



## **Evaluating determinants of pricing objectives**

### **(The case of selected breweries in Ethiopia)**

Thesis submitted to Addis Ababa University School of Graduate Studies in Fulfillment of the requirements for the Degree of Master of Arts in Marketing Management.

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**By: Nigatu Tsegaye; ID GSE/0248/08**

**Advisor: Hailemariam Kebede (PhD)**

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**School of commerce**

**Department of Marketing management**

**Evaluating determinants of pricing objectives**

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**Prepared by; Nigatu Tsegaye**

**Approved by board of examiners:**

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**Department**

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**Signature**

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**Date**

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**Advisor**

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**Signature**

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**Date**

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**External Examiner**

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**Signature**

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**Date**

## **Statement of declaration**

I hereby, declare that this paper is entitled by “Evaluating determinants of pricing objectives” the case of selected breweries in Ethiopia and is my original work submitted for the award of master’s of arts degree in marketing management with supervision of my advisor Dr. Hailemariam Kebede. To the most of my knowledge and belief, this work has not been previously submitted for awards of degree diploma or masters in any educational institutions and all resources that are not original works of this study are properly cited and acknowledged.

## **Letter of Certification**

This is to certify that Nigatu Tsegaye Jemaneh has conducted his thesis on the topic entitled by “Evaluating determinants of pricing objectives” the case of selected breweries in Ethiopia under my supervision. This work is original in nature and suitable for the award of Masters of Arts (MA) in Marketing Management.

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Hailemariam Kebede (PhD)

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## Abstract

*A total of 345 questionnaires were distributed to employees of four conveniently selected brewery companies in Addis Ababa Ethiopia with 268 questionnaires responded by a total of 161 males and 107 females involved. 41 males and 37 females were from BGI Ethiopia, 38 males and 23 females were from Dashen, 36 males and 23 females were from Diageo Meta and 44 males and 26 female respondents participated from Heineken. Most of the respondents (32.5%) have job experience of above five years. The general purpose of the study was to evaluate cost, product quality, demand and competition as determinants of pricing objectives in breweries of Ethiopia. The result shows that, cost, product quality, demand and competition have direct and significant relationship with determination and achievement of pricing objectives in breweries of Ethiopia with  $P \leq 0.05$ .  $r=0.665$ ,  $0.695$ ,  $0.516$  and  $0.383$  respectively. Moreover, financial objectives were found to be dominant over competitive objectives in breweries of Ethiopia. The study also found that, cost is the most determinant of pricing objectives with a mean average of 8.46, competition has an impact on pricing objectives an average mean of 8.42, product quality has an impact on pricing objectives a mean average of 8.37 and demand has an impact on pricing objectives a mean average of 8.23. According to these findings, cost is the most determinant factor on pricing objectives particularly on financial objectives. Whereas, product quality, demand and competition have higher impact on competitive objectives than financial objectives. Companies pursuing financial objectives are recommended to strictly consider cost without forgetting its competitive advantages whereas, companies pursuing competitive objectives are recommended to give higher attention for competition, product quality (differentiation) and demand without forgetting the influence of cost.*

### **Key words**

*Pricing objectives, cost, product quality, demand, competition, brewery companies, Ethiopia*

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# Chapter 1

## Introduction

This is an empirical research that investigates different factors to be taken into account when brewery companies make price decision for the success of their pricing objectives. A price determined by considering cost structure, the extent to which the product is differentiated from competitors offering, the characteristics of consumers and the competition level is significant to the achievement of financial and competitive objectives of firms (Kotler and Armstrong, 2001). Therefore; what are the main objectives pursued by brewery companies and what influence do cost, product quality, demand and competition, would have and why those objectives were preferred were investigated in this study.

There are five chapters in this research paper. Chapter one is an introductory part with presentation of backgrounds and critical points for motivation of the study. The second chapter is review of related literatures in order to build the study on appropriate foundation. The third chapter contains the methodology part in which how sampling, data collection and data analysis to be conducted is discussed. Chapter four come up with findings and discussion of the results. Finally, chapter five presents the conclusion and the implication of the results.

### 1.1. Background of the study

Exchange is one of the most important tools that facilitate life of human beings by transferring one's surplus to the other in need (Starr, 2011) The first exchange was paying goods in returns of other goods or benefits received in the time when money was not invented. This exchange is called bartering (Starr, 2011). After being popular at around 1930s s for a century, bartering become failed due to number of reasons; first, due to lack of double coincidence of wants in which both parties must have the commodity to be exchanged based on their requirement, second, due to division problems in which the person can change his/her commodity by dividing it in retail basis. Example, a person who sells a cow cannot divide it into number of values to exchange it with smaller commodities unless waiting other buyer who can provide another commodity that fits his/her cow, third, due to lack of a common measure of value and, fourth, due to lack of store of value

(Khurana and Birla, 2014; Starr, 2011). Hence, money becomes the next popular medium of exchange after the failure of barter in the middle of 16th century (Davies, 2002).

The business world began to determine a common monetary value to the products they offer to the market called price, to eliminate the listed failures of barter (Jevons, 1875) after failure of the first exchange method of bartering at around 1930s. Price is the sum of all the values that consumers exchange for the benefits of having or using the product or service (Bearden et al., 2004; Kotler, 2010). As different articles indicate, the price is also called; Rent (for an apartment), Tuition (for education), Fare (for travel), Interest (for borrowed money) (Engel, 1980). Price is one of the functions of marketing mix 4P's (McCarthy, 1960) that lonely produces revenues for growth and profitability of firms (Lovelock, 1996) not only this, "but it can also be used as a communicator, as a bargaining tool and as a competitive weapon" (Brassington and Pettit, 2003, p. 391). Pricing strategy has three basic features that make it crucial and different from the rest of marketing mixes to be highly given attention by business practitioners. First price is the only element in the marketing mix that produces revenue to the firm while all others incur cost (Lovelock, 1996). Second, price is the most flexible element of all the marketing mix because it can be changed quickly without incurring higher effort and budget for example, price discounts (Palmer, 2000; Diamantopoulos 1991). Third, especially in business-to-customer (B2C) markets like brewery markets, price and pricing competition (price war) is the biggest problem that hurts marketing executives and sales people (mainly in poorer nations like eastern Africa) from achieving their objectives. However, this does not work in B2B market (Baker, et al., 2001). However, Pricing is the most neglected function of the marketing mix which covers only two percent of marketing journals and articles (Nagle and Holden, 1995; Brennan, et al., 2011; Malhotra, 1996).

On the other hand, there are levels of getting customers loyalty for profit and competitive advantage on rivals (Negash et al., 2016). These could be; Introduction of new products to potential customers, recruitment of new customers, customer satisfaction, retaining of satisfied customers, building relationship and creation of customer loyalty and, finally, insuring profitability and competitiveness (Negash et al., 2016). Baker et al., (2001) argued that about 80% of profitability could be achieved from customer retention and loyalty. Further increasing of customer loyalty by 5% has increasing effect of profitability by 25% to

95% (Scheffer et al., 2001). Although, customer satisfaction is not the final goal of marketers, and it does not guarantee, the success of businesses without ensuring the attainment of sufficient loyal customers (Negash et al., 2016; Scheffer et al., 2001; Johnson, et al., 2000). More attention by different researchers, Academicians, and managers has been given to the first steps up to customer satisfaction (Shanka, 2012). Instead, what factors affect the pricing objectives (profitability and competitiveness) are least researched and attention to these steps are suspended and ceased at only customer satisfaction level (Shanka, 2012; Nagle and Holden, 1995). This is more evident in Ethiopian brewery industry. The reason for pricing and profitability issues to be less researched could be the confidentiality of primary sources and difficulty of finding sufficient secondary data sources.

Market competition in beer industry of Ethiopia is increasing from time to time, and it affects pricing objectives by increasing alternative supplies as well as reducing customer loyalty (Negash et al., 2016). Ethiopian brewery market has no difficult barrier to new entrants of the market. Yet, the market is rapidly increasing with average rate of 20% which make it more attractive to potential entrants (Negash et al., 2016). And this was introduced as 24% in 2010 E.C (Access Capital, 2010). Hence, many multinational breweries like Heineken, Diageo, and Guinness joined the market in recent years and competition is becoming higher. Therefore, in a free market economy, considering the impacts of cost, product quality, demand level, market competition, globalization, development and implementation of appropriate operational strategies and in particular pricing strategies, is the only way to develop sustainable and long term profitability and survival of breweries in Ethiopia (Harrison, 2009).

### **1.1.1. Brewery industry of Ethiopia**

“The brewing industry is a global business, consisting of several dominant multinational companies, and many thousands of smaller producers. More than 133 billion liters are sold every year” (Negash et al., p.60. 2016).

The beer market has about 90 years’ old history in Ethiopia. Nowadays the beer production in the country grows from one million hectoliter to around four million hector letter from 2003 to 2011 with an annual growth rate of around 20% (Negash et al., 2016). This is due to the industry attractiveness and comparatively easier entry barriers than banking industry.

For instance, Heineken brewery and Meta Brewery companies were those companies joined the market competition from abroad due to the attractiveness of the industry and easier barriers to enter. In this way the industry is composed of about 8 brewery companies that produce an average of at least two types of beers and offer to the local markets. This is driving the market towards higher competition while reducing the freedom of price settlement by companies due to higher competition and consumers' price sensitiveness based on their income (Rediet Mengistu, 2015). Among existing brewery companies in Ethiopia, BGI Ethiopia, Dashen breweries S.C, Meta breweries S.C and Heineken breweries S.C are well known ones.

### **BGI Ethiopia.**

BGI Ethiopia is among the first beer manufacturing companies in Ethiopia who dominated the beer market for long years without strong competitors followed by Harar beer. Pricing was somewhat free and it was price setter rather than price taker. Due to this the company has strong reputation and adoption by beer consumers. According to addismap.com (2011), the factory is now owned by BGI, a company owned by French investors, an internationally acclaimed Brewing Company that operates in many countries. It has excellent reputation in producing quality beer and brought St. George to the same standard. Ever since it became privatized, and along with the opening of a sister company in Kombolcha, the brewery has played an important role to improve the supply of the beer and promote modern marketing in the country.

### **Dashen Beer S.C**

It was established with a registered capital of 41 million Br in August 1995 (Tiret, 2012). The brewery, named after RasDashen (Dejen), elevation 4,523 meters, in the Simien Mountains located near at the historical town of northern Ethiopia, Gondar, established with an initial investment of 340 million Birr when it was built on an 8.5 hectare plot, 10km out of Gondar on the highway to Addis Ababa. (Tiret, 2012).

The brewery is now entering into a new partnership with a London assets manager, Duet Group, and Vasari Global, another London-based company, after both foreign firms agreed to inject 90 million dollars to boost its production and distribution. If they succeed, this

agreement will mark the largest private equity investment in Ethiopia to date. In addition, the company has a plan to open malt production in Debre Berhan city. If this back ward integration is successful, it would enable the company to supply one of the major inputs for its production (Ventures, 2013).

### **Diageo Meta Abo brewery S.C**

The Ethiopian beer industry added another internationally recognized company, Diageo, which acquired the state-owned Meta Brewery for USD 225 million. This brought the total Foreign Direct Investment (FDI) to the sector in Ethiopia to above half a billion dollars. Diageo is the world's largest spirits producer apart from its beer and wine brands. The brewery was established in 1963 by the Ethiopian Government and Ethiopian private nationals as a share company with a starting capital base of 2 million Birr in the town of Sebata, 27 km from Addis Ababa (<https://www.diageo.com>). The company is registered in the London stock exchange with around 80 retailing outlets in countries around the world. It is the owner of well-known brands like Johnnie Walker Scotch whisky, Smirnoff vodka, and Guinness beer amongst others.

In 1998, Meta Abo Brewery produced and sold 365,000 hectoliters of bottled and draught beer worth Birr 195 million. In the same year, it made a profit of Birr 39.74 million. The brewery supplies 55% of its product to distributors and 45% to retailers. Distribution outside Addis Ababa is made through agents. The brewery distributes draught and bottled beer to Addis Ababa using its own truck fleet ([www.diageo.com](http://www.diageo.com)).

### **Heineken breweries S.C**

Heineken is a world class brewery operating in more than 70 countries with total employment opportunities of 81,000. Ethiopia became one of the destinations of Heineken's investment since 2011 after acquisition of already established brands Bedele and Harar beer from government. The EUR110mln new brewery is part of a total EUR310mln investment in the country by HEINEKEN since 2011. With a total capacity of 1.5m hectolitres, the Kilinto brewery is already producing the recently launched Walia® beer together with Bedele® and Harar® beer brands. It is planned that the site will also brew other brands including the flagship Heineken beer ([www.heineken.com](http://www.heineken.com)).

## 1.2. Statement of problem

The business environment is getting much harder to set the right price and price is challenging from time to time (Brennan, et al, 2011; Obigbemi, 2010; Kotler, 2010; Franco, et al., 2013). This is due to; according to Christopher and Gattorna, (2005) the influence of high competition, experience curve, the availability of new low-cost manufacturing capacity, reductions in international trade barriers, deregulation of many markets as well as the impact of Information technology. High cost would force businesses to set higher prices whereas competition restricts the consumers' acceptance of high prices (Kotler, 2010).

If business firms set the highest price on their offerings customers would perceive the product as high quality but, demand and sales volume will be reduced with higher return on investment. If business firms set lowest price on their offerings, customers would perceive the product as lower quality but demand and sales volume will rise, return on investment will be reduced especially in lower income nations and it might bring price war with competitors; (Kotler, 2010; Jiang, 2014; Nagle and Holden, 2003; Gultinan, 2011). Consumers tend to use the price of a product to evaluate the perceived quality of the product offering therefore; much thought needs to be placed on the pricing strategy and how the achievement of pricing objectives succeeded (Jiang, 2014; Franco et al., 2013). As Cram, (1996, p. 38) has argued "pricing will always be a challenging area . . . Perhaps future answers will come less from thinking of the price as the point of a single transaction and more from seeing pricing as a means of securing customer loyalty". Thus setting the right price that can handle perceived quality of product, sufficient demand and profitable prices at once is the management dilemma in current brewery market of Ethiopia.

Moreover, there is high research gap as pricing strategy is the most neglected element of the marketing mix aside its significant contribution to the profitability and overall success of firms (Nagle and Holden, 1995; Shanka, 2012; Johnson, 2016; Negash et al., 2016; Brennan et al., 2011; Malhotra, 1996). Even though, the final goal of every profit making organization is ensuring profitability and long term survival, larger attention is given to analyzing different impacts influencing customer satisfaction (Shanka, 2012). However customer satisfaction alone does not guarantee the overall success of breweries without get-

ting customer retention and loyalty (Negash et al., 2016; Schefter et al., 2001; Johnson et al., 2000; baker et al., 2001). Others like promotion and branding components are also frequently studied and in the process price and profitability are neglected (Nagle and Holden, 1995). On the other hand; if price is not determined correctly, it could negatively impact on the products perceived quality and the company's profitability (Hub Pages, 2013; Jiang, 2014; Kotler, 2010). This indicate that pricing objective requires further researches to evaluate different determinants of its success and suggest the most effective ways of setting the right pricing objectives. Thus, the issue of evaluating determinants of pricing objectives is very crucial in the survival of brewery companies.

