

**PRICING STRATEGY CONSIDERATIONS AND SALES PERFORMANCE OF FOOD AND BEVERAGE FIRMS IN RIVERS STATE**

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**ABSTRACT**

The paper investigated the relationship between pricing strategy considerations and sales performance of food and beverage firms in Port Harcourt. Two (2) objectives, two research questions and two research hypotheses were formulated. The research adopted correlational survey design; the population of the study comprised of 25 Food and Beverages Firms in Port Harcourt, Rivers State gotten from [www.directory.org.ng](http://www.directory.org.ng). The paper adopted a census study and studied the entire firms with a focus on the middle and low level managers. To generate data for the study, the questionnaire was distributed in the frame of four (4) copies per firm. A total of one hundred (100) copies of the questionnaire were distributed. The reliability of the instrument was determined using the Cronbach's alpha test instrument with the aid of Statistical Package for Social Sciences (SPSS) version 23 and it stood at 0.88 higher than the benchmark of 0.7. The data collected for this study were analyzed through descriptive and inferential statistics. The Spearman Rank-Order Correlation Technique was employed to test the various hypotheses formulated through the aid of Statistical Package for Social Sciences (SPSS). The result of the test of hypotheses shows that pricing strategy considerations via its dimensions showed a strong, positive and significant relationship with sales performance. The study therefore concluded that; effective pricing strategy is a panacea for improving sales performance. The study recommended that: food and beverage firms in Port Harcourt should adopt value-based pricing strategy as it would enhance customer retention and also they should adopt competition-based pricing strategy as it would increase their sales performance.

***Keywords: Pricing Strategy Considerations; Value-Based Pricing Strategy, Competition-Based Pricing Strategy and Customer Retention.***

**INTRODUCTION**

Every firm must make concrete decisions in respect to price. The price of the product determines its salability; if the pricing strategy is poorly formulated, it will negatively affect the product. Price decisions are one of the most important decisions of management because it affects profitability and the companies' return along with their market competitiveness. Thus, the task of developing and defining prices is complex and challenging, because the managers involved in this process must understand how their customers perceive the price of their product and services (Hinterhuber & Liozu, 2014).

Price is the value placed on what is exchanged. Price represents the value at which a seller is prepared to exchange and the value at which the customer is prepared to participate in that exchange. Something of value, usually buying power, is exchanged for satisfaction or utility often that something of value is money. Nagle and Hogan (2007) argued that companies which fail to manage their prices lose control over them, impairing their profitability and cost effectiveness. Failure of food and beverage firms to determine an appropriate pricing strategy for their products will definitely affect their sales performance.

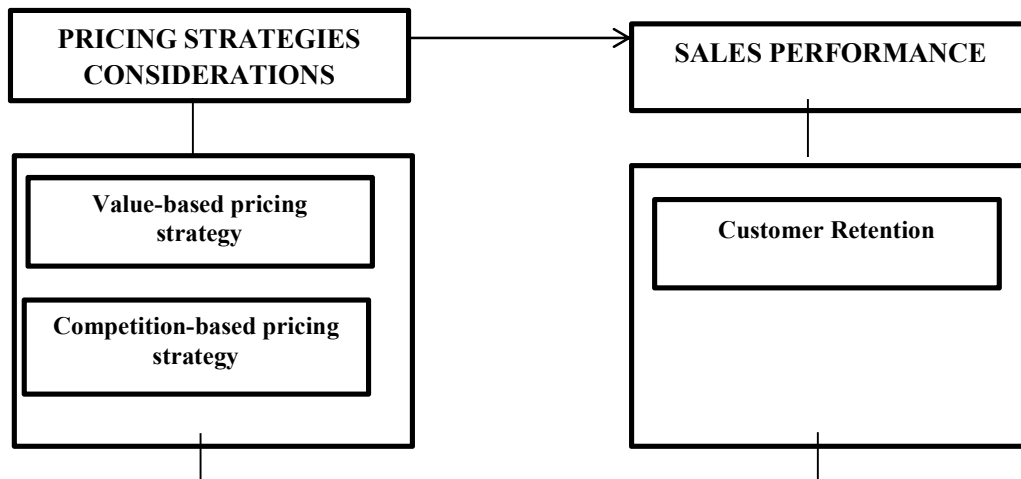
Sales performance is the measure of sales results or the ability to achieve sales results. Sales performance therefore, uses raw data concerning the number of customers a sales associate speaks to compared with the number of actual sales. Sales performance can indicate the rate of customer

loyalty to the business. Enhancing sales performance can automatically enhance the number of loyal customers which will in turn boost profitability (McClelland, 2017).

