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Pricing Strategy and Marketing Performance of Selected Leather Manufacturing Firms in Abia State, Nigeria

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***Abstract**: Pricing strategy and marketing performance of selected leather manufacturing firms in Abia State, Nigeria was the main issue looked into in this paper. An overview of pricing strategy, identification of challenges in pricing leather products within the leather manufacturing firms in the study area were discussed. Ascertaining pricing strategy adopted by the manufacturing firms, the relationship between pricing strategy and marketing performance and analysis of factors that affect pricing strategy were the specific objectives of the study. A purposively sample process was used to select two major leather associations in the study area. Zaurkumer sample size estimation method was used to cull out 109 firms from the entire sample frame, though what actually completed and returned copies of questionnaire were 84 firms. Primary source was used to generate data which were analyzed using correlation and logit multiple regression analysis. The study showed that cost oriented and penetration pricing strategies were the most commonly adopted by the leather firms in Abia State, Nigeria. The leather firms in the study area have existed for good number of years. There is a positive relationship between pricing strategy and marketing performance. Factors that affect pricing strategy were competition, market demand, and objective of the firm and cost of production. Leather firms in the study area are encouraged to adopt varieties in their pricing methods to enable them remain competitive at all times.*

***Keyword:** Pricing Strategy, marketing performance, leather firms.*

INTRODUCTION

Leather manufacturing firms vibrate economic activities in Abia state and Nigeria at large. The contributions made by this firm generally cannot be overemphasized. This is the most reason the Abia State government in 2017 invested lots of money in training entrepreneurs who may be willing to own or work in leather firms since it has significant contribution in reducing unemployment. Leather can be used to produce lots of things ranging from bags, belt, upholstery, furniture, shoes and chairs. Ajegbu (2016) had cited lack of adequate marketing techniques as a challenge faced by many small and medium scale industries in Africa. While the government had trained the selected individuals on acquiring skills on how to manufacture these leather products, it is not clear if they were also taught how to market the products effectively. One of the components of marketing is price along with product, promotion and place. Understanding the right techniques will go a long solidify their marketing performances.

A product is incomplete if it does not wear any price because it is the price that determines the revenue that comes to the company as well as what the consumer pays to acquire the product (Anyanwu, 2013), so leather producers must technically price their products.

Pricing is the process of reaching at the amount payable in other to obtain any good and service. Primarily, pricing considers the cost of producing a product and other related expenses. This means summation of marketing expenses and production cost plus profit margin. A company set not a single price, but rather a pricing structure that covers different items in its line. This pricing structure changes over time as products move through their life circle. A firm can adjusts product prices to reflect changes in costs and demand and to account for variations in buyers and situations. As the competitive environment changes, the firm considers when to initiate price changes and when to respond to them (Kotler et.al 2005). From a customer's point of view, value is the sole justification for price; many a times customers lack understanding of the cost of materials and other associated cost that go into making a product or service. But those customers can understand what that product or service do for them in the way of providing value. It is on this basis that customers make decisions about the purchase of a product. Effective pricing meets the needs of consumers and facilitates the exchange process. It is the customer that seeks to satisfy a need or set of needs through the purchase of a particular product or set of products.

Ideally, the customer would like to pay as little as possible to satisfy his or her needs. Basically, economics assumes that the consumer is a rational decision maker and has perfect or imperfect information (Charles, 2013). Therefore, if a price for a particular product goes up and the customer is aware of all relevant information, demand will be reduced for that product. That is, the quantity demanded typically rises causing a downward sloping demand curve.

Leather firms in Abia is an intricate process controlled by men and women with a creative vision and dedication to detail. There is enough man power and hardworking men in Abia state that if properly placed and harness will make the state economical vibrant than what it is (Ogbonna, 2013). Price is important to marketers, because it represents marketers' assessment of the value customers see in their products and are willing to pay. A number of factors have changed the way marketers undertake the pricing of their products and services. Foreign competition has put considerable pressure on Abia leather products pricing strategies. Many foreign –made leather products are high in quality and compete in Abia markets on the basis of lower price for good value. Firms rely on price to cover the cost of production, to pay expenses, and to provide the profit incentive necessary to continue operating the business which Abia state leather producing firms are not exception. Pricing strategies helps organizations to survive, make profit, generate sales, secure an adequate share of the market, and gain an appropriate image.

