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EFFECTIVE PRICING MANAGEMENT, A CATALYST FOR ENHANCING PROFITABILITY

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Abstract:
The issue of pricing as a vital element of the marketing mix variables cannot be ignored when considering factors that boost organizational profitability. It interacts with other marketing mix variables in determining the collective efficacy of the marketing mix. Pricing is a vehicle for driving the effectiveness of other marketing mix variables. The objective of their paper is to determine if effective pricing management serves as catalyst for enhancing organizational profitability, using PZ Cussons Nigeria Plc.
The method used is survey approach which gives room for primary data – questionnaire. Aside from the primary source of data, secondary source of data which includes the use of related literature materials, journals that are useful for the successful write up of this paper was adopted.
In conclusion, it is an undisputable fact that pricing is a vital element of the marketing mix variables that determines the company's sales volume and profitability. More so, it is a manipulative tool in the hand of organization's influencing consumer decisions. In line with this research, it is hereby recommended that organizations should constantly pay attention to the pricing procedure as well as the reactions of potential buyers. More so, companies should be sensitive to competitors pricing strategies.

Keywords: Effective, Pricing Management, Catalyst, enhancing, profitability.

Introduction:

Pricing is a vital element in any organization's marketing strategy. It interacts with each other variables of the marketing mix order to dictate the effectiveness of the marketing mix variables. It is a flexible tool used by organizations to achieve their objectives.

Although there are four basic elements or variables (Product, Price, Promotion and Place) of marketing mix, yet, price remains an important and vital tool in the marketing mix used for achieving marketing objectives. Price can also be seen as the most vital and sensitive factor in the marketing field of any organization.

Price is an integral part of the marketing mix that produces revenue while other elements represent costs. More so, it is an adjustable variable that respond to market changes. Philip K. and Keller K.(2006). In other words, no market is stagnant and for any variable to be dynamic in line with the unstable marketing condition, there is need for such variable to respond positively to dynamic marketing changes.

Prices also serve as the backbone of any organization because it portrays the reflection of the image of the quality of the organization's products as well as the image of the organization. It is a well known fact that price reflects the quality of any product, therefore organization must effectively price their product in such a manner to avoid over pricing or under pricing. In essence, the effective management of organization pricing will aid the realization of organizational profit. Rotimi (2003)

For an organization to succeed effectively in this competitive environment, there is the need for such organization to understand the needs of targeted customers and how to effectively solve these needs. In solving these needs, there is the incorporation of market mix, otherwise known as the 4Ps of marketing. These 4Ps are Product, Price, Place and Promotion. Philip K.(2006)

The marketing management of any organization rest of on four components of the marketing mix variables. In other words, marketing mix variables serve as the heart beat of any organization.

Adrian Palmer (2004) viewed price as one of the four marketing mix variables that marketing managers control. Price refers to the worth of a product of an offer, usually expressed in monetary terms. A price is simply an offer or an experiment to test the condition of the market. Aderemi, S.A (2003), looked at the price as a basic and vital component of marketing elements.

It is an undisputable fact that organizations do not exist for fun but for the realization of certain specified objectives such as profit maximization, expansion, growth, increase in market share etc. For such organizations to achieve these stated objectives, there is the need to apply effective pricing to its products. The paper looks at pricing as a catalyst for enhancing profitability.

Pricing Objectives

Some of the following are objectives for setting prices.

1) Survival: A fundamental pricing objective is to survive. Most organizations will tolerate short losses and many other difficulties in order to continue existing. Since pricing is such a flexible variable to adjust, it is sometimes used to increase or decrease demand in order to match the company's resources and supplies with fluctuations in market conditions

Profit maximization: Based on the fact that business organizations are set up to maximize profit; therefore prices are set up in order to achieve this objective.

2) Return on Investment: Pricing to obtain a prescribed rate of return on investment capital is a profit oriented objective. However, a targeted return may not be the maximum possible return. Ethical considerations and the desire to maintain customer good will may limit the targeted return.

3) Market Share: The extent of market share obtained can be regarded as the benchmark of success for an organization. For this reason, market share can be increased by an organization as an objective for pricing.

4) Cash Flow: Some organizations set prices to recover cash as fast as possible. Financial managers are interested in quickly recovering of capital spent in developing products. A disadvantage of this approach could be high prices which allow competitors with lower prices to gain a large share of the market.