Therefore, this research contributes findings on evaluating the determinants of pricing objectives for the difficulties of determining the right price and setting the right pricing objectives by showing how much cost, product quality, demand and competition affect the pricing objectives (Kotler, 2004) currently pursued by breweries in Ethiopia and it also contributes knowledge on the least researched area which is pricing objective (i.e. profitability and competitiveness).

### **1.3. Research questions**

The central question of this study is describing specified variables and evaluating the extent to which they influence the achievement of pricing objectives. Therefore,

1. How cost, product quality, demand and competition affect pricing objectives.
2. Which of financial and competitive objectives is mostly pursued by companies?
3. What is the relationship between cost and pricing objectives?
4. What is the relationship between product quality and pricing objectives?
5. What is the relationship between demand and pricing objectives?
6. What is the relationship between competition and pricing objectives?
7. Which factor is the most variable affecting breweries to determine pricing objectives and which is the least?

## **1.4. Research Objectives**

### **General Objective**

- ✓ Evaluating the determinants of pricing Objectives in selected breweries of Ethiopia.

### **1.4.1. Specific objectives**

- To investigate and identify whether financial or competitive objectives are currently being pursued by brewery companies.
- To examine the relationship between cost and pricing objectives.
- To measure the relationship between product quality and pricing objectives.
- To measure the relationship between demand and pricing objectives.
- To measure the relationship between competition and pricing objectives.
- To rank the most variable that affect pricing objectives and sequentially the least one.

## **1.5. Delimitation/Scope of the study**

There are many objectives to be achieved through pricing strategy; these could be seen in four dimensions. First financial objectives: Managing long-run profits, maximizing current profits, achieving a target return, maximizing sales revenue, and securing a sound cash flow are typical financial objectives. Second competitive objectives: Discouraging new entrants, getting competitive performance over rivals and survival are typical competition related objectives. Third operational objectives: Securing a target market share or unit sales volume are typical operational objectives. Fourth Social objective: controlling price, Meeting the social obligations means provision of products at lower prices, rather than exploiting consumer demand for higher profit on sales (Ozguven, 2004).

This study is conducted based on price and its effects on only two objectives listed above namely financial objectives and competitive objectives the remaining operational and social objectives are not be included.

Several factors affecting pricing objectives have been detected previously, but in this study only four factors namely, cost, product quality, demand and competition are covered.

The validity of the study is compatible in Ethiopia on brewery companies only. Thus it does not involve all beverage industry rather than brewery companies. The geographical scope of this study is limited to Addis Ababa only.

## **1.6. Research limitation**

It was better to investigate all manufacturers in beverage industry of Ethiopia in order to see the difference of pricing strategy due to differences in cost, product quality, demand and level of competition for setting their prices. But this study has limited to only beer manufacturers due to its higher competition and growth with substitutable nature to each other. Therefore other alcoholic beverages like wine and non alcoholic beverages like soft drinks are not included in this study. Further it has not covered all pricing objectives to this study due to time and resource constraints.

The researcher has also limited the geographical coverage of this study to Addis Ababa only. This is due to inconvenience and shortage of time to cover all locations at this stage.

## **1.7. Significance of the study.**

Currently there are about 7 brewery companies competing in Ethiopian beer market. According to the report of access capital (2010), as it is on its infancy stage, it is growing with an estimated rate of 24% per annum. This rate has higher attraction to new potential entrants and the number of companies in Ethiopian beverage industry is rising from year to year. On the other hand, price sensitivity is higher in lower income society in which they prefer lower priced products than premium priced products (Baker, 2001). In this case market leader companies like BGI Ethiopia tried to apply various pricing strategies by rising and lowering of prices on breweries in order to make defense of new entrants.

Therefore, this study is intended to evaluate those factors dictating beer companies to set different prices for achievement of an optimum success while avoiding price war which is the most dangerous type of competition in the business world (Baker, 2001). Since price sensitivity is obvious in lower income society and economic inflation is accelerating the reduction of local currency value, the issue of price and pricing strategy is significant to beer manufacturers and marketing managers in beverage industry of Ethiopia to be benefited from results of this study.

Therefore, the result for how it is possible to increase sales and demand through pricing strategy really benefits all manufacturers and sales executives of brewery companies in Ethiopia.

### **1.8. Definition of terms**

- **Pricing Objective** means the financial and competitive success of beer companies achieved from pricing strategies and decisions.
- **Pricing** means the activity of marketers to set value to their offerings based on consideration of different factors.
- **Price** is noun given to the monetary value paid for having or using the final products.
- **Beer companies** are any brewery manufacturing and selling companies in Ethiopia.
- **Determinants of pricing objectives** are either internal or external variables significantly or insignificantly affecting the achievement of pricing objectives. These are specifically cost, quality, demand and market competition.
- **Product quality** would be the extent to which the product is differentiated from its rivals in order to meet the requirements of consumers and its life cycle stage.
- **Financial objectives:** Means a pricing objective from which firms used to achieve profit related goals.
- **Competitive objectives:** Means a pricing objective from which firms used to achieve competition related goals.

### **1.9. Organization of the study**

This paper is organized with a comprehensive review of the existing literatures on pricing objectives and factors affecting it along with the research methodology. Primary sources of data from employees of four selected breweries have been included. Moreover, the data analysis and the discussion of results were reported, while at the end of the paper the conclusions and the implications of the main findings of the study were presented. Finally references from which the researcher used are cited at the end followed by appendixes of data collection instrument.

## **Chapter 2**

### **Literature review**

#### **Introduction**

This section reviews literatures, books and previous research findings related to pricing objectives and those factors affecting the attainment of its success. Pricing objectives particularly the financial objectives and competitive objectives are first reviewed followed by the factors affecting it. Though various factors externally and internally affect the pricing objectives, this section focuses on reviewing literatures on cost, product quality, demand and market competition and their influences on pricing objectives along with conceptual framework and hypothesizes to indicate their relationship with pricing objectives particularly financial and competitive objectives.

#### **2.1. Theoretical reviews**

##### **2.1.1. Pricing Objectives**

Price is the amount of money that consumers pay for product or replace proprietary products that can affect the level of sales and profitability (E.W, 1954). Determining the price is to consider factors that influence it, namely, the price of raw materials, production costs and the price of similar products sold by competitors ([www.ijsrp.org](http://www.ijsrp.org)). The competitive industry of breweries in Ethiopia also needs to consider these factors in determining the price of breweries. When any company produces something to be offered to the market it will have an equivalent value of money on which the firm and the market agreed up on([www.ijsrp.org](http://www.ijsrp.org)). The agreed up on price must satisfy the objectives of both party. Customers' objective may be satisfaction whereas marketers' objectives are long term profit ([www.ijsrp.org](http://www.ijsrp.org)). Pricing Objectives are company's final goals for which they want to achieve through pricing strategy. According to Oxenfeldt (1983), pricing objectives provide directions for actions. As Tzokas et al. (2000, p. 193) have stated, "To have them is to know what is expected and how the efficiency of the operations is to be measured". Thus, while pricing policies and methods refer to the explicit steps that a company has to follow in order to set its everyday prices, pricing objectives' main function is to guide these steps.

Pricing objectives are flexible and change over time due to environmental or organizational conditions (Shipley and Jobber, 2001). "When companies decide on prices of final products

they must at least take in to account for the total costs incurred in the production efforts and promotion efforts, hence the product quality to meet expectation of consumers while identifying its difference from competitors offerings, the level of competition either lower, medium or high and the demand among the market.” (Horngren, et al., 1996: p.428)

There are number of objective to be obtained by pricing decision. Among these, profit making (financial objective) and share the demand in the market (competitive objective) are crucial. “Almost all profit making organizations have the same pricing objective on achievement of sustainable profits making, return on investment. Unless this simply survival would be an alternative objective.” (Lovelock &Wirtz, 2004:p.151.) Thus, to set objective means to see for different strategies enabling the success of those objectives. Firms in competitive market like beer market of Ethiopia should look for different factors that have negative or positive impact on the success of objectives or profit maximization and market share.

Pricing objectives have two main classes’ namely quantitative (financial objectives) and qualitative (non financial objectives) (George, et al., 2004). Organizations with quantitative objectives may aim to set prices that will maximize their current profits. In this attempt they evaluate demand and costs accompanying the alternate prices and choose the price that will maximize profits, income or rate of return on investment. Sales objectives are essentially expressed in terms of sales volume or market share. The motivation for setting sales volume objectives is to create growth in sales or to sustain current sales levels. Qualitative objectives are tactical goals that encourage competition on factors other than price. Companies that base their pricing strategy on this employ such an orientation in order to remain competitive or to avoid price battles with their competitors (Machado, 2013)

#### **2.1.1.1. Financial objectives**

The financial objectives are those quantitative objectives related to profit making (Diamantopoulos, 1991).The financial objectives are Cost coverage, Achievement of satisfactory profits, Profit maximization, ROI (Return on Investment) and ROA (Return on Assets) some of which to be seen as follows (George et al., 2004).

**Profit maximization;** All business enterprises wish to earn a long-term profit. For many businesses, long-term profitability also allows the business to satisfy their most important financial goals of stockholders. Lower-than-expected or no profits will drive down stock prices and may prove disastrous for the company (Robicheaux, 1975). Companies increase or make discount on prices in order to maximize their current profitability. These are pricing objectives for return on investment, current profit maximization and long term profit maximization (Diamantopoulos, 1991).

The success of Profit maximization could be achieved through strategic actions on cost minimizing options, customer retention and creation of customer loyalty. According to the results from the study conducted by Scheffer et al. (2001) on Harvard business review of (2001); increasing customer retention rates by 5% increases profits by 25% to 95%. This could be succeeded as the cost of recruiting new customers become higher than selling to existing ones (Johnson et al., 2000). According to Lovelock & Wirtz (2004:P.151), “the principal approach to an effective pricing strategy is to manage revenues in ways that support the firms’ profitability objectives, which leads to the question; how well can we complement the various factors that influence pricing decision, to achieve our overall objective, which is maximization of profit”.

According to the arguments from Reichheld (1996) and Johnson (1998), there are six basic factors for cost to be higher at introductory level of product life cycle and lower after its growth stages for maximizing of profitability. These are;

1. Acquisition costs. At introduction stage of products, the costs of customer acquisition include incentive programmers, awareness advertising, prospecting costs, and the creation of internal customer accounts and records, all of which occur early in a firm’s relationship with a customer.
2. Base revenues. Over each time period that a customer is satisfied and remains loyal, the firm receives base revenue from that customer. This base revenue is more evenly distributed the more frequent the purchase-consumption-repurchase cycle.
3. Revenue growth. As customers remain satisfied and loyal, opportunities arise to generate increased revenues. This revenue growth comes from two general sources,

the cross-selling of additional products or services and an increase in purchase volume or account penetration.

4. Operating costs. While revenues should grow, operating costs related to the purchase-consumption-repurchase cycle should decrease after the products accepted by customers. The more a firm gets to know customers, their habits, problems and preferences, the easier and less costly it should be to serve them.
5. Customer referrals or word-of-mouth. Firms that generate outstanding levels of satisfaction and loyalty generate customer referrals and positive word-of-mouth. The referrals and word-of-mouth, in turn, generate additional sales revenues from friends and family. Moreover, satisfied customers increase the volume of purchases and consumption especially in brewery markets.
6. Price premiums. Existing customers tend to pay a price premium compared with newer customers. Satisfied, loyalty customers are more likely to be in a habitual or repeat purchase mode of behavior as opposed to a mercenary, problem-solving mode. As a result, they are less likely to take advantage of price discounts as through a coupon or a bonus for switching to a competitor. Therefore we can understand from these arguments that costs reduced when consumers purchase experience increases and sales volume increases as same time while it contributes larger percentage of profitability. The reverse will be true at an introductory and at the first purchase of consumers.

**Cost recovery;** is the other financial objective of pricing. When costs reduced there is somewhat pricing freedom for companies. (Diamantopoulos, 1991). Due to this companies use different cost minimization strategies when employ growth strategies. Diversification, backward integration, forward integration and two way integration are typical strategies of cost minimization. From this we can understand that, creation of backward integration enables brewery companies to sustain the inputs of production with highly minimized costs and forward integration especially relationship management enables to insure profitability of loyal customers through reduced costs. This is why many scholars indicate that there is higher cost at introductory life cycle of products and become lower and lower after the product accepted in the market and adopted by loyal customers (Baker et al., 2001; Nagle and Holden, 1995; Schefter et al., 2001).

**Return on investment;** it is an overall return that the company gets over its total investment (Ozguven, 2004). All marketers have common activity of setting a target return objectives for either short run or long run pricing objectives in order to achieve either return on sales or investment. Nelson education (2013) revealed that all profit making organizations have common goal of setting return on investment.

A firm may set as a marketing objective, the prerequisite that all products achieve a certain percentage return on the organization's spending or investment through marketing of the product. This level of return along with an estimate of sales will help determine suitable pricing levels needed to meet the ROI objective (Haron, 2016).

### **2.1.1.2. Competitive Objectives**

This is a qualitative or non financial objective of pricing whose main target is achieving competition related objectives through pricing strategies (George et al., 2004). Sales quo objectives are tactical goals that encourage competition on factors other than price. Organizations that base their pricing strategy on this employ such an orientation in order to remain competitive or to avoid price battles with their competitors (Machado, 2013). This type of pricing sometimes called Status quo orientated (Machado, 2013).

In brewery companies, some of frequently used competitive pricing objectives are; Long-term survival, Achieving prestige image of company, Price wars avoidance, Discouragement of new competitors' entering (George et al., 2004).

Pricing similar to competitors or according to the market's average prices (Channon, 1986; Zeithaml and Bitner, 1996). Pricing above competitors (Bonnici, 1991; Lingered, 2000). Pricing below competitors (Payne, 1993; Palmer, 1994; Zeithaml and Bitner, 1996). Pricing according to the dominant price in the market the leader's price that is adopted by the rest of the companies in the market (Kurtz and Clow, 1998).

**Defending of new entrants;** is also another objective by marketers that targeted to remain leader in the market area by making price discounts to defend new entrants (Robicheaux, 1975). The main target is to maintain market share with defending new competitors to enter

by lowering prices and attractiveness of the market (Payne, 1993; Palmer, 1994). Management of all firms, large and small, are concerned with maintaining an adequate share of the market so that their sales volume will enable the firm to survive and prosper. Again, pricing strategy is one of significant tools in creating and sustaining market share. Prices must be set to attract the appropriate market share in significant numbers (Robicheaux, 1975).