A company's survival and profitability depends upon its pricing decisions, because price is the only element in the marketing mix that produces revenue and thus ensures profitability (Kotler & Keller, 2006). It is evident therefore, that management of an organization has a big responsibility before them in setting and adopting pricing strategies and policy in order to achieve sustainable sales performance.

It has been observed that the sales performance of most food and beverage firms has been on decline has a result of low sales of goods and services. Customer retention has dropped has a result of poor pricing strategy used by food and beverage firms. Pricing strategy considerations with its dimensions such Value-based pricing strategy and Competition-based pricing strategy stands as the best strategic options in salvaging the dwindling nature of sales performance in food and beverage firms.

### Conceptual Framework



**Figure 1.1:** Conceptual framework of pricing strategy considerations and sales performance.

**Source:** Deonir, et. al., (2017).

### Objectives of the Study

The objective of this paper was to determine the relationship between pricing strategy considerations and sales performance of food and beverage firms in Port Harcourt, such as to;

- I. determine the relationship between value-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.
- II. ascertain the relationship between competition-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.

### Research Questions

In order to address the objectives of the study, the following research questions were raised:

- I. what is the relationship between value-based pricing strategy and customer retention of food and beverage firms in Port Harcourt?
- II. what is the relationship competition-based pricing strategy and customer retention of food and beverage firms in Port Harcourt?

### Research Hypotheses

Ho<sub>1</sub> There is no significant relationship between value-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.

Ho<sub>2</sub> There is no significant relationship between competition-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.

## **Review of Related Literature**

### **Concept of Pricing Strategy**

Kotler and Lane (2009) submitted that pricing strategies covers decisions about setting initial prices and adopting prices in response to opportunities and competitive challenges. To Monroe (2003) price decisions are one of the most important decisions of management because it affects profitability and the companies' return along with their market competitiveness. Thus, the task of developing and defining prices is complex and challenging, because the managers involved in this process must understand how their customers perceive the prices, how to develop the perceived value, what are the intrinsic and relevant costs to comply with this necessity, as well as consider the pricing objectives of the company and their competitive position in the market (De Toni & Mazzon, 2013; Hinterhuber & Liozu, 2014; Monroe, 2003). Nagle and Hogan (2007) argued that companies which do not manage their prices lose control over them, impairing their profitability and cost effectiveness mainly due to the fact that customers will resist prices that are not favourable to them.

### **Value-based pricing strategy**

Value-based pricing is the practice to set prices according to customer perceived value of a product or service (Nagle et al., 2011). Various scholars share the notion that value-based pricing is the most profitable pricing strategy (Hünerberg & Hüttmann, 2003; Dutta et al., 2003; Piercy et al., 2010). Nagle et al. (2011) surveyed 200 corporations on the impact of pricing strategies on the corporations' profitability. They found that companies, which implemented sophisticated value-based pricing strategies, earn 31% higher operating income than competitors basing pricing strategies on market share goals or target margins. Key to this success is the fact that prices derived from value-based pricing depend on customer perceived value requirements rather than those of the supplier (Harmon et al., 2009a; Hinterhuber, 2008a; Harmon et al., 2009; Ding, 2007).

### **Competition-based pricing strategy**

Competition-based pricing can be performed in two ways. Either a corporation uses this strategy to match the prices of rivals, or, which is more usual, match competitors' price adjustments proportionally to preserve the preferred price difference (Shiple & Jobber, 2001). The main advantage of this approach is considering the actual pricing situation of the competitors, and its main disadvantage is that the demand related aspects are not considered. Furthermore, a strong competitive focus among the competitors can increase the risk of starting a price war among competitors in the market (Heil & Helsen, 2001).

Competition-based pricing strategies are very dangerous because the company does not effectively have clear cost or profit information from its competitor who, in some instances, may be working with very low margins (Nagle & Holden, 2003). In some situations, the competitor developed a more efficient production process, thus the costs would not be equivalent, even because of the scale gains.

### **Concept of Sales Performance**

Sales according to the OALD. (2015) is the number of items sold. Performance on the other hand is how well or badly you do something. Sales performance is defined as a measure of sales results or the ability to achieve sales results. Sales performance therefore, uses raw data concerning the number of customers a sales associate speaks to compared with the number of actual sales. By reviewing the sales performance of an employee, a sales performer manager can determine his strengths and weaknesses. Sales performance can indicate the rate of customer loyalty to the

business. Enhancing sales performance can automatically enhance the number of loyal customers (McClelland, 2017).