These complexities in pricing methods and strategies affect firms' performance. Every firm from time to time evaluates its performance to enable it determine where it has fallen short off. It is upon this evaluation that prompted the researcher to embark on the study of pricing strategy effect on the marketing performance of leather enterprises in Abia State.

Statement of the problem

For any organization that is involved in the production of goods and rendering services, after answering the question on what to produce, and whom to produce for, there is need to answer the question on how much would the potential customers be willing to pay for the goods and services. To answer the question, a lot of market activities such as foreign competitors' activities, local competitors' activities, the stage of the life circle of the product and application of technology cost must be considered. Many producers overlook these activities and go ahead to price their products which in turn backfire and cripple all other marketing efforts the firm must have made. Pricing a product or service may seem to be a simple process like tagging a price but it is not actually simple.

Organizations attempt to establish prices that, on average, are the same as those set by their more important competitors. Leather firms in Abia state of the same size having equivalent equipment tend to have similar prices. This strategy means that the organization uses price as an indicator or baseline as timer neglecting quality in production, better services, creativity in advertising, or some other elements of the marketing mix which are used to attract customers who are interested in products in a particular price category. Moreover, no study has specifically deal on pricing techniques adopted by leather manufacturing firms in the study areas.

Most often, customers go for foreign products more than local products when they have the same price tag. It is understandable that quality could be the perceived reasons but critically checked indicates that price as a component of marketing tool can cause a favourable shift if properly used. It is usually assumed that marketers use scientific methods to determine the price of their products but most often when they rely on this method of pricing they tend to have a low return. Pricing is a resource to every firm and as such has a lot of difficulties. This difficulty of price fixture and other intervening variables such as cost, competitors price, demand, political factors, environmental factors, etc involved in fixing price for goods and services, has posed a sense of concern to most small and medium enterprises in Nigeria as well as leather industries in Abia State. It is in this light that the researcher seek to determine how actually leather firms in Abia state price their product to gain more customers over foreign products and the effects of price on their marketing performances.

Objectives of the Study

The broad objective of the study is to determine the pricing strategy and marketing performance of leather manufacturing firms in Abia State, Nigeria. Specifically, this work addressed the following objectives:

I Pricing strategy mostly adopted by the leather manufacturing enterprises in the study area

II Determining the relationship between pricing strategy and marketing performance of leather manufacturing enterprises.

III Analysing factors affecting pricing strategy of leather manufacturing enterprises in the study area.

Hypotheses:

The following null hypotheses guided the study.

$H0_1$: There is no significant effect of pricing strategy adopted by the firm on the marketing performance of leather manufacturing firms

$H0_2$: There is no relationship between pricing strategy and marketing performance of leather manufacturing firms.

LITERATURE REVIEW

Pricing Strategy

Anyanwu (2013|) identified two main pricing strategies- skimming and penetration – in addition to other variations. These variations include price leading, prestige pricing and customary pricing. In these pricing strategies there are also methods of pricing which includes oriented pricing, target return pricing and demand oriented pricing.

Skimming the price strategy is mostly used to reach few core customers of newly introduced product who are ready and willing to pay the high price tag of the product (Kotler, 2004). Customers who are likely reached when entering the market with skimming the price strategy are insensitive to the high price, derive some psychological satisfaction for being the early adopters of the products. They are most often ignorant of the production and marketing cost of the product and also perceive substantial benefits in the products such that there is no substitute (Ogwo, 2007).

In the event of a company making a success of this strategy, the advantages are fast recovery of developmental cost, limits demand until full capacity is attained, creation of the image of a high class quality product and opportunity to adjust price downward to the advantage of the company while the strategy is disadvantageous to the company because the high initial price attracts competitors and reorganization of the marketing variables may be imperative as the market becomes more diluted (Anyanwu, 2013).

The penetration price strategy is used to achieve high volume sales through low entry prices. This strategy enables the firm/company enter the market quickly and deeply-to attract a large number of buyers quickly and with a large market share. Kotler & Amstrong(2005) opined that several conditions must be met for this penetration strategy to work which are making sure that the market is highly price sensitive so that a low price produces more market growth. Secondly, production and distribution costs must fall as sales volume increases and finally, the low price must help keep out the competition, and the penetration pricier must maintain its lower – price position-otherwise, the price advantage may be only temporary.