**Survival:** It is mostly obtained through defensive strategy by retaining existing customers (Zeithaml and Bitner, 1996). It is apparent that most managers wish to pursue strategies that enable their organizations to continue in operation for the long term. So survival is one major objective pursued by most executives. For a commercial firm, the price paid by the buyer generates the firm's revenue. If revenue falls below cost for a long period of time, the firm cannot survive ( Robicheaux, 1975).

**Image:**price is expected to have its own impact on perceived quality of products which in return brings to positive or negative imagery of the company(Giovanni. ital 2013; Ozguven, 2004). Price policies play an important role in affecting a firm's position of respect and esteem in its community. Price is a highly visible communicator. It must convey the message to the community that the firm offers good value, that it is fair in its dealings with the public, that it is a reliable place to patronize, and that it stands behind its products and services. (Robicheaux,1975).

### **2.1.2. Factors affecting pricing objectives**

Like there are several pricing objectives by various companies employed, there are also several factors affecting those pricing objectives. These are basically classified as internal (controllable) factors and external (uncontrollable) factors ( Haron, 2016).

#### **2.1.2.1. Internal/controllable factors.**

Marketing decisions are directed by the overall objectives of the company (Oxenfeldt, 1983). It is important to appreciate that all marketing decisions, including price, work to help achieve company objectives. Thus, internal factors are those found within the organization and could be seen for revision and controlling. These are; management decision, cost, other

marketing mixes, company objectives and product quality (Haron, 2016). For this study only cost and product quality are reviewed.

## **Cost**

Cost based pricing approach utilizes the product cost structure as product-driven rather than customer-driven (Ferrell et al., 2014). The benefit of this approach is the low chance of loss and this approach is simple, fact based, easily calculated and administered. However, the drawback is the risk of overpricing or under pricing (Kotler, 2002). Cost-based pricing is an accountants approach to pricing that adds a standard mark-up to the total cost of the product also called mark-up pricing (Kotler, 20010; Kotler, 2002). The mark-up could either be a fixed monetary amount, a fixed percentage or a certain profit margin. This method is internally orientated and frequently used in manufacturing companies. Another drawback is that the role of competitors and the market characteristics are ignored in this approach (Kotler, 2002).

Costs are directly related with the production and sales of products and, consequently, might change as the level of manufacture or sales changes. Typically variable costs are assessed on a per-unit basis since the cost is directly connected to individual items. Fixed cost is the other expense permanently incurred by manufacturers without being affected by high production or low production. House and machinery rents could be examples of fixed costs (Cavusgil, 1996).

When cost is not fully ascertained, pricing decision becomes faulty and when the price is wrong, it will definitely affect the income of the company and eventually may affect the survival of the business, especially for the new business and also the competitive market. Alongside with the other factors that affect pricing decision, cost is a factor that must be looked into critically, (Obigbemi, 2010). This show that when cost increases the price of final products increases at the same time in order to keep the firm profitable. However when cost increase drives businesses towards increment of prices, demand and competitors' price will defend its success towards achievement of profitability. Profitability is sales volume multiplied by price and deduction of total costs (Simon, 2006).

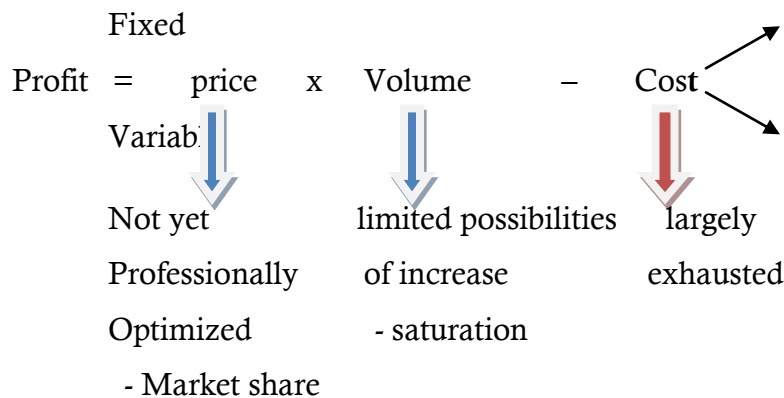


Figure 2.1 profit equation

Source: Simon, 2006;

Therefore, a price must be framed in consideration of both sides and their impacts to the success of financial and competitive objectives of pricing (Hub Pages, 2013). Generally cost is the base for product quality which is one of determinants customer satisfaction and loyalty and attracting more demand with competitive advantage over rivals.

### Product quality

Product quality is another type of controllable factor that influence the decision of price and objective (Choi, 2012; Jiang, 2014). The product quality is its attractiveness to the market and its capability of meeting consumers' requirements (Jiang, 2014). This could be through strong brand and product management and communicative efforts. The extent to which the product is differentiated from that of rivals is another issue for its impact on achievement of pricing objectives. The firm would have price freedom if it has highly differentiated product and will be influenced by others if it is not differentiated (George et al., 2004). Setting the prices based on unique value that is delivered through the product and to negotiate value delivery instead of price. In this way the frontline of the organization has a role to fulfill to communicate that unique value to the customer as a justification of pricing (Yama, 2004).

Beer is also a perfect example of a differentiated product market (Hausman et al., 1994; Slade, 2004; Rojas and Peterson, 2008) with different styles (Lager, Pils, Wheat) and many different brands available I terms of either color or contents. In fact, there are considerable price differences between different beers, even of the same style from different breweries

(Rojas and Peterson, 2008). This may be due to consumers' attachment of price to specific brands, preferences for products from a specific place of origin or preferences for local products. (Van et al., 2003; Profeta et al., 2008).

Figure 2.2 Price/product Quality Matrix

High Medium Low competition against quality	High	Underpriced	Ideal	Premiere Offering
	Medium	Real Bargain	Average	Overpriced
	Low	Cheap	Unsatisfactory	Make a sale and run
		Low	Medium	High

Price against Competition

Adapted from: Marketing 91 (Not Dated); Schwarz, Hunter & Lafleur (2013: 182)

The other issue of product quality is the theory of product life cycle stage. Every product has a life cycle stage at which demand become higher and again decline due to competition and technological changes. The first stage is an introduction stage for the product in which demand would expect to be at its lower level and higher costs to be incurred for introducing the product and trials. The second stage is growth in which the product becomes well known and popular throughout the market and demand increases whereas costs of communication relatively reduce while profits rise. The maturity stage of products is the product life cycle stage at which profits and demand get its peak the next stage is decline stage; demand and costs eventually reduced at this stage since its life is at the end in the marketplace (Peschke, 2017). The pricing strategies will change with the movement of the stage of product life cycle. When customers are highly price sensitive, they tend to view competing products as mere substitutes of each other; that is why the level of price elasticity is also a very important factor (Dynaida, 2006).

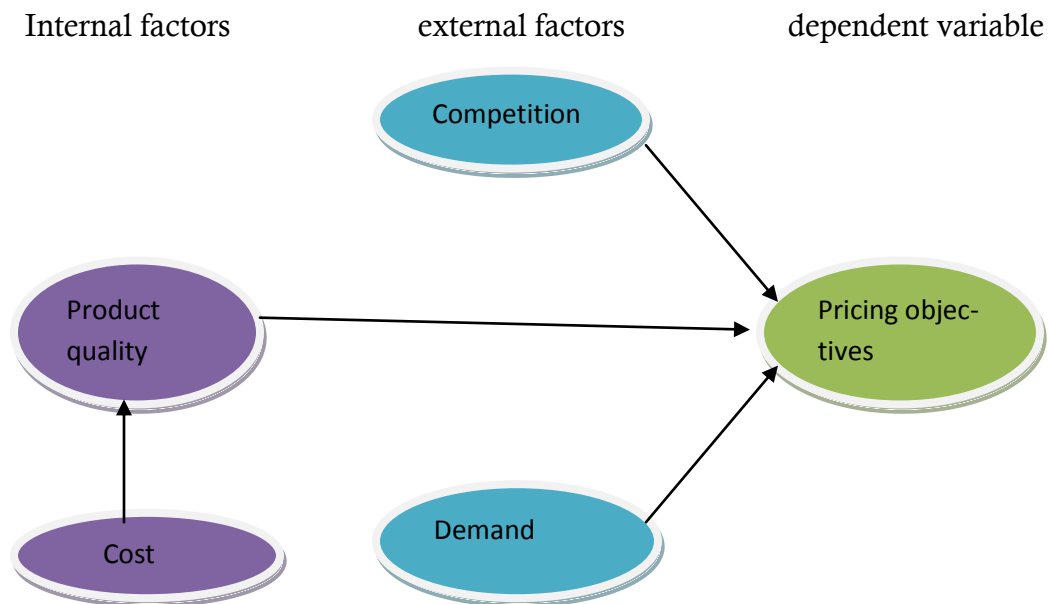
While higher prices are often associated with lower consumer demand, research has also found that in particular categories of consumer goods, like beer and wine markets higher prices may result in increased consumer interest in the product (Rao and Monroe, 1989; Scitovsky, 1944). This pattern of behavior is often a result of consumers' assumption that higher priced goods must be of better quality (Jiang, 2014), and the phenomenon is commonly referred to as "price-quality cue utilization" (Miyazaki et al., 2005; From a strategic marketing perspective, knowing the extent by which consumers use the price-quality cue in their decisions is critical to optimal positioning of the brand. If in a given category consumers tend to utilize the price-quality cue, then higher prices would signal superior levels of quality than comparable products which are priced lower (Jiang, 2014). The strategic implication of this phenomenon is that consumers could gravitate towards higher priced products and may shift away from lower priced alternatives which they may consider to be inferior.

Sometimes when consumers feel complexity to identify the quality of product and if the products difference from that of its rivals could not be easily detected, consumers try to simplify their decision by measuring the product through its price and brand (Estelami, 2008).

#### **2.1.2.2. External/uncontrollable factors**

There are a number of factors, which are not controlled by the company but will influence pricing objectives. Understanding these factors necessitates the marketer conduct research to monitor what is happening in each market the company serves since the consequence of these factors can vary by market (Haron, 2016). These factors are; demand, competition, government regulation, economy, and other factors outside the company (Haron, 2016).

This study reviews only two determinants from external factors namely demand and competition. Basically demand competition are parties having direct interaction and influence on companies business practices whereas government and others seen as third parties having an influence on pricing practices. Demand and competition have an opposing role on the pricing of products; higher demand leads to premium pricing and higher competition leads to lower pricing (Jiang, 2014).



*Figure 2.3 Model Determinants of pricing objectives*  
*Source Dynaida Baptist (2006) customer replaced by demand*

### **Demand**

Demand is the overall purchase capacity and willingness of the market for the product being offered in the same industry (Hansen, 1984). Consumers' willingness to buy backed by ability to buy is the meaning of demand (Özgüven, 2004). It is the upper limit of pricing decision that determines the maximum limit of price setting whereas cost is the lower limit of price that determines the minimum limit of price setting. "Before the 1980s, pricing was perceived as procedural work of adding a target return on costs: cost oriented era. Today, pricing is rather perceived as a key subject and its relation with demand is carefully engineered: demand-oriented era" (Özgüven, 2004 P-14). This shows demand is the first issue to be evaluated in determining what to produce and how to set price.

At where unlimited demand exists the pricing decision becomes immaterial; hence demand restricts the determination of prices. Thus firms use pricing strategy that fits with the

demand in order to get the product accepted in the market for the attainment of financial and competitive objectives (Özgüven, 2004).

According to Kotler et al. (Not Dated), demand and price is normally inversely correlated whereby in cases where prices are high, demand for the product or service is relatively low. However, in cases where the product is seen as a luxury product, consumers may use the price as an indicator of higher demand to increase for the product in future (Machado, 2013). The higher price in luxury products can therefore increase the demand for the product and result in a positive demand curve.

## **Competition**

Market structure is the entire industry which consists of the competitive environment of firms offering substitutable products (George et al., 2004). The freedom to pricing decision depends on the competitive structure of the market (George et al., 2004). There are about five types of market competition throughout different industries. These are perfect competition a competitive structure in which large number of sellers providing similar offerings to large number of buyers (Encinas, 2014; Dixit, et al., n.d). Here, the market decides prices of products and firms are price takers. The second one is monopolistic competition, a competitive market in which large number of sellers with differentiated offerings to large number of buyers (Encinas, 2014; Dixit, et al., n.d). Here firms have relatively freedom of pricing. The other is oligopolistic competition; a competitive market in which fewer number of sellers and large number of buyers exist. The fourth type is pure monopoly only one company selling its offering to larger market with price setting authority (Encinas, 2014; Dixit et al., n.d). Oligopsony is the other type of competitive market consisting large number of sellers to few number of buyer (Encinas, 2014). The beer industry traditionally interpreted as oligopoly type of market structure in which differentiated beers with different prices could be supplied (Vickner and Davies, 2000). Therefore this industry has an opportunity of being competitive with different price settings and differentiated brands. Brewery markets could be considered to be categorized in an oligopolistic competition as little number of companies supply differentiated beers to large public with different prices (Hausman et al., 1994; Slade, 2004).

Almost all marketing decisions, including pricing, will contain an evaluation of competitors' offerings and depends on the type of competitive market structure in which it is currently operating. The impact of competitor's price information on the actual setting of price will be contingent on the competitive nature of the market. For example, products that dominate markets and are viewed as market leaders might not be heavily influenced by competitor pricing since they are in a commanding position to set prices as they see fit (Haron, 2016).

Dockner et al (2004) stated that when firms are engaged in strategic competition, a higher speed of diffusion causes the individual firm to decrease the price, thus competition either directly or indirectly has an influence on the price of products, but vary from company to company, depending on the nature of the product and the industry in which the company operates. The threats of the competition are not only emanating from existing firms; there are also other factors or variables to consider. These are According to Michael Porter's 5 forces theory.

- **Threat from Potential New Entrants:** if the probability of existence of new entrants to our business is very high, we may be so conservative in price setting. The new entrants are expected worldwide, and it is out of our control.
- **Bargaining Power of Suppliers:** if we are highly dependent on suppliers for the necessary raw materials for our final product, we might be very sensitive in price setting in relation to our suppliers.
- **Rivalry among competing firms:** are we unique and sole producer of our product? Are there any similar firms worldwide? Can we guess their number? Anyways, the competition is different from the local one. Our price setting strategy is a function of our current competing firms' status
- **Threat of Substitute Products or Services:** to what extent our product or services can nearly be substituted by similar products worldwide can have pluses and minuses on the practice of setting our prices?
- **Bargaining Power of Buyers (Customers):** this is the age of information that relevant information can be a matter of few clicks away. If we are the only producer of our offerings, our buyers may not have as such strong bargaining power; but in the places where there are many sellers, the bargaining power of buyers will be high and in effect it has impact on our pricing strategies. (Porter, 1990).