5) To prevent competition: Prices are set at times in order to prevent new entrant from gaining access into the industry. More so, organizations must constantly watch the entrance of the industry, at the same time, avoid over pricing or under pricing of the products.

6) Other objectives: Aside from the above explained objectives for setting prices by organizations, other objectives are meeting competitor's prices, seeking maximize sales, eliminating competitors and also for the benefits of the customers.

Factors influencing pricing

Some of the factors that influence the pricing of organizational products are explained below:

1. Corporate objective and marketing objectives: Pricing management should commence with a clear understanding of the objectives to be accomplished. These objectives should flow from the company's overall mission.

2. Impact of non-pricing strategy: When pricing and non-pricing objectives are co-ordinated, pricing strategy must also react to the success or failure of the company's non-pricing efforts.

3. Industrial Structure and Competition: Economists have long recognized the importance of industrial structure and have developed models of pricing under competitive, monopolistic and oligopolistic conditions. Prices in the industry and the prices of competitors are also considered before setting a product price.

4. Market condition: Changes in demand and supply also influence the price of goods and services. Whenever the demand for a product rises, there is upward

pressure on prices. For example during the rainy season, there is always increase in the demand for umbrella and knitted wears. In such a case, prices will rise because of high demand.

5. Changing cost of production: Changes in the cost of production influences the price of goods and services. The higher the cost of production, the higher the price and vice versa.
6. Location: The location where goods are displayed also influence the price of goods and services. Goods sold in boutique are expected to be more expensive than goods sold in market shops.
7. Market Mix Strategy: Price is one of the marketing mix tools that an organization uses in achieving its marketing objectives. Price decisions must be co-ordinated with product design, distribution and promotion decisions to form a consistent and effective marketing programs. Decisions made for other marketing mix variables may affect pricing decisions.

Pricing Strategies:

Different companies adopt different pricing strategies depending on the size of the organization and the products. The different pricing strategies include the following:

1. Price Skimming: Pricing skimming permits an organization to charge the highest possible price that buyers who most desired the products can pay. Price skimming can provide several benefits especially when the product is in introductory stage of the product life cycle. A skimming strategy can generate much needed revenue to help offset sizeable developmental costs.
2. Price penetration: In using this strategy, the price is set at a low level to immediately attract number of buyers. This is common in the case of consumer goods. Some of the benefits of penetrating pricing are establishment of brand loyalty, competitors may be discouraged from entering the market, the price would appeal to most segments of the potential markets thereby maximising sales.

3. Pre-emptive Pricing: Manufacturer of products may introduce a new product at a price that is designed to discourage competitors. This price may or may not be close to full costs, depending on management estimate of the costs of the most likely potential level. The rationale behind this strategy is that, in the long run, more profits can be realized if the firm does not have to share the market with others.

4. Symbolic Pricing: This is the situation where prices are set at an ordinary high price to provide prestige or a quality image. For example, a type of ladies dress which may sell for #2,000 at a market shop but in boutiques, same product may sell for #3,500.

5. Professional Pricing: It is used by people who have great skills or experiences in a particular field or activity. Such profession has responsibility not to overcharge the client.

6. Segmented pricing: Companies often adjust their basic prices to allow for differences in customers, products and locations. In segmented pricing, the company sells a product or service at two or more prices even though the differences in prices are not based on difference in cost.

7. Promotional Pricing: This occurs when companies temporarily price their products below list price and sometimes even below cost in order to create buying excitement and urgency. It is used to attract customers to the organization, with the hope that customers will buy more items.

Effective Pricing Management, A Catalyst for Enhancing Profitability.

It is an undisputable fact that business organizations are set up for profit maximization. Although there are other objectives such as expansion, growth, increase in market share etc, yet the key objective necessitating the setting of PZ Nigeria Plc is profitability.

In achieving profit maximization as a stated objective, it is germane for organizations such as PZ Nigeria Ltd to manage the market mix elements effectively. In managing the marketing mix element, price should be effectively planned and controlled, taking into cognizance the pricing objectives and factors influencing pricing. All these should be done in order not to only avoid over pricing or under pricing but to also prevent competitors from gaining access into the industry.

The effectiveness of the pricing management of an organization's products will also aid in the efficacy of the actualization of stated objectives.

