



EFFECT OF PRODUCT PRICING STRATEGY ON PERFORMANCE OF MAIZE SEED COMPANIES IN NAIROBI CITY COUNTY, KENYA

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Abstract

Organizations require strategic tactics to help them conquer the competition they face in their operating environment. A strategic strategy allows a company to achieve a competitive advantage over its competitors and maintain market success. The failure of current seed companies in Nairobi City County to meet demand for improved maize seed reflects their limited results. The main study goal was to determine the influence of product pricing strategy on performance of Agricultural based companies: A case of maize seed companies in Nairobi City County, Kenya. The study was conducted in 24 maize seed companies in Nairobi City County at their head offices. The target population was management level employees. This study adopted a stratified and simple random sampling technique. Five employees will be selected from each company. A total of 120 people was surveyed in this report. Structured questionnaires was included in this research. The validity and reliability of the questionnaire was determined via a pilot test. SPSS would be used to interpret quantitative data and present it as percentages, means, standard deviations, and frequencies (version 23). The information was presented in a variety of ways, including bar charts, graphs, and pie charts, as well as prose. Content analysis is the process of categorizing verbal or behavioral data so that it can be characterized, summarized, and tabulated. The strength of the association between the variables was determined using multiple regression analysis. The study revealed that product pricing strategy had a statistically significant influence on performance of maize seed companies. The study recommends that the companies should make effective use of packaging, promotions and segmentation in their product pricing strategy to achieve good performance.

Key words - strategic tactics, strategic strategy, product pricing strategy, performance, Agricultural based companies

INTRODUCTION

Agricultural firms are significant, as agriculture is a major contributor to the Kenyan economy according to the Agricultural and Rural Statistics Strategic Plan 2015-2022 Kenya. This is one of the main industries contributing around 25% of GDP, with 75% of the national workforce (Republic of Kenya, 2015). In 2016, the sector was valued at KES 2.3 trillion (roughly 22 billion USD), generating a third of Kenya's GDP and 60% of its exports. Over 80% of Kenyans are farmers who stay in rural areas and are dependent on agriculture for a living. As a result of its significance, the sector's output is mirrored in the overall economy's performance. For poverty reduction, agriculture is also crucial because most disadvantaged groups, such as pastoralists, homeless people and farmers livelihoods, are the main source of income from agriculture (Republic of Kenya, 2015).

Agriculture's production slowed sharply after independence, Average from 4.7 to just less than 2 percent in the 1990s in the first decade. This decrease culminated in a negative increase in 2000 of -2.4%. A sector which employs about 75 per cent of Kenyan workers means lower levels of employment, earnings and, more importantly, food insecurity for the vast majority of Kenyans in rural areas. It's worth noting that small-scale agriculture employs a significant portion of the rural labor force (more than 51%). The decline in agriculture has far-reaching consequences for the country in terms of employment and wealth disparities and food security (UNDP, 2012).

Barney (2002) introduced the idea of connecting a company's strategic strategy to its results. The consistent way high performers build and sustain this competitive nature, according to their research and experience with customers, are what separates them from their competitors. Although many businesses compete on a single point of distinction, high performers almost always achieve their strategic essence by balancing, aligning, and renewing what they call the "3 high-performance building blocks": market destination, distinctive skills and anatomy of performance (Barney, 2002). In Gathoga's words (2011), there are five major factors that influence a company's ability to outperform its competitors. These include the ability to profit from market activity patterns, the ability to capture and retain unequal market share, being able to capture premium pricing, and the practical creation and launch of novel goods.

Pertusa – Ortega et al. (2009) studied the feasibility, among Spanish companies, of hybrid competitive strategies combining differentiation and cost elements and found that a large number of companies have various kinds of hybrid strategies, correlated with increased corporate efficiency. Especially, strategies that place a premium on creativity are more likely to succeed. In Malaysia, Abidin et al.(2004) discovered that differentiation strategy helps small and medium businesses produce the best business results, while differentiation helps large businesses increase the amount of projects they are working on.