### 2.1.3 Pricing methods.

Considering different factors having direct or indirect impact on pricing objectives business firms use different types of pricing methods. The market structure, the demand level, the competitive setting, the cost, and the quality of the product are of the main factors to be considered in pricing method (Estelami, 2008). A comprehensive review of the literature of pricing of products identified twelve pricing methods falling into three large categories namely cost based, competition based and demand based. These methods are:

#### **Cost-based methods:**

- .Cost-plus method – a profit margin is added on the service’s average cost (Schlissel, 1977). Most businesses in the world use this method due to its simple nature (Goetz, 1985), and the main determinant of this method is cost (Zeithaml et al., 1985).
- .Target return pricing – the price is determined at the point that yields the firm’s target rate of return on investment (Meidan, 1996).
- . Break-even analysis – the price is determined at the point where total revenues are equal to total costs (Channon, 1986; Lovelock, 1996).
- . Contribution analysis – a deviation from the breakeven analysis, where only the direct costs of a product or service are taken into consideration (Schlissel and Chasin, 1991; Bateson, 1995).
- . Marginal pricing – the price is set below total and variable costs so as to cover only marginal costs (Palmer, 1994).

#### **Competition-based methods:**

- Pricing similar to competitors or according to the market’s average prices (Channon, 1986; Payne, 1993; Palmer, 1994; Zeithaml and Bitner, 1996).
- Pricing above competitors (Bonnici, 1991; Meidan, 1996; Zeithaml and Bitner, 1996; Langeard, 2000).
- Pricing below competitors (Payne, 1993; Palmer, 1994; Zeithaml and Bitner, 1996).
- Pricing according to the dominant price in the market the leader’s price that is adopted by the rest of the companies in the market (Kurtz and Clow, 1998).
-

### **Demand-based pricing:**

- Perceived-value pricing – the price is based on the customers' perceptions of value (Channon, 1986; Lovelock, 1996; Zeithaml and Bitner, 1996; Hoffman and Bateson, 1997).
- Value pricing – a fairly low price is set for a high quality product (Cahill, 1994).
- Pricing according to the customers' needs – the price is set so as to satisfy customers' needs (Bonnici, 1991).

## **2.2. Empirical reviews**

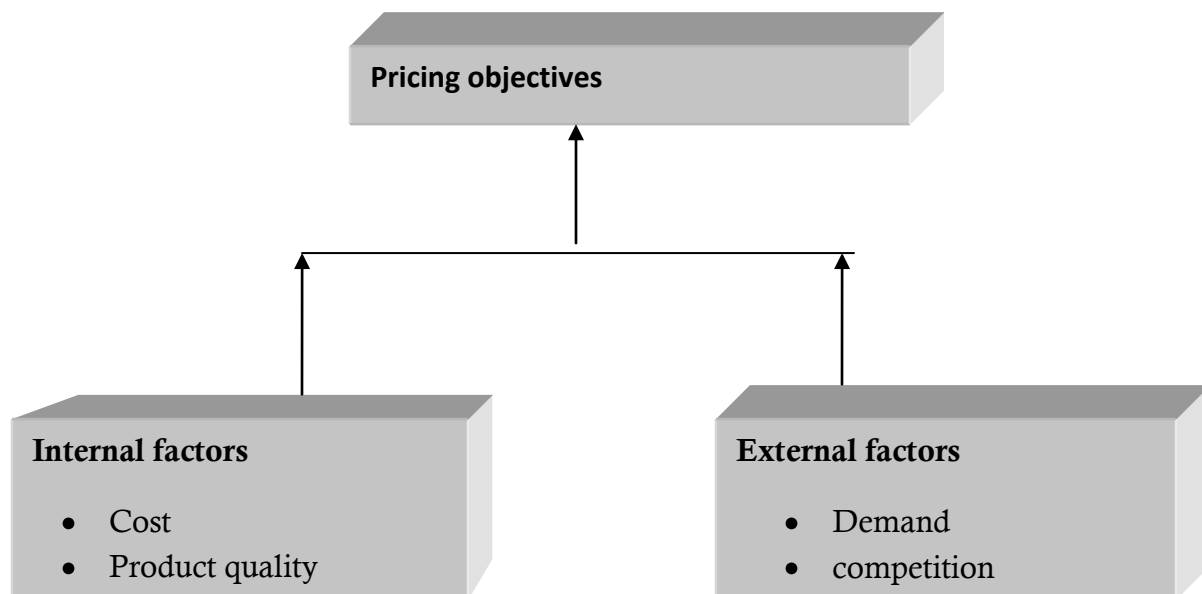
**Pricing objectives;** the few empirical studies that have been conducted on the issue of pricing objectives show that quantitative objectives tend to be regarded as more important than qualitative ones with a particular emphasis placed on profit considerations. Specifically, by studying 43 pest control companies in the USA, Schlissel (1977) found that the most popular objective was profit maximization followed by the achievement of a satisfactory profit which is financial objective. Also, Morris and Fuller (1989) investigated the pricing behavior of 71 US companies and found that the achievement of a satisfactory short-term profit was the most popular objective among the companies in their sample. Moreover, Meidan and Chin (1995) investigated the pricing practices of 45 building societies operating in the UK and concluded that more than 80 percent of the companies in their sample considered the objective associated with cost as being the most important ones. George et al (2004) found different pricing objectives pursued by companies. Most of the objectives were dominated by competition related objectives. For instance; Maintenance of the existing customers 4.31, Attraction of new customers 4.28, Customers' needs satisfaction 4.18. This shows that most pricing objectives are being competitive since competition is increasing from time to time.

Profit related objectives were popular at previous times in Ethiopian breweries and being influenced by competition from new entrants of foreign and local competitors in recent times (Negash et al., 2016). This competitive industry needs to be researched to measure the major impacts of setting the right price objectives of breweries.

**Determinants of pricing objectives;** Hilton (2005) reporting on the interview held with President Winston Darrough III, stated that the President noted pricing as a sticky wicket,

in which you keep an eye on the costs as well as the competitors. On the other hand, Dynaida (2006) found results which are difficult to generalize, are that a combination of the variables 'cost', 'competition' and 'customer' have a prominent influence on pricing objectives. Cant (2016) University of South Africa, Pretoria, South Africa distributing 88 questionnaires to business firms found that price setting is influenced by competitor information and macro environmental factors such as fuel prices and inflation. There was a general agreement amongst the business enterprises that consumer's relationships and the benefits that they enjoy from the product as well as product quality are important aspects to consider when determining prices.

Figure 2.4 external and internal factors affecting pricing objectives



Adapted from: (Brassington & Pettitt, 2013)

On the other hand, Obigbemi (2010) by conducting interviews to 166 employees and managers of business enterprises of Nigeria as respondents, found that competition plays a major role in pricing decision and that there is a relationship between pricing decision and the organizational objectives. From these we can guess pricing strategies of previous companies basically target financial objectives whereas recent businesses mostly focus on competitive objectives since competition is increasing from time to time as mentioned in the statement of problem above.

Kebede (2015) on her study entitled by determinants of customer loyalty on St.George beer found that the Perceived quality shows the highest score (mean=3.88) to determine the loyalty of customers. This on the other hand affects profitability as loyalty has about 80% profitability of breweries (Negash et al.,2016).

Indounas (no date) analyzed those variables determining the pricing objectives in their research and found the following results. Financial objectives basically affected by cost of production and demand level whereas, competition related objectives basically affected by perceived quality of the product and market competition.

### **2.2.1. Hypothesizes**

H1. Cost has direct and significant relationship with pricing objectives

H2. Product quality and price objectives have a direct and significant relationship.

H3. Demand and price objectives have direct and significant relationship.

H4. Market competition and price objectives have direct and significant relationship

### **2.3. Conceptual framework**

The dependant variable is pricing objective particularly financial objectives and competitive objectives whereas, independent variables are considered to be the four factors affecting the success of pricing objective; cost, product quality, demand and competition in the market. Independent variables are sub divided into two groups as shown in the conceptual framework of the study below. These are internal or controllable factors (cost and product quality) and external or uncontrollable factors (demand and competition) (Haron, 2016).

$$Y = A + BX$$

Where

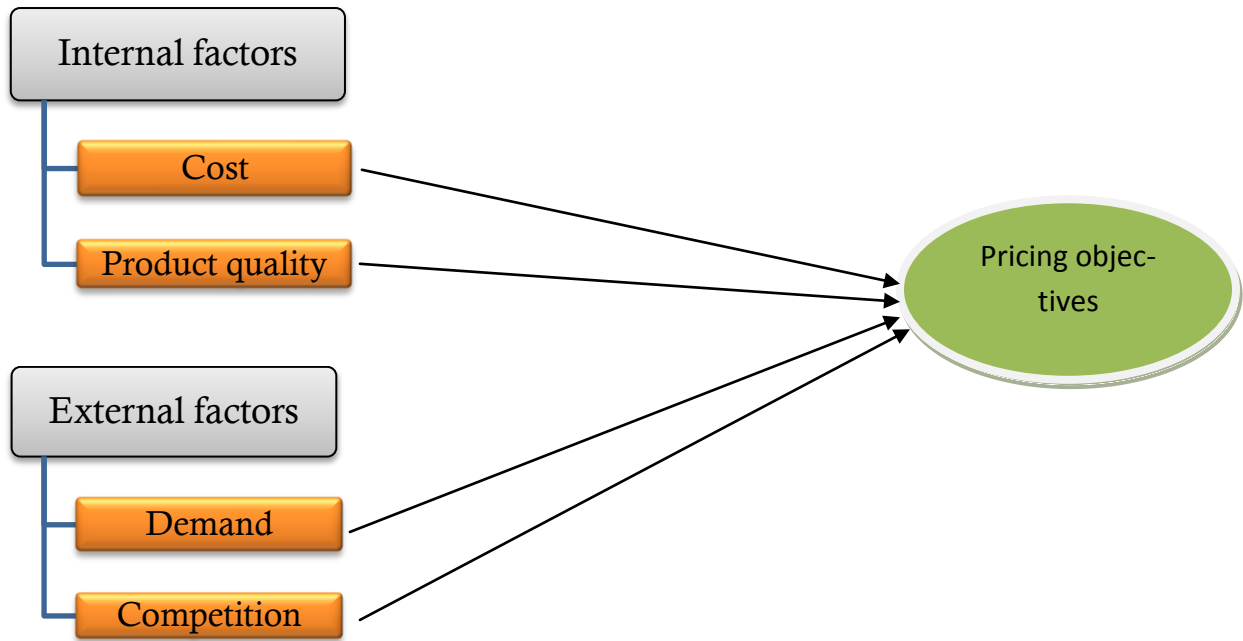
Y= pricing objectives

A= interception

B= slope

X = determinants of pricing objectives (X1=cost, X2=product quality, X3=demand and X4= competition)

Y is dependent variable whereas X is independent variables



*Figure 2.5 Conceptual framework of the study*

## Chapter 3

### Method of the study

#### Introduction

This study basically focuses on pricing objectives and what influences do external and internal factors have on its achievement, particularly what influences do cost, product quality, demand and competition have on the success of pricing objectives in breweries of Ethiopia. Pricing objectives for this study are only those discussed in scope of the study above; these are financial and competitive objectives. The study area focuses to evaluate the effects of those factors on achieving pricing objectives of breweries in Ethiopia.

This chapter contains the steps necessary in execution of the study to meet the study objectives. These are research design and approach, description of data sources, target population, sampling technique, sample size determination, data analysis method, data collection instrument, its validity, reliability and ethical considerations.

#### 3.1. Research design

This study employed explanatory (analytical) research design. According to Saunders et al. (2003), explanatory designs are used to emphasis situation or problems to explain the cause and effect relationship between the given variables. In order to accomplish explanatory research design well defined research problem has to be identified and hypotheses need to be stated. Since explanatory design is convenient to answer central questions of why and how phenomenon (Cooper, 1996), it becomes the concern of this study as it started with central question of how cost, product quality, demand and competition influence the success of pricing objectives and the findings were analyzed using explanatory research design. Due to these reasons and purpose the current research is explanatory type. Several researches related to this study have successfully employed this research design (Thomas, 2014; Abera, 2014; Siraj, 2014; Tadesse, 2014; Adie, 2015).

#### 3.2. Research approach

There are three types of research approaches (Saunders, 2012). The first one is quantitative research approach. Quantitative research examines the relationship between variables and tests the hypothesis. It places greater emphasis on the numerical data and statistical test to

achieve conclusion that can be generalized. The second is qualitative. It is better for analysis of non numerical data which is collected through interviews, case studies and other exploratory data. The third is mixed approach. Mixed approach is available when the research requires both qualitative and quantitative data (Saunders, 2012).

To examine the relationship of variables and test hypothesizes this study followed quantitative research approach.

### **3.3. Description of data sources**

Secondary sources and primary sources of data were generated for the completion of this research. Though it became difficult to get materials directly related to this title; the researcher tried to construct its basis with comprehensive review of related researches, books and other literatures.

Secondly primary data was collected through questionnaires from 268 employees of companies in four selected breweries of Ethiopia. There are 7 brewery companies operating in local market of Ethiopia with an approximate number of employees 12,300 ([www.addischamber.com](http://www.addischamber.com)) But in this context the researcher was unable to survey all companies at this stage due to inconvenience to cover all since some companies are at higher distance from Addis Ababa. Having this, the study has been conducted by distributing questionnaires to employees of four conveniently selected companies namely, Heineken brewery S.C, Meta brewery S.C, BGI Ethiopia and Dashen beer.

### **3.4. Target population**

Right responses about determinants of pricing objectives are available at business practitioners rather than consumers. This is why many researchers use employees of organizations as their target population of study when conducting researches about pricing (George, ital 2004). Therefore target population of this study is employees of brewery companies in Addis Ababa Ethiopia. Identifying the current intents of pricing objectives; whether they are financial or competitive objectives and evaluating the determinants mostly influencing these objectives are properly surveyed through developed questionnaires.

### 3.5. Sampling technique

There are two basic types of sampling methods. These are probability sampling and non probability sampling (Kothari, 2004). Probability sampling is sampling technique in which all individuals in the target population have equal chance to be involved in the sample size whereas, non probability sampling does not give an equal chance of being selected in the sample instead convenient based selection of respondents preferred here (John. et al., 2007). This study also used non probability sampling method. The study gathered information from employees of four conveniently selected brewery companies based on number of employees they possess. Therefore, quota sampling technique which is among non probability sampling method is used to distribute questionnaires to the sampled respondents.

### 3.6. Sample size

A total number of 345 questionnaires were distributed to employees of the companies based on their number of employees. As information on access capital (2010) a current approximate number of employees come to be 12,300 in all brewery companies of Ethiopia. From all, 12,300 employees, approximately BGI Ethiopia has 1, 300 employees, Heineken; 1,200 employees, Dashen; 900 employees and Meta; 850 employees.

