice. Decision makers of pricing have vested interest in considering the significant factors that contributes to achieving optimal pricing regime. Collaboration between management and consumers is setting optimal price that benefit the company. The collaborative process might be perceived as supportive and pricing outcomes will be viewed as optimal on the market. A misalignment of product pricing leads to unexpected consumer switch or dissatisfaction which results in low patronage or sales. top management understanding of pricing consideration helps to determine the sought of market

price to set for sales and marketing teams. Even though sales people are reluctant to discuss prices with top management, this study highlights major considerations and challenges that militate against pricing of goods. This helps in determining pricing the benefit the company.

CONCLUSION AND RECOMMENDATION

Summary of the Findings

The study used Post-positivism worldview and descriptive research design to help examine the causal and effect relationship between pricing policy and profitability of Transmed Ghana limited. A targeted population of 450 was sourced and a calculated sample size of 211 was chosen for study. These sample of was purposely selected and structured questionnaire used to assess respondents after with descriptive and correlation analysis was performed on the data. This produced output in the form of tables and chart for interpretation. The purpose of project is to analyze the effect of pricing policies on Transmed Ghana limited profitability. This was guided by the following objectives:

To examine the preferred form of pricing policy decision that influence profitability of Transmed Ghana limited.

The study found that preferred form of pricing decision that influences profitability of Transmed Ghana limited is Cost Considerations.

To examine the consideration in determining prices of goods at Transmed Ghana limited.

The findings indicate that consideration in determining prices of goods at Transmed Ghana limited are Taxation, Company's Objective, and Cost of Production.

To identify challenges with adopting pricing policies at Transmed Ghana limited

The result of the study indicates that the challenges are not enough research or survey on pricing, Grey import, High tax rate, Suppliers pricing, High interest rate, High exchange rate differentials, and Importation of substitute products are significant pricing challenges.

To evaluate the effect of pricing policy on profitability at Transmed Ghana limited.

The study found that skimming pricing policy $\beta = 0.510$, $t(3.101) = .021$, $p < .05$; cost based pricing policy $\beta = -0.056$, $t(0.797) = .007$, $p < .05$; competition base pricing policy $\beta = 0.061$, $t(1.761) = .015$, $p < .05$ and premium pricing policy $\beta = 0.74$, $t(3.401) = .004$, $p < .05$ were significant predictors of sales performance in Transmed Ghana limited whilst Economy pricing policy $\beta = .013$, $t(2.623) = .070$, $p > .05$; Penetration pricing policy $\beta = 0.025$, $t(2.003) = .130$, $p > .05$; Value based pricing policy $\beta = .020$, $t(.379) = .716$, $p > .05$; and Demand base pricing policy $\beta = .013$, $t(.628) = .507$, $p > .05$; were weak predictors.

Conclusions of the Study

In conclusion, the major consideration in determining prices of goods at Transmed Ghana limited are Taxation, Company's Objective, and Cost of Production. This consideration is premise of cost considerations. However Transmed still faces challenges in the area of not enough research or survey on pricing, grey import, high tax rate, suppliers pricing, high interest rate, high exchange rate differentials, and importation of substitutes .Notwithstanding the significant predictors of profitability at Transmed were skimming pricing policy, cost based pricing policy, competition base pricing policy, and premium pricing policy. In order to achieve high profitability Transmed should focus resources on developing skimming pricing policy, cost based pricing policy, competition base pricing policy, and premium pricing policy.

Recommendations

From the findings of this study, a number of recommendations are provided.

1. The study found that management of Transmed pricing decision is base on cost consideration. In order to derive maximum benefit, similar consideration should be given to product and product life cycle.
2. the study also found that the significant consideration in determining prices of goods at Transmed Ghana limited are taxation, company's objective, and cost of production. Management should therefore conduct research study to unearth benefit of adopting this consideration and their impact on profitability.
3. the study again found that key challenges affecting pricing determination were not enough research or survey on pricing, grey import, high tax rate, suppliers pricing, high interest rate, high exchange rate differentials, and importation of substitute products. Management should institutes measures such as conducting trend analysis, and market surveys in order to address these challenges.
4. In terms of pricing policies, management should channel significant resources to formulating skimming pricing policy, cost based pricing policy, competition base pricing policy, and premium pricing policy because they are the significant predictors of profitability at Transmed.