Oyedijo (2012) examined competitive strategy orientations in Nigerian firms and discovered a substantial gap in output between firms using product quality and pricing strategies. Firms that used mixed strategies outperformed those that used standalone strategies on the following performance metrics: overall income / revenue rise, consumer complaints, and sales growth, according to Oyedijo. Kamau (2012) conducted research in a liberalized environment in Kenya and found out that the sector was highly competitive, hence the need for competitive strategies

in order to have superior performance. It is against this backdrop that the present study aims to establish the link between competitive strategies and performance of maize seed companies in Kenya.

LITERATURE REVIEW

Product Pricing Strategy

Christian and Hundt (2018) looked at how pricing tactics and product consistency affected the outcomes of private label and national brand products. Using product test ratings and panel data from over 35,000 German households, the research examines the effect of price, quality, and promotional actions on market share for a variety of products, comprising domestic brands and private labels, and food and non-food items. A route analysis shows major differences between the four segments, as well as information about how low-cost regular and high-low retail pricing techniques are used. The results have important consequences for both manufacturers and retailers. This study focus was on Germany the results could not be generalized to Kenya since they are at different levels of development.

Michael (2015) has looked at the key pricing factors for SMEs: are they important? Are they important? Primary data was adopted from South African small and MSEs. Since SMEs have common characteristics worldwide, every finding is accepted to apply universally. A survey was dispersed to 88 SMEs in order to acquire relevant data on pricing factors. The data have been quantified and analyzed by studying the frequency and significance of events. The study found that SMEs generally agree that knowledge from rivals and the macro-environment influence price setting. Consumer relationships and the advantages that they, the customers, derive from the commodity, as well as product efficiency, were all agreed to be essential factors to consider when deciding prices by the SME's. This study focus was on pricing strategies in SMEs in South Africa while the current study focus was on pricing strategies and performance of Kenyan maize seed companies.

Stamate (2014) conducted research on price strategies as a predictor of success in Romanian export markets. The used methodology ensures that the findings are based on a case analysis of the studied companies' preferred pricing strategies. In-depth interviews with the managers in charge of this operation, record analysis, and observations were used to get data. The systematic approach to determining the most appropriate price strategies paves the way for variables to be considered as the adaptation process unfolds, as well as for assessing the effects of pricing adaptation. This can contribute to a measurement of export success and the impact it had on a company's revenue. A comparison can be made by analyzing the export data given, taking into account the pricing strategies used, price adaptation processes, degree of effect on different geographical markets, market reaction to exported goods, and terms and conditions required for international trade. The current study concentrated on pricing strategies and performance of maize seed firms in Kenya, while the previous study focused on price plans influence on performance on Romanian.

Odhiambo (2012) looked into the factors that influence the pricing strategies used by major alcohol producers in Kenya. In order to collect information from managers and executives involved with pricing at the alcohol plant of Mumias Sugar Company, A survey of major

alcohol producers was conducted using a questionnaire by Spectre International in Kisumu and Agrochemical and Food Company in Muhoroni, Kenya. In order to investigate the relationships between PSSS windows' pricing plans and factors impacting those strategies, a multivariate Variance Analysis (MANOVA) was conducted. The only important element in determining pricing strategy in alcohol-producing firms is the company cost structure (p-value = 0,002) based on SPSS results and analysis. The pricing targets (p value=0.117) are another important player in pricing strategy formulations, although they do not play an important role at a level of 0,005. This study focus was on factors influencing pricing strategies while the current study focus was on pricing method effects on performance.

Firm Performance

Performance of a firm is the real outputs or outcomes as compared to its desired outcomes, priorities, and objectives. It's a broad concept that encompasses what companies do, create, and achieve for the various stakeholders with whom they communicate (Baum, 2012). Firm performance is also referred to as the end result of the organization's activities which includes the actual outcomes of strategic management processes. Wheelen and Hunger (2013), allege that the capacity of strategic management to boost an organization's efficiency, which is usually calculated in terms of income and return on investments, is justified.

Performance is more of a companywide measure, in the form of strategic and financial outcomes, across business units, divisions, functional departments and operating units. It's also a metric for determining a company's productivity or effectiveness in running its business activities over a given accounting period (Awad & Saad, 2013). To make informed decisions, different stakeholders need different performance metrics. As much as performance measures are mostly financial indicators, non-financial indicators are also important to use (Naser & Mokhtar, 2014). Thompson, Strickland and Gamble (2007), explains that financial indicators on their own overlooks what makes it possible for a company to attain these financial results, which could be the achievement of strategic objectives. Examples of these non-financial measures are innovativeness and market standing respectively.