The formula “test of significance for the population proportion” that is extracted from the book of research methods for graduate business and social science students (John et al., 2007) was used to determine the sample size. The study used 95% level of confidence among all population and the standard error to the population proportion is 5%. Among all population in companies of BGI, Heineken, Dashen and Meta breweries S.C, statistically valid sample size has been computed by the following formula.

$$n_0 = Z^2_{\alpha/2} \frac{P(1-P)}{d^2}$$

Where,

$n_0$  = Sample size

Z = Standardized normal value

$\alpha$  = level of significance

$p$  = estimated rate population

$d$  = precision range

A total of 12,300 populations estimated to be employees of all brewery companies in Ethiopia and the four conveniently selected companies have 4,250 employees which is approximately 34% of the whole.

$n_0 = ?$

$$\text{Therefore } n_o = \frac{(1.96)^2 \times 0.34(1 - 0.34)}{(0/05)^2}$$

$$n_o = \frac{3.8416 \times 0.34(0.66)}{0.0025} = 344.82$$

Sample size = 345

Table 3.1 sample sizes respondents of each stratum

Company name	Employees	%	Samples
B.G.I	1300	30.6	106
Heineken	1200	28.2	97
Dashen	900	21.2	73
Meta	850	20	69
<b>Total</b>	<b>4250</b>	<b>100</b>	<b>345</b>

Once the sample is determined the quota to each selected companies were distributed using the formula;  $n(x) = N(y) / N(n)$ .

Based data obtained from Addis Chamber of commerce, the sample sizes of each stratum were computed in table 3.1.

$$N=N_1+N_2+N_3+N_4$$

1. **Strata 1. BGI Ethiopia.**

$$n_1=N_1/N(n)$$

$$n_1=1300/4250(345) = 106$$

2. **Strata 2. Heineken**

$$n_2=N_2/N(n)$$

$$n_2= 1200/4250(345) = 97$$

3. **Strata 3. Dashen**

$$n_3=N_3/N(n)$$

$$n_3= 900/4250(345) = 73$$

4. **Strata 4. Meta**

$$n_4=N_4/N(n)$$

$$n_4=850/4250(345) = 69$$

Where, N= total population

n=Sample size

n<sub>1</sub>=sample size of strata 1

n<sub>2</sub>= sample size of strata 2

n<sub>3</sub>= sample size of strata 3

n<sub>4</sub>= sample size of strata 4

The standard error to the population proportion was determined through the following formula.

$$SE = \sqrt{\frac{P(1 - P)}{n_o}}$$

### **3.7. Data analysis method**

The descriptive and inferential statistics were used to explain the data of the questionnaires. The Statistical Package for Social Scientists (SPSS) version 20.0 has been employed in performing data analysis. The descriptive statistics includes frequencies, percentages, mean and standard deviation to analysis the data, evaluate and ranking of the determinants. The inferential statistics (correlation analysis and regression analysis, Analysis of Variance (ANOVA) were used to test the hypothesis developed. To explain the characteristics of the response mean, median, mode, maximum, minimum and range are included.

To know the symmetry of distribution and the peakedness of the score, Skewness and Kurtosis were used. Based on the significance of this Z scores, the scores were piled up and concentrated area is explained. Tables are the main tools of analysis to ensure easily understanding of the analysis. The methods of data analyses were both qualitative and quantitative with tabular, descriptive, explanation and graphical presentation. The researcher has no any control authority over results. Only results found from intended sources are interpreted and analyzed.

### **3.8. Instrument of data collection**

The questionnaire method was the instrument of data collection because it provides wider coverage to the sample and also facilitates collection of a large amount of data (Kothari, 2004). Therefore, a total of 33 questions partially designed from (George et al., 2004) were distributed to 345 employees of four brewery companies in Addis Ababa Ethiopia and 268 questionnaires completed and returned. A five point likert scale ranging from “I strongly disagree” to “I strongly agree” was used to record and rank data from respondents and scale ranging from 1 to 10 also used to quantify and evaluate the impact of each determinants on pricing objectives.

### **3.8.1. Validity analysis**

Validity refers to the extent to which the measurement instrument actually measures what it intended to measure. It is used to suggest determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers an account. Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). It could be seen in to three categories; namely content validity, Criterion validity and construct validity (John et al., 2007).

Content validity measures the extent of the instrument to provide adequate coverage of the topic being studied. This measurement could be judgmentally considered to be good if the number of population is highly representative of the universe (John et al., 2007). In this context this study has 268 valid numbers of respondents and is judged as fulfilled the requirement. In order to ensure the quality of this research design content validity of the research instrument has been submitted to advisor for further tests. Then the content validity verified by the advisor, who looks into the appropriateness of questions and the scales of measurement. And the researcher used standardized questionnaire mode based on tested and verified instrument validity.

Criterion validity refers to the extent to which an instrument is fully, relevant, unbiased, reliable and available to the topic of the study (John et al., 2007; Du, 2010). The number of questions and their relevance to be evaluated in judgmental method and it becomes good if it has higher number of questions and higher completion rate by respondents (John et al., 2007). This study has at least three questions about independent variables and their impact on the dependant one. At total of 33 questions were distributed to 345 employees of four conveniently selected brewery companies and finally 268 questionnaires were completed and returned. As the sample size is evaluated as sufficient and high the completed number of questionnaires becomes sufficient. Hence, it has fulfilled this requirement.

Construct validity refers to the degree to which a measure actually assesses the theoretical construct it is meant to assess (Fornell et al., 1981). It consists of face validity, convergent validity, discriminant validity, and nomological validity where convergent validity and dicriminant validity can be statistically measured (Hair et al., 2010). The degree to which

the dependent variable is determined by explanatory variables is an indicator of existence to construct validity (Kothari, 2004). If variables are significantly correlated then we can conclude the existence of construct validity (Kothari, 2004). This is calculated and there is significant correlation between variables which indicate explanatory variables have valid contribution in determining the achievement of pricing objectives (dependent variable) with respect to other constructs revealed in other theories.

The data collection instrument is designed based on answering general and specific objectives, hypothesizes and research questions. The compatibility of questions openness and matching to the objectives is tested carefully.

### 3.8.2. Reliability analysis.

The level of reliability of the instrument that is the internal consistency of the variables was checked with the Cronbach's alpha statistics. Cronbach's alpha is an index of reliability associated with the variation accounted by the true score of the "underlying construct". It can only be measured for variables which have more than one measurement question (Nunnally, 1978). Scales with a coefficient between 0.80 and 0.95 are considered to have very good reliability; Scales with a coefficient between 0.70 and 0.80 are considered to have good reliability and scales value a coefficient between 0.60 and 0.70 indicates fair reliability. When the coefficient is below 0.6, the scale has poor reliability (Zikmund et al., 2010). This study found to have fair internal consistency of data as the result of Cronbach's Alpha presented in the table below.

**Table 3.2. Reliability Statistics**

Cronbach's Alpha	N of Items
0.617	32

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

Specifically the Cronbach's Alpha for independent variables also produced fair reliability as indicated in the following table. This is therefore the explanatory variables are reliable for the study having fair reliability.

**Table 3.3 Reliability analysis of independent variables.**

Variable	Cronbach's Alpha	N of Items	Reliability
Cost	0.673	3	Fair
Product quality	0.690	3	Fair
Demand	0.658	3	Fair
Competition	0.601	3	Fair

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

### Normality statistics

Normality test is all about the measure of the distribution of the data in a normal basis that can be considered as representative of the universe (Kothari, 2004).

**Table 3.4. Skewness and kurtosis test of normality**

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Cost	-1.348	0.149	1.546	0.297
Quality	-0.632	0.149	-0.742	0.297
Demand	-0.471	0.149	-0.749	0.297
Competition	-1.407	0.149	1.744	0.297

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

A measure of Skewness which test there is lack of symmetry of distribution, and kurtosis, which test whether data collected is peak or flat with relation to normal distribution (Marczyk et al., 2005) are common measurement techniques and used for this study. As revealed by George & Mallery, (2010) for normality of distribution to exist, the results of Skewness and Kurtosis must found between  $\pm 2$ . The result of Skewness and Kurtosis in the table 3.4 shows that it is in the range of normal distribution.

### **3.8.3. Ethical considerations**

Ethics is a norms or standards of behavior that guides moral choices about our behavior and our relationships with others (Mark et al., 2009). Therefore, ethical conducts like; informed consent, confidentiality, privacy, and anonymity were the parts of the data collection instrument. Respondents got full information on the purpose and objectives of the study in order to make informed decisions as to whether to participate or not. Moreover, all information concerning the identity and personality of respondents has been treated with utmost confidentiality. Additionally, all information gathered is for only purpose of academic study.

## Chapter 4

### Results and analysis of data

#### Introduction

This section presents the primary data found from intended respondents in four brewery companies of Ethiopia. The findings are analyzed using IBM SPSS software; tabular graphical and descriptive methods of analyses are used.

The section contains the presentation of demographic profile of respondents, cross tabulation of respondents profile and their respective organization, cross tabulation of price objectives of organizations, evaluation of the determinants, a likert scale survey results of independent variables and their relationship with both financial and competitive pricing objectives, correlation and regression analysis and finally hypothesize testing results are presented.

#### 4.1. Descriptive analysis

##### 4.1.1. Demographic profile of the respondents

A total of 345 employees of four selected brewery companies of Ethiopia; BGI Ethiopia, Dashen Beer S.C, Diageo Meta Abo brewery S.C and Heineken breweries S.C. were selected in the sample and only 268 respondents were completed the questionnaires and returned for analysis.

From respondents who completed the survey, 161 (60.1%) respondents were male and the remaining 107 (39.9%) respondents were female. Total of 78 (29.1%) respondents from BGI Ethiopia, 61 respondents from Dashen, 59 respondents from Diageo Meta and 70 respondents from Heineken breweries have participated in the survey (table 4.1). Only 13 respondents were on managerial position which is 4.9% and the remaining 255 respondents which is 95.1% were on non-managerial position. Most of the respondents (48.1%) were between the age category of 31 to 40 followed by age category of 20 to 30 (34.3%). The remaining 17.5% are in the age category of 40 to 51. Educational level of the respondents indicates that, 63.8% of them are degree holders whereas 22.8% are diploma holders and the remaining 13.4% are above first degree holders. Most respondents (32.5%) have above 5

years of job experience followed by 31.7% employees with job experience of between 2 and 3 years. Employees with job experience between 3 and 5 years are 26.5% and employees with job experience of less than 1 year are 9.3%. The summary of the respondents' profile is presented in the following table.

**Table 4.1; Demographic profile of respondents**

	<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
<b>1</b>	Male	161	60.1
	Female	107	39.9
	<b>Total</b>	<b>268</b>	<b>100</b>
<b>2</b>	<b>Employer Organization</b>		
	B.G.I Ethiopia	78	29.1
	Dashen beer S.C	61	22.8
	Meta beer S.C	59	22
	Heineken Breweries S.C	70	26.1
<b>Total</b>	<b>268</b>	<b>100</b>	
<b>3</b>	<b>Position of respondents</b>		
	Non managerial	255	95.1
	Managerial	13	4.9
<b>Total</b>	<b>268</b>	<b>100</b>	
<b>4</b>	<b>Age of respondent</b>		
	20 to 30	92	34.3
	31 to 40	129	48.1
	41 to 50	47	17.5
<b>Total</b>	<b>268</b>	<b>100</b>	
<b>5</b>	<b>Education level</b>		
	Diploma	61	22.8
	Degree	171	63.8
	Above degree	36	13.4
<b>Total</b>	<b>268</b>	<b>100</b>	
<b>6</b>	<b>Experience of respondents</b>		
	below 1 year	25	9.3
	between 2 and 3 years	85	31.7
	between 3 and 5 years	71	26.5
	above 5 years	87	32.5
<b>Total</b>	<b>268</b>	<b>100</b>	

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

#### 4.1.2. Cross tabulation of respondents profile and their respective organization

As indicated in table 4.2 below; the respondents from all selected companies are participated in the completion of the questionnaires. Male respondents have higher number than females in all stratum and employees with managerial position participated from all organizations with minimum number of 2 employees from Dashen and maximum 5 employees from Heineken, 75 non managerial employees were from BGI Ethiopia is largest and 65 non managerial employees were from Heineken is the second. 56 non managerial employees from Meta is smallest number of participants.

**Table 4.2 Employer organization vs respondents' profile**

		Employer Organization				
	Cross tabs	B.G.I Ethiopia	Dashen beer S.C	Diageo abo S.C	Meta brewery	Heineken breweries S.C
Gender	Male	41	38	36		44
	Female	37	23	23		26
	<b>Total</b>	<b>78</b>	<b>61</b>	<b>59</b>		<b>70</b>
Position	managerial	3	2	3		5
	Non managerial	75	59	56		65
	<b>Total</b>	<b>78</b>	<b>61</b>	<b>59</b>		<b>70</b>
Age category	20 to 30	32	24	18		18
	31 to 40	35	30	26		42
	41 to 50	11	7	15		10
	Above 50	-	-	-		-
	<b>Total</b>	<b>78</b>	<b>61</b>	<b>59</b>		<b>70</b>
Education	Diploma	15	13	17		13
	Degree	53	41	33		48
	Above degree	10	7	9		9
	<b>Total</b>	<b>78</b>	<b>61</b>	<b>59</b>		<b>70</b>
Job experience	below 1 year	9	6	5		5
	B/n 2 and 3 years	20	24	19		20
	B/n 4 and 5 years	21	12	16		23
	Above 5 years	28	19	19		22
	<b>Total</b>	<b>78</b>	<b>61</b>	<b>59</b>		<b>70</b>

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

Age category of respondents from BGI between 20 to 30 years 32 employees, between 31 to 40 years 35 employees and between 41 to 50 years 11 employees participated. Respondents from Dashen between 20 to 30 years 24 employees, between 31 to 40 years 30 employees and between 41 to 50 years 17 employees participated. Age of respondents from Meta Abo between 20 to 30 years 18 employees, between 31 to 40 years 26 employees and between 41 to 50 years 15 employees participated. Age category of respondents from Heineken between 20 to 30 years 18 employees, between 31 to 40 years 42 employees and between 41 to 50 years 10 employees participated.

15 Diploma holders, 53 degree and 10 above degree level educated respondents participated from BGI Ethiopia. 13 Diploma holders, 41 degree and 7 above degree level educated respondents participated from Dashen. 17 Diploma holders, 33 degree and 9 above degree level educated respondents participated from Meta abo breweries and 13 Diploma holders, 48 degree and 9 above degree level educated respondents participated from Heineken breweries.

## **4.2. Results and discussion**

A total of four explanatory variables were evaluated as determinants of pricing objectives of breweries in Ethiopia. The results of respondents are categorized in five categories which are surveyed as 1 to ten numerical values to be given by respondents. Score 1 and 2 are categorized as lowest impact, 3 and 4 lower impact, 5 and 6 moderate impact, 7 and 8 higher and 9 and 10 considered as highest impact score of variables. This was done by recoding into different variables using IBM SPSS software. Cost has mean score of 8.57, product quality 8.37, demand 8.23 and competition 8.54 for this section only.