In the event of making success with this strategy, the product usually should not be socially visible as to symbolize social status. The market must be price sensitive and lower price will really attract large volume of sale and finally the company should have large scale production outfit with its resultant economies of scale. The greatest advantages of this strategy lie in achieving large-scale volume and discouraging competitors while the major disadvantage of the strategy is that the developmental cost may not be recouped until a long time (Imoria, 2014).

Pricing Factors

Marketing basic component tools are the conventional Four (4) P's –product, price, promotion and place(distribution). The decisions a marketer makes with regards to all of these elements shows difference between success and failure. There are many factors according to Kotler & Amstrong (2005) that will have influence on how a firm set its price of product or service. These factors are internal while some external, and most of them will fluctuated over time. Internal factors are cost, objectives of the firm, image of the firm, product life circle, and promotional activities cost while external factors are competitors activities, demand, economic activities and cost of goods sold by competitors.

Cost in production of goods and services are considered during pricing process (Onwumere & Ozioma, 2011). This cost includes both variable cost and fixed cost. Thus, while fixing the price, the firm must be able to recover both the fixed and variable cost. Objective of the firm is another factor considered by marketers before pricing their products. A firm with the objective to increase return on investment, may charge a higher price, and if the objective is to capture a large market share, then it may charge a lower price. Nnoli (2004) opined that a firm that enjoys goodwill in the market can demand a higher price for their brands, this type of pricing represent the image of the firm. Product life circle is considered before pricing a product as products at the introductory stage may be priced lower to attract new customers, and during the growth stage a firm may price its products higher. Cost of promotional activities are often considered while pricing a product. Anayo (2014) includes promotional cost as a variable cost since the cost is not static but can change from time to time.

Competition is a factor to consider when pricing a product. Egbe (2018) called it competitive pricing. This is pricing strategy where prices for a product or service is based primarily on the competition in the market. Whether a firm uses this strategy or not, every firm should always take into consideration its competitor's price when setting its price, unless the firm holds a monopoly (Ajuzie, 2010).

Market demand is also another factor that should always be considered when setting a price. If demand exceeds supply, the market can bear a higher price. Conversely, if demand dwindles, consumers will not be willing to pay higher prices so reverse will be the case. Obasi (2016) orated that a firm's pricing should remain relatively stable over time, but promotion can be put in place to reach customers if a change in price occurs because of demand.

Cost of goods sold is another factor considered when setting a price. A firm that wants to make profit on the sale of its products must charge higher price compared to what it cost the firm to produce and transport its products. The cost of goods sold always plays integral role in any pricing strategy.

Neoclassical Price Theory

Marshall |(1890) developed the theory of how price influences customer's behaviour, called "Neoclassical Theory". The theory states that customers have different tastes and preferences, and choose among the products to maximize satisfaction or utilty (Monroe & Lee, 1999). Utility means want-satisfying power that resides in the mind of buyer and is common to all goods and service. Since it assumed that prices serve only to indicate the amount of money buyers must give up to acquire of a product, how much to acquire of a particular product depends on the relation between the marginal utility of acquiring an additional unit and the price of that additional unit. Furthermore, the assumption of diminishing marginal utility implies that buyers are capable of ranking all activities in terms of increasing preferences, and that they purchase first the most preferred product with a consideration to price (Monroe, 2003). This theory simply emphasizes the place of price in the heart of a consumer/customer.

Research Methodology

This research adopted a descriptive statistics such as frequency table, and percentages method to ascertain the pricing practices adopted by the leather manufacturing enterprises in the study area. The design was chosen because it enabled collection of first-hand information from the respondents so that certain statistical inferences can be made. This approach is a very convenient method and often used in this case because it is relevant to elicit relevant information from any target group of people (Onwwioduokit 2000 and Perner, 2007).

Population of the study

The leather firms in Abia State are mostly found in Aba precisely within Ariara Intenational Market and Aba metropolitan areas. The fact that Aba has major leather manufacturing firms is the reason the study focused in Aba environs in Abia State. The leather firms in Aba has several associations but the recognized and registered are Association of Umuehilegbu Shoe Industry and Aba North leather manufacturing industry. In realizing the inherent difficulties in studying the entire number of the selected leather manufacturing firms in Abia state, the study purposely selected the two (2) main association of leather firms. Umuehilegbu Shoe Industry has registered six hundred and fifty members (650) while Aba North leather manufacturing industry has one thousand three hundred and twenty (1320) members. So the study has total population of one thousand nine hundred and seventy (1970) respondents.