PZ Cusson Nigeria PLC is a leading manufacturer and distributor of a variety of products especially soaps and personal care items including shampoo, baby powder, refrigerators, freezers, air conditioners, detergents, cleaners, pharmaceutical products etc. The prime business objective in Nigeria is sustainable and profit growth and the drive to be world class in every aspect of the business. To achieve this, the company has adopted a Strategic Business Unit (SBU) Structure, in which each SBU has clear focus on its market, developing a deep understanding of the needs and aspirations of its target market and the dynamics of the market place, which it can exploit to deliver as objectives.

PZ Cussons Nigeria Plc was incorporated on 4th December, 1948 (RC 693). This company currently manufactures and distributes over 30 brands across the global network of companies in Europe, Africa and Asia. The international policy has focused its efforts on specific geographical market which demonstrate the potential for growth. The company develops relevant high quality and innovative products through the understanding of needs and aspirations of target markets. These are distributed via the first class networks that have been established over the years of global trading.

Data presentation and analysis:

Table I:The effect of price on the marketing of the company's product is favourable.

	Respondents	%
Strongly Disagree	1	2
Disagreed	3	6
Undecided	5	10
Agreed	29	58
Strongly Agreed	12	24
Total	50	100

Table 1 shows that respondents representing 2% strongly disagreed that the effect of price on the marketing of the company's product is favourable; 3 respondents representing 6% disagreed, 5 respondents representing 10% were undecided while 29 respondents representing 58% clearly agreed that the effect of price on the marketing of the company's product is favourable whereas 12 respondents representing 24% strongly agreed.

Table II: The price of PZ products compared with competitors' price is moderate

	Respondents	%
Strongly Disagree	1	2
Disagreed	4	8
Undecided	8	16
Agreed	28	56
Strongly Agreed	9	18
Total	50	100

Table II shows that 1 respondent representing 2% strongly disagreed that the price of PZ products compared with competitors' price is moderate. 4 respondents disagreed, 8 respondents did not decide, 28 respondents representing 56% agreed while 9 respondents agreed representing 18% of the sampled population.

Table III: Effect of Price over the sales volume of competitors products.

	Respondents	%
Strongly Disagree	7	14
Disagreed	6	12
Undecided	3	6
Agreed	26	52
Strongly Agreed	8	16
Total	50	100

Analysis of the above table implies that 7 respondents representing 14% strongly disagree of the company having sales volume over its competitors. 6 respondents representing 12% disagree, 3 respondents representing 6% were undecided while 26 respondents representing 52% agreed while 8 respondents representing 16% strongly disagreed that the company has sales volume over its competitors as a result of price effect.

Table IV: The Pricing strategies adopted by company is effective

	Respondents	%
Strongly Disagree	0	6
Disagreed	2	4
Undecided	0	0
Agreed	28	56
Strongly Agreed	14	28
Total	50	100

Table IV shows that no respondents strongly disagreed on the question – The pricing strategies adopted by PZ company is effective, 2 respondents disagreed, 28 respondents agreed representing 56%, 14 respondents strongly agreed representing 28% of the sampled population.

Table V: Reactions of respondents on continuity of Pricing Policy.

	Respondents	%
Strongly Disagree	1	2
Disagreed	3	6
Undecided	2	4
Agreed	13	26
Strongly Agreed	31	62
Total	50	100

The table above shows that 1 respondent strongly disagreed on the continuity of the company's pricing policy. 3 respondents disagreed, 2 were undecided, 13 agreed on the continuing of the pricing policy of the company and 31 respondents strongly agreed.

Conclusion:

It is certain that pricing is a vital element of the marketing mix variables that can determine the company's sales volume and profitability. Aside from this, it is a manipulative power in the hand of PZ managers. PZ Nigeria Plc pricing strategies have helped in the continuous sales growth and profitability of the company. More so, from table IV, the pricing strategy is effective.

From table I, the effect of price on the marketing of the company's product is effective while table II shows that the price of PZ products compared with competitors products is moderate. Aside from these favourable harvests, it is also clear and obvious that effective application of the company's pricing strategy has increased the sales volume of the company's products.

Recommendations:

Having looked into the study critically, the researcher hereby recommends the following:

i. PZ Nigeria Plc. should constantly pay attention to pricing procedures as well as the reactions of potential buyers.

ii. Before taking effective pricing consideration, the cost associated with other marketing mix elements-product, promotion and placement should be considered.

iii. The company's pricing policy should allow to some degree the act of discounting in order to encourage larger sales.

iv. The company should be sensitive to competitors pricing strategies.

v. The company's pricing strategies should not be rigid but dynamic because of the competitive and dynamic nature of our environment.

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