### **4.2.1. Impact of cost on pricing objectives**

Statistical analysis of the data about the impact of cost on the achievement of breweries pricing objectives shows that cost has high impact on the attainment of pricing objectives in breweries of Ethiopia. According to the result cost has scored largest number of frequencies in highest impact category 163 (60.8%). The descriptive statistics result as presented in the table 4.3 below shows that only one person gave lower score to the impact of cost on achieving pricing objective. 27 respondents scored cost as moderate determinant of pricing

objectives and 77 respondents considered cost as higher determinant of achieving pricing objective. The following table presents the brief summary of this result.

**Table 4.3 Cost Vs pricing objectives**

	Frequency	Percent	Valid Percent	Cumulative Percent
Lower impact	1	0.4	0.4	0.4
Moderate impact	27	10.1	10.1	10.4
Higher impact	77	28.7	28.7	39.2
Highest impact	163	60.8	60.8	100.0
<b>Total</b>	<b>268</b>	<b>100.0</b>	<b>100.0</b>	

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

As we can see from the results no respondents answered cost as having lowest category of impact on price objectives. The result shows that there is high number of frequency on highest category and higher category respectively. Therefore we can understand cost has high impact on determining pricing objectives.

#### 4.2.2. Impact of beer quality on pricing objectives

The quality of breweries determines the achievement of pricing objectives that was indicated by the respondents. As presented in the table 4.3, about 57.8% of the respondents considered beer quality as highest determinant of pricing objectives.

**Table 4.4 Product quality Vs Pricing objectives**

	Frequency	Percent	Valid Percent	Cumulative Percent
lower impact	2	0.7	0.7	0.7
moderate impact	27	10.1	10.1	10.8
higher impact	84	31.3	31.3	42.2
highest impact	155	57.8	57.8	100.0
<b>Total</b>	<b>268</b>	<b>100.0</b>	<b>100.0</b>	

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

31.3% of the respondents answered beer quality has higher impact on achieving price objectives. Whereas, 10.1% and 0.7% of respondents answered beer quality has moderate and lower impact on pricing objectives, respectively.

### 4.2.3. Impact of demand on pricing objectives

Most (55.2%) of the respondents were in highest impact category followed by 34.7% respondents in the higher impact category. Only 9% and 1.1% of the respondents were grouped demand in moderate and lower determinants of pricing objectives, respectively. As summarized in the table 4.5 below, we can understand the result from respondents as demand has highest influence on determining the achievement of pricing objectives of breweries in Ethiopia.

**Table. 4.5 demand Vs pricing objectives**

	Frequency	Percent	Valid Percent	Cumulative Percent
lower impact	3	1.1	1.1	1.1
moderate impact	24	9.0	9.0	10.1
higher impact	93	34.7	34.7	44.8
highest impact	148	55.2	55.2	100.0
<b>Total</b>	<b>268</b>	<b>100.0</b>	<b>100.0</b>	

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

### 4.2.4. Impact of competition on pricing objectives

As depicted in the table 4.6, 154 respondents answered competition has highest influence of pricing objectives which is largest frequency (57.5%). Competition has higher impact on pricing objectives is the next larger frequency responded by 87 respondents which is 32.5%. The remaining 24 and 3 respondents were found in category of competitions moderate impact and lower impact on pricing objectives respectively.

**Table 4.6 Competition Vs pricing Objectives**

	Frequency	Percent	Valid Percent	Cumulative Percent
lower impact	3	1.1	1.1	1.1
moderate impact	24	9	9	10.1
higher impact	87	32.5	32.5	42.5
highest impact	154	57.5	57.5	100
<b>Total</b>	<b>268</b>	<b>100</b>	<b>100</b>	

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

### **4.3. Descriptive Statistics of current pricing objectives pursued by breweries of Ethiopia**

Total number of ten possible pricing objectives taken from George.et al. (2004), were distributed to be answered by respondents to find the intension of companies to pursue either financial or competitive related objectives (Ozguven, 2004). According to Ozguven's (2004) argument five of the pricing objectives are financial objectives and five objectives are competitive related objectives. The financial objectives are; Return on investment, Profit maximization, Cost coverage, Satisfactory profit and Return on asset whereas competitive objectives are; Similar price with competitors, long term survival, Discouraging of new entrants, building prestige image of company and price war avoidance. Respondents from each organization have given their score which is given by 1 to 10 ranges and 1 minimum score whereas 10 maximum score given for price objectives their company currently pursue.

Accordingly the result shows similar price with competitors has mean of 8.66 which is the highest of all types of pricing objectives. Return on investment follows with mean of 8.58 which the second is pricing objective pursued by breweries in Ethiopia. Profit maximization is the third objective of pricing strategy pursued by breweries with mean of 8.53 and long term survival scored mean of 8.19 to be the fourth pricing objective of breweries. Cost coverage and satisfactory profit scored 8.18 and 8.10 means scores to become fifth and sixth respectively. The seventh pricing objective have been discouraging

of new entrants and building prestige image of company with equal mean score of 8.01, price war avoidance and return on asset became the least intentions of price objectives with mean of 7.97 and 7.9 respectively. The summary of this result has been presented in the table below.

**Table 4.7 Current pricing objectives of breweries in Ethiopia**

	N	Mean	Std. Deviation
Similar price with competitors	268	8.66	1.295
Return on investment	268	8.58	1.509
Profit maximization	268	8.53	1.439
Long term survival	268	8.19	1.382
Cost coverage	268	8.18	1.389
Satisfactory profit	268	8.14	1.671
Discouraging new competitors to do not enter	268	8.01	1.834
prestige Image	268	8.01	1.867
Price war avoidance	268	7.97	1.767
Return on asset	268	7.91	1.728
Valid N (listwise)	268		

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

Note; minimum 1 maximum 10

#### **4.3.1. Statistical results of organizations and their current pricing objectives**

As all organizations are private organizations profit related objectives are commonly found at higher level in all organizations. From profit related objectives only return on asset in BGI and Meta, satisfactory profit in Heineken scored below 8. Similar price with competitions is the highest pricing objectives in all organizations. The least scored competition related pricing objectives are Discouraging new entrants in Meta abo breweries

whose mean is 7.627.the detail descriptive results of this data has been presented in the table below.

**Table 4.8.Cross tabulation of organizations and means of their respective price objectives**

		Organization				Average mean
		BGI Ethiopia	Dashen beer S.C	Meta Abo brewery S.C	Heineken breweries S.C	
1	Cost coverage	8.282	8.049	8.322	8.057	8.175
2	Long term survival	8.102	8.295	8.118	8.271	8.193
3	satisfactory profit	8.321	8.118	8.001	7.976	8.102
4	Profit maximization	8.602	8.278	8.796	8.457	8.532
5	prestige Image	7.794	8.016	8.067	8.171	8.012
6	Similar price with competitors	8.910	8.360	8.612	8.771	8.662
7	price war avoidance	7.692	8.163	7.813	8.242	7.972
8	Return on investment	8.179	8.606	8.627	8.902	8.577
9	Return on asset	7.525	8.016	7.898	8.211	7.911
10	Discouraging new entrants	8.089	8.065	7.627	8.242	8.009
	N	78	61	59	70	268

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

Note minimum 1 and maximum 10

#### **4.4. Results for the determinants of financial and competitive objectives**

##### **4.4.1. Cost**

The impact of explanatory variables on both financial and competitive objectives has been surveyed with five level likert scale noted as 1 strongly disagree, 2 disagree, 3 neutral,4 agree and 5strongly agree. The result shows 43.66 % of respondents strongly agreed on cost as first determinant of pricing objectives and 42.16% of them agreed, 8.21% neutral, 3.73% disagreed and 2.24% strongly disagreed on the idea. From this we can understand most of respondents strongly agree with cost to be the first determinant of pricing objectives.

The result of evaluation to show whether cost has higher impact on financial or competitive objectives shows that 38.81% of respondents strongly agreed on cost's impact to financial objectives and 51.49% of respondents agreed on the idea of cost impact to financial

objectives the remaining 5.97%, 2.61% and 1.12% of respondents show neutral, disagreement and strong disagreement to the idea respectively. Most respondents agreed with the idea with 51.49 percent of the respondents.

The idea for cost and its influence to competitive objectives resulted as 38.06% strongly agree, 48.13% agree, 8.96% neutral, 4.85% disagree and no strongly disagree. Here, most frequency is found on agree with 48.13% followed by strongly agree with the idea 39.06%. The summary showing the influence of cost on financial and competitive objectives is presented in the table below.

**Table.4.9. The influence of cost on financial and competitive objectives.**

No.	Variable		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
1	Cost is the first determinant of pricing objectives	Freq.	6	10	22	113	117	268
		%	2.24	3.73	8.21	42.16	43.66	100
2	Cost mostly affects profit related objectives	Freq.	3	7	16	138	104	268
		%	1.12	2.61	5.97	51.49	38.81	100
3	Cost mostly affects competition related objectives	Freq.	0	13	24	129	102	268
		%	0	4.85	8.96	48.13	38.06	100

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

#### 4.4.2. Product quality

The result for respondents agreement scale to similarly distributed idea for product quality shows 39.93% of respondents strongly agreed on beer quality as first determinant of pricing objectives and 42.91% of them agreed, 7.84 % neutral, 5.22% disagreed and 4.11% strongly disagreed on the idea. This shows most respondents agreement to determine beer quality as the first determinant of pricing objectives which is 42.91% followed by strongly agree with 39.93%.

The result of evaluation to show whether beer quality has higher impact on financial or competitive objectives shows that 39.55% of respondents strongly agreed on product quality impact to financial objectives and 45.9% of respondents agreed on this idea. The remaining

8.21%, 4.85% and 1.19% of respondents remain neutral, disagree and strongly disagree with the idea respectively. The most frequency is found on agreement which is 45.9% followed by strongly agreement of respondents which is 39.55%.

**Table 4.10 The influence of product quality on financial and competitive objectives.**

No.	Variable		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
1	Beer quality is the first determinant of pricing objectives	Freq.	11	14	21	115	107	268
		%	4.1	5.22	7.84	42.91	39.93	100
2	Beer quality mostly affects profit related objectives	Freq.	4	13	22	123	106	268
		%	1.49	4.85	8.21	45.9	39.55	100
3	Beer quality mostly affects competition related objectives	Freq.	2	11	20	128	107	268
		%	0.75	4.1	7.46	47.76	39.93	100

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

According to table 4.10, about 47.76% and 39.93% of respondents agreed and strongly agreed respectively on the idea that product quality mostly affects competitive objectives. Whereas, 7.46 % of the respondents are neither agree nor disagree to the idea. The remaining 4.1% and 0.75% disagreed and strongly disagree, respectively. The frequency on agreement is highest which 47.76%. This result indicates that, product quality has the highest impact on competitive objectives than financial objectives.

#### **4.4.3. Demand**

As it is indicated in the table below, most respondents show their agreement with 44.4% for the idea to determine demand as first determinant of pricing objectives. 36.57% strongly agreed, 11.57% remain neutral to this idea. The remaining 4.1% and 3.36% disagreed and strongly disagreed respectively.

The result of evaluation to show whether demand has higher impact on financial or competitive objectives shows that 35.82% of respondents strongly agreed on the impact of demand on financial objectives and 40.3% of respondents agreed on this idea. 17.16%

neutral,, 3.73% disagree and 2.99% of respondents strongly disagreed with the idea. The highest frequency is agreeing with 40.3%.

Evaluating demand and its impact on competitive objectives brought 37.31% of frequency on strongly agrees, 41.79% agree, 14.55% neutral, 4.48 disagree and 1.87% strongly disagree. Most of respondents show their agreement with 41.79%. The summary showing the influence of demand on financial and competitive objectives is presented in the table below.

**Table 4.11 The influence of demand on financial and competitive objectives**

No.			Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
1	Demand is the first determinant of pricing objectives	Freq.	9	11	31	119	98	268
		%	3.36	4.1	11.57	44.4	36.57	100
2	Demand mostly affects profit related objectives	Freq.	8	10	46	108	96	268
		%	2.99	3.73	17.16	40.3	35.82	100
3	Demand mostly affects competition related objectives	Freq.	5	12	39	112	100	268
		%	1.87	4.48	14.55	41.79	37.31	100

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

#### 4.4.4. Competition

Results of descriptive statistics show that the idea of competition as the first determinant of pricing objectives is strongly agreed by 39.93% of respondents, agreed by 44.77% of respondents, neutral 11.94% of respondents, disagreed by 3.36% and no frequency on strongly disagree. The most frequency of respondents found on agree scale of measurement which is 44.77% followed by strongly agree which is 39.93%.

The result of evaluation to show whether competition has higher impact on financial or competitive objectives shows that 38.43% of respondents strongly agreed on the impact of competition on financial objectives and 45.15% of respondents agreed, 8.96% remain neutral to the idea. The remaining 5.22% and 2.24% disagreed and strongly disagreed on the idea. Most of respondents were agreed on the idea with 45.15% of frequency.

40.67 % of respondents strongly agreed on the idea of competition’s impact on competitive objectives and 48.88% agreed, 6.34 % show neutrality to the idea. The remaining 3.36% and .755 show disagreement and strong disagreement with the idea. This shows that most of the whole respondents agreed on competition impact on competitive objectives with frequency of 48.88%. The summary showing the influence of demand on financial and competitive objectives is presented in the following table.

**Table 4.12 the influence of competition on financial and competitive objectives**

No.			Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
1	Competition is the first determinant of pricing objectives	Freq.	0	9	32	120	107	268
		%	0	3.36	11.94	44.77	39.93	100
2	Competition mostly affects profit related objectives	Freq.	6	14	24	121	103	268
		%	2.24	5.22	8.96	45.15	38.43	100
3	Competition mostly affects competition related objectives	Freq.	2	9	17	131	109	268
		%	.75	3.36	6.34	48.88	40.67	100

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018.

#### **4.5. Rank of the determinants based on descriptive Statistics**

The four independent variables were evaluated with four questionnaires developed for each of them. The first questions are giving numerical value for each variable’s impact on pricing objectives. The value ranges from 1 to 10 in which 1 introduced as lowest value ad 10 highest values. The mean result of this has been added to the results of the rest three questions for each prepared with five levels of likert scale measurement.

As it is presented in the table 4.14, cost is still the first determinant of the four evaluated variables with mean of 8.46 and competition follows with 8.42, quality became the third determinant with 8.355. Demand is the fourth one with cumulative mean of 8.142. product quality comes to be the third variable affecting the success and determination of pricing objectives with mean of 8.37 and demand follows to be the least of four independent variables with mean of 8.2.