Limitations

The study assesses pricing policies that affect performance of Transmed Ghana limited. Even though the study assesses pricing considerations, not all factors were considered due to limitation of time, scope and resources. Again the study despite its broad scope examined on one private sector organization located in the geographical space of Accra. This is because its corporate head offices and key managers that determine pricing are located in Accra. The study is also limited

because it is being undertaken concurrently with regular academic sessions. This makes it impossible to further widen the scope to other matters relating to pricing policy determination.

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APPENDIX: QUESTIONNAIRE

QUESTIONNAIRE FOR RESPONDENTS

Dear Respondent

I am a student of University of Professional Studies researching on the topic: **THE IMPACT OF PRICING POLICY ON FIRM PERFORMANCE: A CASE STUDY OF TRANSMED GHANA LIMITED.** The survey takes approximately 25 to 30 minutes to complete. This information will be used strictly for academic purposes only and will be treated with utmost confidence. Thank you for taking time to participate in the survey.

SECTION A: DEMOGRAPHIC BACKGROUND OF RESPONDENTS

1. What is your job role?

2. Please, indicate your highest level of education.

- a. Masters Degree [] b. Degree [] c. Diploma [] d. Certificate []
h. Others (*Please specify*).....

3. How long have you been associated with Transmed Ghana Limited?

- a. Up to 5 years [] b. 6 to 10 years [] c. Over 10 years []

,

SECTION B: PRICING POLICY DECISIONS AND CONSIDERATION

1. To examine the preferred form of pricing policy decision that influence profitability of Transmed Ghana limited.

4. On a scale from 1 to 5, Please indicate the extent of pricing policy decision on profitability of Transmed Ghana limited. where: Very high (1); High (2); Moderate (3); Low (4); Very Low (5). Please tick appropriately

	Very High	High	Moderate	Low	Very Low
Cost Considerations in Pricing Decision					
Product Considerations in Pricing Decision					
Product Life Cycle consideration in pricing Decision					

2. To examine the significant consideration in determining prices of goods at Transmed Ghana limited.

5. Please indicate the extents of the following factors are considered in determining prices of goods at Transmed Ghana limited. where: Very high (1); High (2); Moderate (3); Low (4); Very Low (5). Please tick appropriately

	Very High	High	Moderate	Low	Very Low
Cost of Production					
Nature of market competition					
Customers and market segment					
Demand					
Consumer behaviour and perception					
Channel of distribution					
Macroeconomic trends					
Company's Objective					
Taxation					

Organization Reputations					
Product type					
Bank Lending Rate					
Product Development Cost					

6. On a scale from 1 to 5, Please indicate the level at which the following pricing policy influence profitability at Transmed Ghana limited. , where: Very high (1); High (2); Moderate (3); Low (4); Very Low (5).

SN	Pricing Policy Influence on Profitability	1	2	3	4	5
1	Economy pricing policy [<i>This type of policy involves firm's deliberately pricing low in order to capture presence in the market</i>]					
2	Skimming pricing policy [<i>Price skimming involves the setting of high price and lowering it as the product gains acceptance</i>]					
3	Penetration pricing policy [<i>This type of pricing policy set a low price to enter the market initially to test its acceptance but later raise the price when demands for the product picks up</i>]					
4	Premium pricing policy [<i>This type of pricing policy is used by firm to project luxury items</i>]					
5	Cost based pricing policy [<i>This type of pricing policy account for all fixed cost as well as variable costs attributable to products or services</i>]					
6	Competition base pricing policy [<i>This pricing policy presents a situation where firms set their prices by determining what competing firms are charging</i>]					

7	Value based pricing policy [<i>This pricing policy adheres to the perceived value consumers derive from product and not just the cost of producing such products</i>]					
8	Demand base pricing policy [<i>This pricing policy concentrates on characteristics of consumers and matches them against attributes of products</i>]					

THANK YOU FOR YOUR TIME