Financial performance including income, product market success, sales, market share and share of shareholders' return, including total shareholder return and added economic value, according to Hubbard (2016). According to Ganguly (2015), success can be measured from four perspectives: financial, consumer, internal, and external. Financial metrics include return on investment and economic benefit added. Customer satisfaction and retention are examples of customer satisfaction and retention. Internal measures include consistency, response time, expense, and new product launch.

In their study, Wang, Tsui and Xin(2011) measured firm performance through competitive edge, profits, sales rise and market share. Further, a study of Mafini and Pooe (2013) used growth, profitability, and legitimacy as measures of performance. According to Ahmed, Zaman, and Shah (2011), a firm's success not only contributes to the increase in its value in the market, but also to the growth of the entire sector, which in turn contributes to the economy's overall prosperity. As a result, various types of performance metrics have been identified to

track specific aspects of effectiveness, operating efficiency, reliability, service quality, customer satisfaction, and cost-effectiveness are all examples of success (Poister, 2013).

The sales volume, profitability and market share of this report was calculated as performance. Sales volume is the number of selling units in the company within a reporting period, profitability shows the profitability compared to the company's total revenue and costs.

Conceptual Framework

It is a collection of broad themes and ideas derived from a variety of research areas and adopted to organize a corresponding demonstration. The variables investigated in this analysis are depicted in the diagram below.

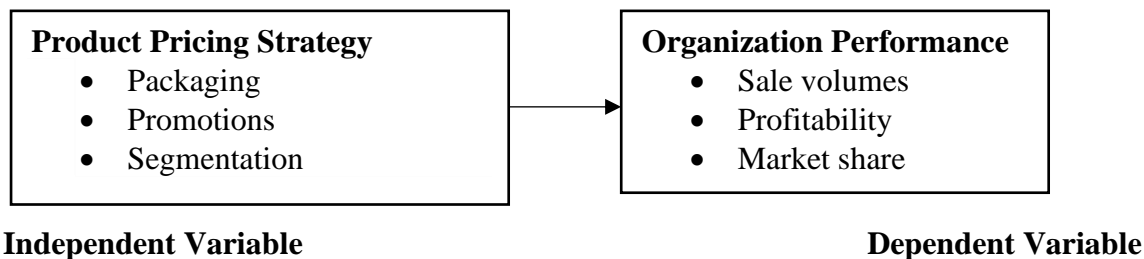


Figure 1: Conceptual Framework

Source , Author (2022)

METHODOLOGY

A descriptive research design was used in this report. The analysis unit consisted of 24 corn seed companies in the County of Nairobi, while the survey unit included staff from the corn seed companies in the County of Nairobi. The study adopted a stratified and simple random sampling technique, as it allows flexibility in selection of sample. The study selected 5 employees in each of the 24 maize companies. Therefore, the study sample size was 120 respondents, which represented 30% of the entire population. The primary data for this analysis was gotten using standardized questionnaires. Questionnaires are an effective way to gather a wide variety of data from a large number of people. This study adopted the drop and pick later method of collecting data.

Descriptive statistics like percentages, mean, defaults and frequencies are used for the analysis of quantitative data. The data was viewed using tables, 3-D graphs and pie charts. Content analysis was adopted to evaluate qualitative data. Content analysis is known as content analysis, which classes verbal or computer data to identify, summarize and tabulate the data.

Inferential statistics which include correlational and regression analysis will be used to reach conclusions about associations between variables. The intensity and direction of the association between independent and dependent variables can be determined using the correlation analysis process. The connection between the variables was determined using multiple regression analysis.

FINDINGS

The study used a sample of 120 respondents whereby all of them were issued with questionnaires but only 108 questionnaires were dully filled and returned forming a response rate of 90%.