### **Measures of Sales Performance**

#### **Customer Retention**

Customer retention is the key to unlock business growth and survival. The main aspect of customer retention is the emotions evoked by the customer experience combined with the organization's strong reputation. Without the emotional bond, customer retention will be impossible (Magatef & Tomalieh, 2015). Hence, organizations need to take proactive steps to retain their customers and prevent them from switching to their rivals. When customers switched from one service provider to another, it becomes difficult for the affected organization to maximize profit and survive. For this reason, service organizations are doing everything possible to retain their existing customers.

It is obvious that retaining customers has become a vital role for the success of organizations in business because customer retention brings benefits and profits in long-term for both the customers and the companies (Hoang, 2015). According to Singh and Khan in Magatef and Tomalieh (2015), customer retention earns the business a good reputation and goodwill in a competitive market. Therefore, organizations need to make effort to improve their customer retention in order to do business with customers in the long-term and achieve competitive advantage in business circle (Hoang, 2015).

#### **Theoretical Review**

The paper was anchored on **Game Pricing Theory**

Ezeudu (2005) states that game pricing theory is a collection of tools for predicting outcomes of a group of interacting agents where an action of a single agent affects the payoff of other participating agents. Game theory studies interactive decision making. There are two key assumptions underlying in this theory: i. each player in the market acts on self-interest. They pursue well-defined exogenous objectives, i.e. they are rational. They understand and seek to maximize their own payoff functions. ii. In choosing a plan of action (strategy), a player considers the potential responses/reactions of other players. This theory is relevant to the paper in the sense that the theory supports the notion that price is the key in every buying decision(s).

#### **Empirical Review**

Victor (2014) carried out a study on price strategies as a determinant of performance on Romanian companies in export markets. Specifically, the study was focused on mark-up pricing strategy and price skimming strategy. The methodology adopted for the study was a cross sectional design method using questionnaire as a major data collection instrument. The target population for the study was 54 exporting companies in Romanian. The study employed stratified random sampling; selecting 22 companies that were used as a study focal point. The data collected was analyzed using SPSS. The study found among others that mark-up and skimming pricing strategy has no positive effect on sales of export products.

Mohsen and Sahar (2015) carried out a study on the Mediating Role of Competitive Strategies in the Effect of Firm Competencies and Performance in Jeddah, Saudi Arabia. Using a sample of 213 SMEs drawn from a population of 496 registered SMEs, the study used a survey to collect data from randomly selected respondents from the area under study. Chi-square Test of Association was used to analyze and test the hypothesis for the study. The results indicated that cost-inclusive pricing strategy does not affect performance of SMEs neither does it give leverage over competitors.

Goodie-Okio (2022) examines pricing strategies and marketing performance of Telecommunication firms in Port Harcourt. The source of data used in this study was mainly secondary with the review of relevant literature that bothers on both variables. The study reveals that a well-tailored pricing strategy that considers the perception and sensitivity of target customers, as well as organizational

goals, will have a positive impact on organizational marketing performance. The study found out that there is a positive relationship between values based pricing and marketing performance. Also, the study reveals that there is a positive relationship between costs based pricing and marketing performance. Based on the findings, the study concludes that there is a positive relationship between pricing strategies and marketing performance. With this, the study recommends that telecommunication firms in Port Harcourt that seek to improve in their marketing performance should determine and implement right pricing strategies such as value based pricing strategy and cost based pricing strategy.

## METHODOLOGY

The research adopted correlational survey design; the population of the study comprised of 25 Food and Beverages Firms in Port Harcourt, Rivers State gotten from [www.directory.org.ng](http://www.directory.org.ng). The paper adopted a census study and studied the entire firms with a focus on the middle and low level managers. To generate data for the study, the questionnaire was distributed in the frame of four (4) copies per firm. A total of one hundred (100) copies of the questionnaire were distributed. The reliability of the instrument was determined using the Cronbach's alpha test instrument with the aid of Statistical Package for Social Sciences (SPSS) version 23 and it stood at 0.88 higher than the benchmark of 0.7. The data collected for this study were analyzed through descriptive and inferential statistics. The Spearman Rank-Order Correlation Technique was employed to test the various hypotheses formulated through the aid of Statistical Package for Social Sciences (SPSS) version 23.0

## Data Analysis and Presentation

In this section, the data obtained in the questionnaire were presented in tables and interpreted. A total of one hundred (100) copies of the questionnaire were administered to the respondents (managers) of food and beverage firms in Port Harcourt.