Sample Size and sample techniques

The study adopted the proportionate stratified random sampling technique in ascertaining the sample size for the study. A sample size of 109 respondents drawn from the total population of the two associations in Ariaria market in Aba, Abia State using the proportional allocation formula by Zaurkumer (2001) sampling size technique was used for the study.

The formula is given as:

P(A) =NL(n)/N

Where:

P(A) = Proportional allocation

NL = total population of each stratum

N = overall sample size

N = target population

Sources of Data

For the purpose of this study, the collection of primary data was used for this research work. Structured questionnaire were administered to get information from the selected leather firms in Abia state.

Methods of Data Analysis

Correlation coefficient determination was used to achieve objective (2), while objective (1) and (3) were analyzed using descriptive statistics (tables, frequency and percentages) and logit regressions respectively.

Model Specification

The model used to ascertain the relationship between pricing strategy (number of pricing strategy) and marketing performance (sales volume) is thus stated.

$$r = \frac{n\,\Sigma XY \quad - \quad \Sigma XY}{\sqrt{n(\Sigma^2)\text{-}(X)^2\text{-}(n\Sigma XY)^2}} \qquad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

Where

r = Correlation coefficient

x= Pricing strategy (number of pricing strategy)

y= sales volume

n= number of respondents

Using logit regression analysis data to compare the relationship of the response variables or dependent variable (Y) to the independent variables (X) (finnay, 1952)

The logit regression model is specified as follows

$Pr(Y=1/X_1,X_2,X_3\ldots\ldots\ldots X_k)$ ……………………………………………(2)

Where

Y = Pricing strategy (different pricing strategy =1, otherwise=0)

X1= Competition (High =1, otherwise =0)

X2= Market Demand (Always =1, not always)

X3= brands strategy (two brands and above=1, one brand=0)

X4= Cost of goods sold (Yes=1, otherwise =0)

X5=Objective (Increase return on investment =1, otherwise=0)

X6=Cost of production (yes =1, otherwise=0)

X7= Image(Goodwill=1, otherwise =0)

ei = error term

RESULTS AND DISCUSSION

Table 1: Distribution and return of questionnaire

Respondents	No. of copies of questionnaire distributed	No. of copies of questionnaire returned	No. of copies of questionnaire not returned	Percentages
Shoe makers	45	40	5	48
Belt makers	30	15	15	18
Bag makers	34	29	5	34
Total	109	84	25	100

Source: Field survey, 2024.

Table 1 above shows that 109 copies of questionnaire were distributed to the target respondents in the study area which are made up of shoe makers, belt makers, bag makers. 40(48%)was returned by shoe makers while 15(18%) of belt makers and bag makers 29(34%) returned copies of questionnaire respectively. Meanwhile 25 copies of questionnaire were not either available for collection or were not completed by the respondents at the time of collection.

Analysis of the most pricing strategy practices adopted by the leather manufacturing enterprises in the study Area.

Table 2: Distribution on leather manufacturing firms in Abia State, Nigeria according to year of existence of the studied firms.

Year of Existence	Frequency	Percentage	Mean
0 – 5	13	15	
6 – 10	29	35	
11 – 15	10	12	14.2619
16 – 20	11	13	
21 & above	21	25	
Total	**84**	**100**	

Source: Field Survey, 2024

Table 2 result shows that the year of experience bracket with 6 – 10 which is 29(35%) has the highest frequency followed with 21 and above 21(25%). 0 – 5 has 13(15%) while 16 – 20 and 11-15 have 11(13%) and 10(12%) respectively. The mean year of establishment is 14.2619. This shows that most leather enterprises had been in existence for quite number of years in the study area. This imply that most leather manufacturing firms are experienced and as such have advantage in terms of performance.

Table 3: Distribution according to the pricing strategy adopted by leather manufacturing enterprises in the study area.