The respondents were asked to on the scale provided below by ticking the extent to which they with the following statements: Strongly disagree = 1, Disagree = 2, Undecided = 3, Agree =4, Strongly agree =5

Table 1: Product Pricing Strategy and Performance

Statements	1	2	3	4	5	Mean	Std.Dev
Low price of seeds can influence the volume of sales	4	8	16	50	30	3.870	0.804
Various package sizes with various prices can improve performance by meeting various buyers' quantity needs	2	5	14	59	28	3.981	0.928
High prices for premium seed varieties produce better farmers' margins	2	9	12	47	38	4.019	0.871
Credit services can increase sales and performance	3	7	16	62	20	3.824	0.925
Volume discounts are useful for your company in big seed purchases	5	5	15	56	27	3.880	0.872
Competitor pricing strategy affect our business	3	7	17	49	32	3.926	0.813
Lack of government control on pricing of seeds can create unfair competition among sellers	4	6	14	64	20	3.833	0.962

The findings shows that the respondents agreed that high prices for premium seed varieties produce better farmers' margins as shown by a mean of 4.019, various package sizes with various prices can improve performance by meeting various buyers' quantity needs as shown by a mean of 3.981, competitor pricing strategy affect our business as shown by a mean of 3.926, volume discounts are useful for your company in big seed purchases as shown by a mean of 3.880, low price of seeds can influence the volume of sales as shown by a mean of 3.870, lack of government control on pricing of seeds can create unfair competition among sellers as shown by a mean of 3.833 and credit services can increase sales and performance as shown by a mean of 3.824.

The findings concur with those of Michael (2015) who found that SMEs generally agree that knowledge from rivals and the macro-environment influence price setting. Consumer relationships and the advantages that they, the customers, derive from the commodity, as well as product efficiency, were all agreed to be essential factors to consider when deciding prices by the SME's. Odhiambo (2012) found that the only important element in determining pricing strategy is the company cost structure. The pricing targets are another important player in pricing strategy formulations, although they do not play an important role.

Inferential Analysis

Correlation was conducted to establish the association between the dependent and the independent variables in the study. The independents variable was product pricing strategy, nd the dependent variable was performance of maize seed companies.

Table 2: Correlation

		Performance	Product Strategy	Pricing
Performance	Pearson	1		
	Correlation			
	Sig. (2-tailed)			
	N	108		
Product Pricing Strategy	Pearson	.821**	1	
	Correlation			
	Sig. (2-tailed)	.000		
	N	108	108	

The findings show that product pricing strategy had a strong positive correlation with performance of maize seed companies as illustrated by $r = 821$, $p = 0.000$. This implies that product pricing strategy had a strong positive correlation with performance of maize seed companies, this an indication that product pricing strategy is key deteminnat in the performance of maize seed companies in Kenya.

Table 3: Coefficients

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1 (Constant)	.892	.124		7.194	.000
Product Pricing Strategy	.364	.108	.303	3.370	.003

From the findings, product pricing strategy had a statistically significant influence on performance of maize seed companies as shown by $\beta=0.364$, $p = 0.003$. This implies that product pricing strategy has a positive significant relationship with performance of maize seed companies. Therefore, a unit increase in product pricing strategy will result to an increase in performance of maize seed companies by 0.364 units. The outcomes concur with those of Michael (2015) who found that SMEs generally agree that knowledge from rivals and the macro-environment influence price setting. Consumer relationships and the advantages that they, the customers, derive from the commodity, as well as product efficiency, were all agreed to be essential factors to consider when deciding prices by the SME's. Odhiambo (2012) found that the only important element in determining pricing strategy is the company cost structure. The pricing targets are another important player in pricing strategy formulations, although they do not play an important role.

CONCLUSION AND DISCUSSION

The study found that high prices for premium seed varieties produce better farmers' margins, various package sizes with various prices can improve performance by meeting various buyers' quantity needs, competitor pricing strategy affect our business, volume discounts are useful for your company in big seed purchases, low price of seeds can influence the volume of sales, lack of government control on pricing of seeds can create unfair competition among sellers and credit services can increase sales and performance. The study also revealed that product pricing strategy had a strong positive correlation with performance of maize seed companies.

The study revealed that product pricing strategy had a statistically significant influence on performance of maize seed companies. Also product pricing strategy has a positive significant relationship with performance of maize seed companies. Therefore, the study resolves that an increasing of product pricing strategy by one unit would result to an increase in performance of maize seed companies by one unit.

The study established that product pricing strategy had a positive significant relationship with performance of maize seed companies. The study recommends that the companies should make effective use of packaging, promotions and segmentation in their product pricing strategy to achieve good performance.

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