### Questionnaire Distribution and Retrieval

Questionnaire Distribution	Questionnaire Retrieval	Useful Questionnaire	Not Useful
100	92	85	-

**Source:** Survey Data, 2025.

The table above shows the order in which copies of the questionnaire were administered to the respondents in the food and beverage firms in Port Harcourt and their collection rate. From the table, it is observed that out of the 100 copies of the questionnaire administered to the respondents (managers) of food and beverage firms in Port Harcourt, 85 copies were collected and used for the study.

## Demographic Analysis

The demographic variables of the respondents were presented and analyzed in this section. The demographic variables include age and gender of the respondents.

	Frequenc y	Percent	Valid Percent
Valid	MALE	50	58
	FEMALE	35	42
Total	85	100.0	100.0

**Source:** field survey, 2025.

Table above shows the gender distribution of the respondents used for the study. 50 respondents which represent 58 percent of the population are male while the remaining 35 respondents which represent 42 percent of the population are female

**Bivariate Analyses****Test of Hypothesis One**

Ho<sub>1</sub> There is no significant relationship between value-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.

**Correlations**

		<b>value-based pricing strategy</b>	<b>customer retention</b>
<b>value-based pricing strategy</b>	Pearson Correlation	1	.667**
	Sig. (2-tailed)		.000
	N	85	85
<b>customer retention</b>	Pearson Correlation	.667**	1
	Sig. (2-tailed)	.000	
	N	85	85

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

**Source: SPSS Output, 2025**

From the result of the bivariate analysis carried out between value-based pricing strategy and customer retention of food and beverage firms in Port Harcourt; it revealed that value-based pricing strategy has a strong positive correlation with customer retention of food and beverage firms in Port Harcourt ( $r = .667^{**}$ ) and this correlation is significant at 0.01 level as indicated by the symbol \*\*. Based on this result, the null hypothesis (Ho<sub>1</sub>) is rejected and the alternate hypothesis is accepted. This means that there is strong, positive and significant relationship between value-based pricing strategy and customer retention.

**Test of Hypothesis Two**

Ho<sub>2</sub> There is no significant relationship between competition-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.

**Correlations**

		<b>competition- based pricing strategy</b>	<b>customer retention</b>
<b>competition- based pricing strategy</b>	Pearson Correlation	1	.786**
	Sig. (2-tailed)		.000
	N	85	85
<b>customer retention</b>	Pearson Correlation	.786**	1
	Sig. (2-tailed)	.000	
	N	85	85

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

**Source: SPSS Output, 2025.**

From the analysis carried out between competition-based pricing strategy and customer retention of food and beverage firms in Port Harcourt; it revealed that competition-based pricing strategy has a strong positive correlation with customer retention of food and beverage firms in Port Harcourt ( $r = .786^{**}$ ) and this correlation is significant at 0.01 level as indicated by the symbol \*\*. Based on this result, the null hypothesis (Ho<sub>2</sub>) is rejected and the alternate hypothesis is accepted. This means that there is strong, positive and significant relationship between competition-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.

**Summary Findings**

From the results of the bivariate analysis, the following findings were discovered that:

- i. There is significant relationship between value-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.

- ii. There is significant relationship between competition-based pricing strategy and customer retention of food and beverage firms in Port Harcourt.

### **Discussion of Findings**

From the bivariate analysis, it was revealed that there is a significant relationship between value-based pricing strategy and customer retention of food and beverage firms in Port Harcourt. Based on this, the null hypothesis was rejected and the alternate hypothesis was accepted. This finding was in line with the study of Goodie-Okio (2022) who submitted that; there is a positive relationship between values based pricing and marketing performance. Also, her study reveals that there is a positive relationship between costs based pricing and marketing performance.

Also, from the bivariate analysis, it was revealed that there is a significant relationship between competition-based pricing strategy and customer retention of food and beverage firms in Port Harcourt. Based on this, the null hypothesis was rejected and the alternate hypothesis was accepted. This finding was in line with the study of Onyeaghala et al., (2019) who discovered that competitors-oriented pricing strategy influences sales performance of consumable goods. The extent of relationship between competitors oriented pricing strategy and sales performance was found to be positive at 0.792 which implies that, a more dependence on this pricing strategy would result to higher sales of consumable goods.

### **CONCLUSIONS**

The study concluded that there is positive strong significant relationship between pricing strategy considerations and sales performance of food and beverage firms in Port Harcourt.

### **RECOMMENDATIONS**

Based on the analyses and conclusions, the study recommended that:

1. Food and beverage firms in Port Harcourt should adopt value-based pricing strategy as it would enhance customer retention.
2. Food and beverage firms in Port Harcourt should adopt competition-based pricing strategy as it would increase their sales performance.

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