**Table. 4.13 Rank of determinants of pricing objectives.**

	N	Mean	Std. Deviation
The impact of cost on Pricing Objectives.	268	8.46	1.408
The impact of competition on pricing objectives	268	8.42	1.462
The impact of beer quality on pricing objectives	268	8.37	1.436
The impact of demand on pricing objectives	268	8.23	1.447
Valid N (listwise)	268		

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

The values for all determinants generally are considered high since the mean value for each is found above 8. The standard deviation shows between 1 and 2 which is normal deviation for measurement scaled up to 1 to 10 and standard deviation below 1 is normal for measurements from 1 to 5 like likert scale (Gebretsadik, 2013).

#### **4.6. Discussion of the results.**

The four independent variables have significant impact on the achievement of both financial and competitive objectives of pricing in breweries of Ethiopia. Most pricing objectives pursued by breweries in Ethiopia are financial objectives. This result is similar to that of empirical researches previously conducted by different scholars (Schlissel, 1977; Morris and Fuller, 1989; Meidan and Chin, 1995; George et al., 2004). The success of those pricing objectives is highly determined by cost, competition, product quality and demand respectively.

Cost is an overall expenditure of firms to come up with final products to final consumers in the market area (Simon, 2006). According to the finding, cost is the first determinant of pricing objectives with mean average of 8.46 followed by competition with mean average of 8.42. Most researches, especially researches before 2000GC reported that, cost is the most important determinant of pricing objectives which is in line with this finding (Schlissel, 1977; Morris and Fuller, 1989). However, recent researchers found that, competition is the most important determinant of pricing objectives in saturated markets (George et al., 2004).

This is as indicated in the statement of problem the increases in number of competitions, information technology and reduced entry barriers (Christopher and Gattorna, 2005).

In Ethiopian brewery industry however cost is still found the most important factor of determination and success of pricing objectives. The success of pricing objectives has also highly determined by competition in Ethiopian brewery. This industry is growing from time to time and more new competitors are being attracted to this sector (Access capital, 2010; Negash et al., 2016). This result is similar to the findings of Hilton (2005) which reported as firms must give higher attention to cost and competition for the success of their pricing objectives. Therefore following cost, competition has higher indication of dominating the determination of pricing objectives breweries of Ethiopian.

The extent to which the product is differentiated from that of rivals in the same industry is quality of the product that has its own impact on achieving pricing objectives (George et al., 2004; Simon 1979). Product quality is found the third highest determinant of pricing objectives with mean average 8.37 among the four evaluated determinants. As different scholars revealed product quality, the extent to which breweries differentiate their offerings from rivals has its own contribution of price freedom to succeed their pricing objectives either profit or survival (George et al., 2004; Bujisic, et al., 2013). Lifecycle pricing and differentiated pricing are becoming mandatory for breweries as competition is increasing from time to time. Because, the finding of this study shows that, product quality has higher influence on competitive objectives as indicated on the figure 4.1. Life cycle pricing allows breweries to produce various newer brands and introduction of newer and differentiated brands based on the market requirement (Ozguven, 2004; Kotler, 2010; Bujisic, et al., 2013). This would be due to competition's driving force towards additional needs and wants of consumers. Therefore, competition could enforce breweries to speed up their offerings lifecycle. This could be managed through adjustment of pricing objectives and price of breweries based on the level of demand for the brands (Kotler, 2010).

Demand is an overall potential of a given market eligible and willing to purchase a given product backed by ability to purchase (Özguven, 2004). It is the last of the four variables in determining the pricing objectives (8.23). However, it has still significant contribution for the success of pricing objectives of breweries in Ethiopia since mean of 8.23 is in the range of highest impact category. The existence of high demand not only produces larger sales,

but it has also a potential of attracting new competitors in lucrative industries (Porter, 1980). When we say Ethiopian brewery market is growing by 24% per annum, (access capital, 2010) it's not only about the demand for breweries but it is also for the supply side. So the existence of sufficient demand does not guarantee companies' profitability; instead working on competitive advantages and creation of customer loyalty with differentiated offerings and diversified alternatives like nonalcoholic breweries, is the only option of sustainable profitability and survival of breweries in Ethiopia (Harrison, 2009). This is why all businesses hardly work on satisfying their customers.

Generally, cost is ranked as the first determinant of pricing objectives in breweries of Ethiopia. Competition is the second determinant and product quality is the third. Demand has been found the least determinant of pricing objectives in breweries of Ethiopia.

**Table 4.14 Independent variables and their impact on financial and competitive objectives**

Independents	Dependants	mean	median	mode
Cost	financial objectives	4.24	4	4
	competition objectives	4.19	4	4
Product quality	financial objectives	4.09	4	4
	competition objectives	4.22	4	4
Demand	financial objectives	4.02	4	4
	competition objectives	4.08	4	4
Competition	financial objectives	4.12	4	4
	competition objectives	4.25	4	4

**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

Moreover, the four independent variables were evaluated and ranked as whether they have higher or lower impact on financial and competitive objectives separately. Mean is used to indicate little difference of frequencies between each independent variable to show which variable mostly affect financial or competitive objectives (Rensis, 1932). As indicated in the descriptive results of the table 4.13, Cost has higher influence on financial objectives that is

4.24. Both median and mode show 4. Thus, the impact of cost on financial objectives is higher than its impact on competitive objectives. This finding is similar to that of findings in previous studies (Indounas, n.d; Diamantopoulos, 1991; George et al., 2004). Even though, the impact of cost on financial objectives is higher than its impact on competitive objective, it has also higher impact on competitive objectives with 4.19. Therefore cost has higher impact on financial objectives than competitive objectives and both objectives are highly influenced by cost.

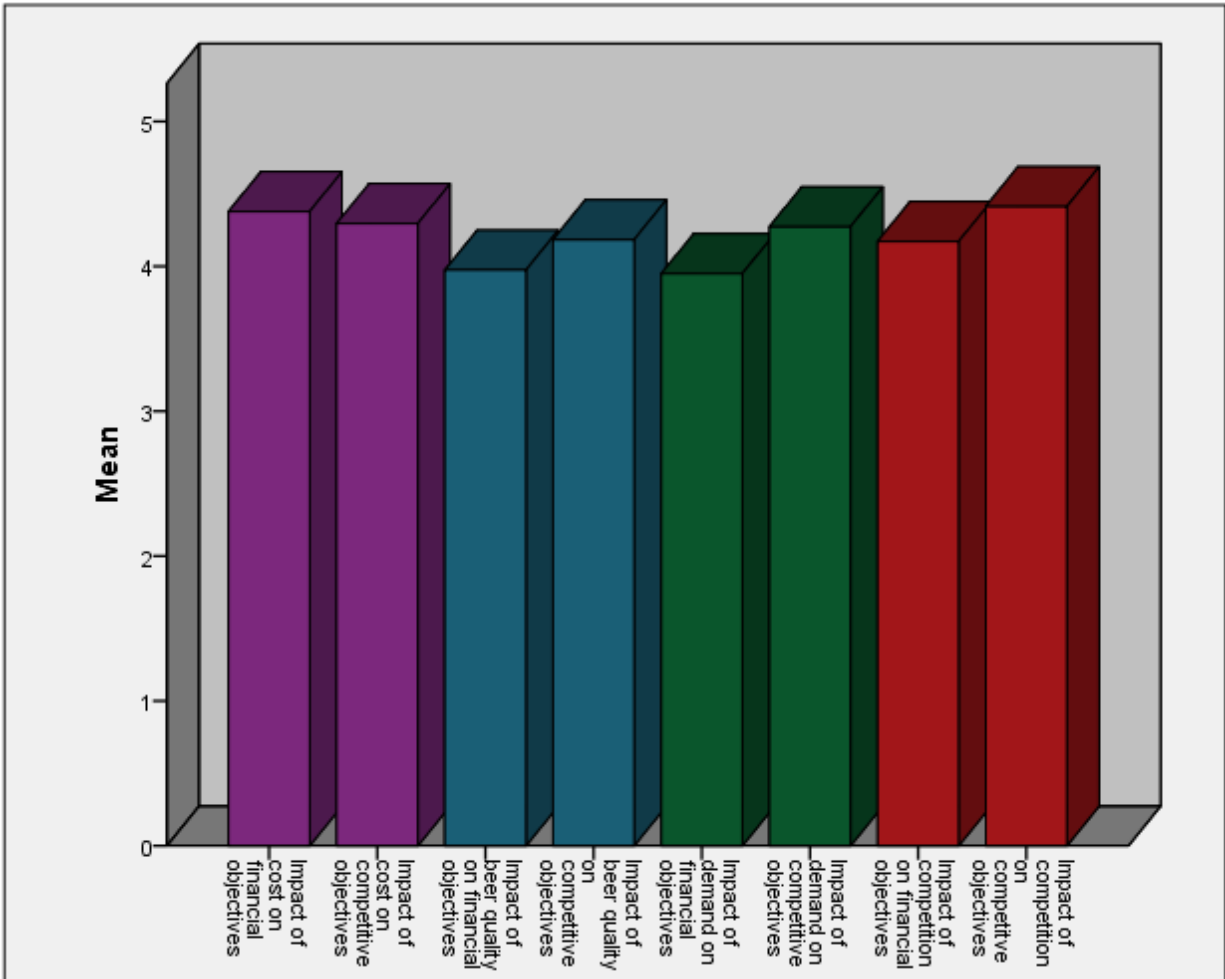
Product quality has mean value of determining the success of breweries financial price objectives 4.09 and competitive price objectives 4.22. As the result shows breweries pursuing competitive objectives will be highly affected by product quality than breweries pursuing financial objectives. Therefore product quality has higher impact on competitive objectives than financial objectives.

The other determinant of financial and competitive objectives of breweries is demand. As the result shows above, demand has higher impact on competitive objective having little difference from financial objectives that is 4.08 and 4.02 for competitive and financial objectives respectively.

Competition has the highest impact on competitive related objectives which is 4.25. Though, overall rank of competition is second determinant of pricing objectives, it has been the first on determining competitive objectives. Therefore competition has higher impact on competitive objectives than financial objectives. The summary of this discussion has been indicated in the following graphic presentation.

In general cost is the only variable having impact on financial objectives whereas the remaining variables have higher impact on competitive objectives. The impact of cost on competitive objectives is still higher. Therefore it has higher impact on both financial and competitive objectives. The two uncontrollable variables; demand and competition have relatively lower impact on financial objectives than the two controllable variables.

**Figure 4.1 Impact all independent variables on both financial and competitive objectives**



**Source:** SPSS descriptive analysis result based on questionnaire survey, 2018

#### **4.7. Regression analysis**

Regression is a method of measuring extent to which the explanatory variables explain/predict the outcome variable (Cooper and Schindler, 2003). Multiple regression is the method of regression analysis for this study. Based on this the four independent variables evaluated as determinants of pricing objectives were entered to show their impact on the outcome variable pricing objective of breweries. Accordingly, the result in the model summary below shows  $R^2 = .596$ ; meaning cost, product quality, demand and competition have 59.6% of determining the success of achieving pricing objectives whereas the

remaining 40.4% of succeeding pricing objectives is determined by variables outside this study.

**Table 4.15 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.772 <sup>a</sup>	.596	.590	.423

a. Predictors: (Constant), Cost, Product quality, Demand, Competition.

Analysis of variance (ANOVA) is the part of regression analysis by which the model fitness is indicated as whether it is significant or not. SS is 69.579 which is divided by its degree of freedom to give mean SS.=17.395 F is the result of mean square divided by residual mean square which is 97.15. Accordingly the result in the following table shows, the model is significant at 0.05.

**Table 4.16.ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	69.579	4	17.395	97.151	.000 <sup>b</sup>
	Residual	47.089	263	.179		
	Total	116.668	267			

a. Dependent Variable: Pricing objectives

b. Predictors: (Constant), Cost, Product quality, Demand, Competition.

**Source:** SPSS analysis result based on questionnaire survey, 2018

The coefficients of the model show that the extent to which independent variables individually determine the success of pricing objectives through standardized beta coefficient. Based on this, the two internal factors cost and product quality found to be highly significant and statistically meaningful with 31.1% and 40% of respective contribution to the achievement of and determination of pricing objectives compared to the two external factors (demand and competition). The following table presents the summary of the results.

$$Y=a+x_1+x_2+x_3+x_4$$

**Table 4.17. Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.632	.167		9.791	.000
Cost	.226	.038	.311	5.882	.000
Product Quality	.258	.034	.400	7.514	.000
Demand	.090	.032	.132	2.795	.006
Competition	.095	.036	.113	2.639	.009

a. Dependent Variable: Pricing objectives

#### **4.8. Correlation analysis**

Correlation is a statistical method used to determine whether a relationship between variables exists. Correlation measures the strength of the linear relationship between two variables. Thus, Pearson's correlation is used to identify whether there are relationships between the variables and to describe the strength and the direction of the relationship between two variables (Mohammad, n.d). According to Berndt et, al (2005), the level of association as measured by Pearson's co-efficient falls between -1.0 and +1.0, which indicates the strength and direction of association between the two variables. A correlation result between 0 and 1 implies positive relationship, 0 (zero) for no relationship, 1 for perfect positive relationship, -1 for perfect negative relationship and between -1 to 0 indicate the existence of negative relationship.

So, the correlation analysis was done to analyze the relationship between current pricing objectives of brewery companies and cost, beer quality, demand and competition. To examine the relationship among these variables, Pearson correlation coefficients were calculated. In this section of the study, the analysis and interpretations of the correlation results between dependent and independent variables are presented.

**Table. 4.18 Correlations**

		Pricing objectives	Cost	Product quality	Demand	Competition
Pricing objectives	Pearson Correlation Sig. (2-tailed) N					
Cost	Pearson Correlation Sig. (2-tailed) N	0.665** 0.000 268	1 268			
product quality	Pearson Correlation Sig. (2-tailed) N	0.695** 0.000 268	0.625** .000 268	1 268		
demand	Pearson Correlation Sig. (2-tailed) N	0.516** 0.000 268	0.466** 0.000 268	0.519** 0.000 268	1 268	
competition	Pearson Correlation Sig. (2-tailed) N	0.383** 0.000 268	0.379** 0.000 268	0.288** 0.000 268	.282** 0.000 268	1 268

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

Source; SPSS analysis of survey results

## 4.9. Hypothesize testing

**Table 4.19 hypothesize testing**

Independent variables	Dependant variable	N	Pearson's			
			correlation	df	chi square	p value
cost	pricing objectives	268	0.665**	4	14.36	0.001
product quality	pricing objectives	268	0.695**	4	14.23	0.001
demand	pricing objectives	268	0.516**	4	14.33	0.006
competition	pricing objectives	268	0.383**	4	14.18	0.009

Source, SPSS analysis survey results

**H<sub>1</sub>**. Cost has direct and significant relationship with pricing objectives.

**H<sub>0</sub>**. Cost has no direct and significant relationship with pricing objectives.

The correlation of the two variables indicates that the two variables are significantly correlated 0.665. The number of participants 268 and df is 4 which is the result of 5-1 (five level of likert scale categories). The chi square is 14.36 showing the existence of difference between observed mean of frequencies and expected frequencies by the null hypotheses. As depicted in the above table the  $p = 0.001$  which means it has significant relationship with pricing objectives  $p \leq 0.05$  (i.e. significant at 0.05).