Pricing Strategy	Frequency	Percentages
Targeting return	12	14
Cost Oriented	83	99
Demand oriented pricing	49	59
Penetration pricing	67	80
Skimming pricing	5	6

Source: Field survey, 2024

Table 3 above shows that multiple response decisions among leather manufacturing firms were used to ascertain the most pricing strategy practices adopted in the industry. The results showed that leather manufacturing firms in the study area mostly use cost oriented pricing strategy 83(99%) in setting the price of their product. This underlines the importance of cost when setting the price of a product. Penetration pricing strategy 67(80%) is the second most practiced strategy applied by leather manufacturing firms in the study area; this could be so because of the level of competition among the local produced leather products and their foreign competitors. Also, demand oriented pricing methods has 49(58%) with targeting return pricing strategy having 12(14%). Skimming the price from the result is seldom practiced among the leather firms in the study area.

Ascertaining the relationship between pricing strategy and marketing performance

Table 4: Spearman Correlation Matrix showing the relationship between pricing strategy and marketing performance of leather manufacturing firms in the study Area.

	Pricing Strategy	Marketing Perfomance
Pricing strategy	1.00**	0.832**
Marketing performance	0.832**	1.00**

Source: field Survey, 2024.

The result above shows a positive relationship between pricing strategy and marketing performance. This implies that price determination is of great importance on a company's activities and it determines to a large extent the performance (sales volume) of the firm. The coefficient was statistical significant at 1%. The best pricing strategy will facilitate the rate of marketing performance.

Table 5: Logit Regression Results on analysis factors affecting pricing strategy of leather manufacturing enterprises in the study area.

Variable	Coefficient	Std. error	z-statistic	Prob.
Competition	0.312	0.022	3.542***	0.000
Market demand	0.774	0.249	1.463***	0.000
Brand Strategy	0.231	0.022	2.932	0.734
Cost of goods sold	0.932	0.308	0.641	0.165
Objective	0.213	0.049	2.123**	0.002
Cost	1.321	0.342	0.412*	0.028
Image	0.041	0.034	1.767	0.445
Constant	7.312	1.541	2.652***	0.000
R^2	0.693			
LR – statistic	19.523			

Source: field survey data: 2024

Note: *, ** and * represents 1%, 5% and 10% significance levels.**

Table 5 shows that coefficient of the McFadden R2 was 0.693. This implies that the independent variables included in the model; explained about 69.3% of the variations in pricing strategy of leather manufacturing firms in the study area.

The result showed that competition, market demand, objective and cost of production were positively related to pricing strategy and significant at 1%, 1%,5% and 10% level respectively.

Competition is significant at level and positively related to pricing strategy of leather manufacturing firms in the study area. This simply means that when a leather manufacturing firm wants to set price, competitor's prices should be highly considered. Leather firms in the study area will always consider what its rival price their products before tagging a price on its products.

Markets demand was significant at 1% and positively related to pricing strategy of leather manufacturing firms in the study area. This indicates that a higher demand for the product will make the leather firms in the study area to change pricing strategy.

Objective as one of the variables listed in the model was significant at 5% and positively related to pricing strategy. This simply means that leather firms in the study area set prices along with what they will like to achieve or aim at. Some may want to have a reasonable market share while others may objectively seek to have return on investment.

Cost of production was positively related and significant at 10% to pricing strategy. This indicates that cost of production is considered in determination of pricing strategy to adopt by leather manufacturing firms in the study area.

Conclusion

The study analyzed the pricing strategy and the marketing performance of the leather manufacturing firms in Abia State, Nigeria. In the study, there exist relationship between pricing strategy and marketing performance of leather firms as the pricing strategy affects the performance of the leather manufacturing firms. The leather firms practiced a good number of pricing strategy but most practiced were cost oriented and penetration strategy. Factors that affect pricing strategy of the leather firms in the study area were competition, market demand, objective and cost. These factors were positively related to pricing strategy showing that the producers of leather products in Abia State consider these factors before setting price of their products.

Recommendations

Pricing strategy if well practiced is a wonderful marketing tool to remain relevant in business. Leather industry has a lot of opportunities to explore which can only be possible with good combination of marketing variables such as promotion, product and place. Based on this, the following recommendations were made based on the findings:

I. Leather firms in the study area should price their product targeting the characteristics of their customers in the study area.
II. Business firms in the industry should take time in pricing processes as wrong price could affect the life span of a product in the market.
III. The associations of the leather firms in the studied area should from time to time organize orientation programs on the best methods to price their local products against the foreign leather products.
IV. Leather firms in the study should adopt varieties in their pricing methods to enable them remain competitive.

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