*Therefore, the null hypothesis is rejected.*

**H<sub>2</sub>**. Product quality has direct and significant relationship with pricing objectives

**H<sub>0</sub>**. Product quality has no direct and significant relationship with pricing objectives.

Product quality significantly correlated with pricing objectives at 0.695.  $N=268$  degree of freedom=4, the chi square 14.23 showing the existence of difference between the observed frequencies and expected frequencies by null hypothesis. The p value here is also below 0.05 which means it is significant at 0.05. This shows there is direct and significant relationship between product quality and pricing objectives. It is significant at 0.05.

*Therefore the null hypothesis is rejected and the research hypothesis is supported.*

**H<sub>3</sub>** Demand has direct and significant relationship on pricing objectives.

**H<sub>0</sub>** Demand has no direct and significant relationship with pricing objectives.

The result for demand shows it has significant relationship with the achievement of and determination of pricing objectives in brewery companies. N=268 correlation positive correlation = 0.516 with degree of freedom=4. The chi square is 14.33 showing the existence of difference between observed result and expected results. The p value is 0.001 which show demand is significantly and directly related with pricing objectives at significance level of 0.05 for this study.

***Therefore the null hypothesis is rejected.***

**H<sub>4</sub>** Competition has direct and significant relationship on pricing objectives.

**H<sub>0</sub>** Competition has no direct and significant relationship with pricing objectives.

The result shows competition has significant correlation with pricing objectives that is 0.383. N=268 with degree of freedom=4. The chi square is 14.18 showing the existence of difference between observed results and expected results. The p value is 0.001 which shows competition has significant and direct relationship with pricing objective. That is significant at 0.05.

***Thus the null hypothesis is rejected.***

## Chapter 5

### Summary, Conclusion and recommendation

#### Introduction

This is the end chapter of this paper with presentation of the summaries for major findings, future implications to brewery companies, recommendations and recommended areas of future researchers for better enhancement of existing knowledge level on the area.

#### 5.1. Major findings summarized

- ✓ Total number of 345 questionnaires was distributed to employees of four selected brewery companies of Ethiopia to evaluate the impacts of cost, product quality, demand and competition on their companies pricing objectives; a total of 268 questionnaires were completed by total of 60.1% male respondents and 39.9% of female respondents from all companies. 29.1%, 22.8%, 22% and 26.1% of respondents were from BGI Ethiopia, Dashen beer S.C, Meta Abo and Heineken breweries S.C respectively. 95.1% of the whole respondents were on non managerial position and the remaining 4.9% on managerial position. Most of these respondents were in the age range of 31 to 40 which covers 48.15 of the whole respondents. Most of respondents were degree holders with 63.8% and the most number of respondents have job experience above 5 years with 32.5%.
- ✓ Based on the data found from the above respondents, the major findings show that cost, product quality, demand and competition have significant influence on the achievement and determination of pricing objectives in brewery companies of Ethiopia.
- ✓ The current pricing objectives pursued by brewery companies are mostly dominated by financial objectives by little difference with competitive objectives. Although, the result shows price similarity with competitors is the most dominant type of pricing objective of breweries which is competitive type of objective, the mean result of the whole types of objectives shows financial objectives are slightly higher objectives preferred by most companies.
- ✓ Among the four independent variables cost has higher impact on financial objectives than competitive. The remaining independent variables are found to have higher influence on competitive objectives than financial objectives.

- ✓ Cost has been the first determinant of overall pricing objectives in brewery companies of Ethiopia followed by competition, product quality and demand respectively.

## 5.2. Conclusions

How cost, product quality, demand and competition affect pricing objectives?

Cost, product quality, demand and competition have direct and significant influence to determine the achievement of pricing objectives.

Which of financial and competitive objectives is mostly pursued by companies?

Financial objectives are slightly greater than competitive objectives to be mostly pursued by breweries in Ethiopia. But competitive objectives are being used highly. Financial objectives mean 8.27 and competitive objectives mean 8.17. From this we can conclude that almost equal level of financial and competitive objectives are being pursued by breweries in Ethiopia.

What is the relationship between cost and pricing objectives?

The relationship between cost and pricing objectives show ( $r=0.665$ )  $p \leq 0.05$  significant at 0.05. Therefore, there is direct and significant relationship between cost and pricing objectives. Cost has higher influence on financial objectives compared to competitive objectives. Thus, we can conclude that cost has decisive influence on determining of pricing objectives and achieving of the objectives in breweries of Ethiopia.

What is the relationship between product quality and pricing objectives?

Product quality also found to have direct and significant relationship with pricing objectives with ( $r= 0.695$ )  $p \leq 0.05$  significant at 0.05. It has higher impact on competitive objectives than financial objectives.

What is the relationship between demand and pricing objectives?

Demand has ( $r=0.516$ )  $p \leq 0.05$  significant at 0.05. Based on this result, there is also direct and significant relationship between demand pricing objectives. It has relatively higher impact on competitive objectives than financial objectives.

What is the relationship between competition and pricing objectives?

Competition also has direct and significant relationship with pricing objectives with ( $r=0.383$ )  $p \leq 0.05$  significant at 0.05. It has higher impact on competitive objectives than financial objectives.

Which factor is the most variable affecting breweries to determine pricing objectives and which is the least?

Cost has been the first determinant of pricing objectives  $M=8.46$ , followed by competition  $M=8.42$ , product quality  $M=8.37$  and demand became the least determinant of the four selected and evaluated determinants of pricing objectives  $M=8.23$ .

Generally the two internal variables; cost and product quality are found to have great contribution in determining and achieving pricing objectives and the two external variables are relatively lower in the determination and achievement of pricing objectives. The only variable having higher influence on financial objectives than competitive objectives of breweries is cost whereas the other variables have higher impact on competitive objectives than financial objectives.

### **5.3. Implication of findings**

The first determinant of pricing objectives is found to be an overall cost of breweries in Ethiopia. Therefore many organizations focus on financial objective like return on investment and cost coverage. As cost is controllable variable, it could be still an indicator of cost control requirements and it has high correlation with product quality ( $r= 0.625$ ) since producing highly qualified beer has higher relative cost to be incurred until it reaches its final consumers.

Competition has been the second high determinant of pricing objectives. It could have complex problem and can determine the survival of breweries. As indicated in the statement of problem, the impact of competition is becoming higher and higher increasing the difficulty of setting the right price and achievement of pricing objectives. In Ethiopia many organizations are being attracted to beer industry; recently joined organizations like Guinness and Zebidar beer could be indicators of increased competition. Still the market is attractive and many entrants could join the market in the future (Negash et al., 2016).

On the other hand price similarity with competitors has been the prominent type of competitive objective pursued by breweries in Ethiopia. This is an implication for the existence of high need for highly differentiated breweries either in terms of alcoholic content, color, size or other with unique price. Unless, this could create uniformity of breweries and highly minimizes loyalty of customers to specific beer which in turn hinders profitability and long term survival.

Therefore highest impact of cost on financial objectives implies that breweries operating with the objective of financial targets must give higher attention to cost where as breweries operating with the competitive objectives must give higher attention to product differentiation, demand and competition without forgetting the influence of cost.

#### **5.4. Recommendations**

Results of this study have their own implication to brewery companies of Ethiopia as discussed above. Based implications of the findings, recommendations for brewery companies of Ethiopia are given in this section.

- First brewery companies pursuing financial objectives and competitive objectives are highly recommended to apply cost minimization strategies. Strategies of obtaining permanent sources of raw material with reduced cost will contribute higher to their competitive advantage and achievements of pricing objectives. Strategies for reducing cost could be backward, forward, two way integrations and diversifications (Ansoff, 1971). Diversifying their investment into malt factory, integrating their business with local farmers for better supply of barley are some of best strategies to control their cost and maintain long term survival. (Porter, 1980)
- Product quality (product differentiation) is the other factor having higher and statistically meaningful contribution in determining the success of pricing objectives  $B=0.40$ . Differentiating their breweries will contribute higher extent to their freedom of pricing their final offerings especially breweries with competitive objectives of pricing are recommended to consider product quality and image of their offering. Hence, differentiating breweries are recommended to be given attention by breweries of Ethiopia for sustainable profitability and maintenance of current position in the market. Consumer's perception of price should be further studied to identify the

effect of price variation on their attitude of the products and companies should vary their prices to meet consumer perception (Bujisic, et al., 2013).

- Demand has also its own contribution in determining the success of pricing objectives. The success of having sufficient demand leads to higher sales and profitability. Loyalty of customers would have great contribution of having sustainable demand levels for breweries. So we recommend having sustainable source of demand through pricing strategy is another way of creating customer loyalty in addition to keeping breweries differentiated from that of rivals.
- In general, companies whose pricing objectives are mostly competitive, they are required to give higher attention to the impact of competition, produce differentiated breweries, and evaluate the level of demand for their breweries in order to match their production with the needed amount of brewery in the market. They are also recommended to give higher attention to competitive objectives listed in this research without forgetting their financial targets.

### **5.5. Recommended areas for future researchers**

Future researchers could have better insight being supported with the findings of this research and can conduct further researches regarding pricing and profitability. Accordingly, it is better for future researchers to conduct the same titled research on other competitive industries by adding other internal and external variables. As indicated in this statement of problem there is research gap for customer loyalty and profitability issues of breweries and other industries. Therefore, the specific areas of studies are strictly recommended for future researchers as follows.

- Assessment of factors influencing profitability and long term survival.(customer satisfaction, retention, customer loyalty etc)
- Assessment of factors affecting customer retention and determinants of customer loyalty (price, product quality, brand equity, convenience etc)
- The impact of price on customer retention
- The impact of price on customer loyalty
- Evaluating customer satisfaction and its influence on customer loyalty.

Researchers can select organizations on which they are interested to conduct the study based on their interest and convenience.

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## Annex I

### Ababa University



### School of Commerce

#### Dear Respondents,

My name is NigatuTsegayeJemaneh a third year post graduate student in the field of marketing management at Addis Ababa University Commercial College. I am conducting a study entitled by **“Evaluating determinants of pricing objectives in selected brewery companies of Ethiopia.”** The major purpose of this study is to evaluate how cost, product quality, demand and competition affect the success of financial and competitive objectives of beer companies. As this study is intended only for academic purpose, the information you provide will be kept confidential and you are not required to write your name for your responses. Therefore, I kindly request you to fill this questionnaire honestly and accurately. You are required to fill the sign  $\surd$  inside the box provided in front of your choice. The correct information you provide determines the acceptability and quality of the study and its reliability.

*Thank you for your cooperation!*

**Part I**  
**Demographic questions.**

1. **Gender.** 1. Male  2. Female
2. **Your employer.** 1 B.G.I Ethiopia  Ashen beer S.C   
3. Diageo Meta Abo brewery S.C  Ineken breweries S.C
3. **Position.** 1. Non managerial  2. Managerial
4. **Age.** 1. 20-30  31-40  -504. Obove
5. **Education.** 1. Diploma  Degree  ove degree
6. **Years of service.** 1. Below 1yr  tween2 -3 yrs   
3. Between 4-5 yrs  4. Above 5 yrs

**Part II**  
**Evaluating the determinants of pricing objectives.**

Select and sign (√) into to respective box of your evaluation for how and to what extent cost, product quality, demand and competition affect the financial and competitive objectives.

Note; 1= lowest impact whereas 10= highest impact

No.	variables	1	2	3	4	5	6	7	8	9	10
1	The impact of cost on pricing objectives										
2	The impact of quality on pricing objectives										
3	The impact of demand on pricing objectives										
4	The impact of competition pricing objectives										

Lowest highest

### Part III

#### Identifying pricing objectives and ranking of their determinants

Select and sign  $\surd$  into the respective box of your choice to show your view on the price objectives your company currently pursues.

No.	Cost Vs pricing objectives	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Our company has its own pricing objectives					
2	Cost is the first determinant of pricing objectives					
3	Cost mostly affects profit related objectives					
4	Cost mostly affects competition related objectives					
	<b>Product quality Vs Pricing objectives</b>					
5	Quality is the first determinant of pricing objectives					
6	Quality of beer mostly profit related objectives					
7	Quality mostly affects competition related objectives					
	<b>Demand Vs Pricing objectives</b>					
8	Demand is the first determinant of pricing objectives					
9	Demand mostly affects profit related objectives					
10	Demand mostly affects competition related objectives					
	<b>Competition Vs Pricing Objectives</b>					
11	Competition is the first determinant of pricing objectives					
12	Competition mostly affects profit related objectives					
13	Competition mostly affects competition related objectives					

Please give your score to the following price objectives to indicate your view of the current price objectives pursued by your company.

No.	Current pricing objectives	1	2	3	4	5	6	7	8	9	10
1	Cost coverage										
2	Long-term survival										
3	Achievement of satisfactory profits										
4	Profit maximization										
5	Achieving prestige image of company										
6	Price similarity with competitors										
7	Price wars avoidance										
8	ROI (Return on Investment)										
9	ROA (Return on Assets)										
10	Discouragement of new competitors' entering										

*Lowest objective*

*highest objective*

*Thank you very much!*

## Annex II

### Schedules

	October, 2017	Novmber, 2017	December, 2017	January, 2018	Feb. 2018	March,2018	April, 2018	May, 2018
<b>Title submission</b>								
<b>Problem Identifi- cation</b>								
<b>Writing review of related literature</b>								
<b>proposal submis- sion and defence</b>								
<b>Data collection</b>								
<b>Data Organizing</b>								
<b>Data Analyzing</b>								
<b>Preparation of fi- nal study</b>								
<b>Submission of final project and prepar- ing to defense</b>								

### Annex III

#### Cost and budget

<b>No.</b>	<b>Description</b>	<b>Unit</b>	<b>Cost/unit</b>	<b>Total cost</b>
<b>1</b>	<b>Transportation</b>			<b>300</b>
<b>2</b>	<b>Telephone</b>			<b>500</b>
<b>Stationary Materials</b>				
<b>3</b>	<b>Paper</b>	<b>180</b>	<b>1</b>	<b>180</b>
<b>4</b>	<b>Flash Disk</b>	<b>1</b>	<b>250</b>	<b>250</b>
<b>5</b>	<b>Pen</b>	<b>3</b>	<b>6</b>	<b>18</b>
<b>Secretarial Service</b>				
<b>6</b>	<b>Printing</b>	<b>180</b>	<b>0.75</b>	<b>135</b>
<b>7</b>	<b>Binding</b>	<b>1</b>	<b>12</b>	<b>12</b>
<b>8</b>	<b>Miscellaneous Exp.</b>			<b>400</b>
	<b>Total Expense</b>			<b>1795</b>