

ST. MARY'S UNIVERSITY COLLEGE
FACULTY OF BUSINESS
DEPARTMENT OF MARKETING MANAGEMENT

AN ASSESSMENT OF PRICING STRATEGY IN THE CASE OF
OMEDAD PLC

By

ELSABET YIFRU

JUNE, 2013

SMUC

Addis Ababa

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OMEDAD PLC**

**A SENIOR ESSAY SUBMITTED
TO THE DEPARTMENT OF MARKETING MANAGEMENT
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**IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR
THE DEGREE OF BACHELOR OF ARTS IN MARKETING
MANGEMENT**

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Chapter One

Introduction

1.1 Background of the Study

In today's complex and sophisticated environment pricing strategy is a crucial issue to the marketers. Pricing is the most important elements of the marketing mix. It is the only marketing variable that directly determines revenue. In addition, because price affect quality sold, it affects costs as well (Kotler, 2003).

The price is the exchange value of product or service (Simon, 1989). There are two main pricing strategies that firms may use to defend against a competitive market entry (LeBlanc, 1992). The first of these options, limit pricing or entry deterring price (Porter, 1980), may be utilized prior to competitive entry. The second option, predatory (aggressive) pricing, may be executed post-entry. Pricing strategy has played an important role in consumer purchasing behavior and decision making process (Richard, 1985; Myers, 1997). In the 1990s a broader interpretation of the price concept became customary. Illustrative of this broader view is Hutt and Speh's observation that 'the cost of an industrial good includes much more than the seller's price' (Hutt and Speh, 1998). This broader interpretation extends the 'traditional' price notion along three dimensions. First, it recognizes the possible discrepancy between objective and perceived prices. The multidimensional view on prices leads to the recognition that complex pricing schemes may be needed, including a 'system' of prices for different types of customers, product packages, and time periods. This observation is the essence of strategic pricing.

Pricing, as part of the marketing mix, is essential and has been always one of the most difficult decisions in marketing because of heightened competition (Myers, 1997), gray market activities (Assmus and Wiese, 1995), counter-trade requirements (Cavusgil and Sikora, 1988), regional trading blocs (Weekly, 1992), emergency of intra-market segments (Dana, 1998), and volatile exchange rates (Knetter, 1994). Setting prices for international markets is not an easy task. Decisions with regards to product, price, and distribution for international markets are unique to each country (Jain, 1989) and differ from those in the domestic market (Diller and Bukhari, 1994) Furthermore, other factors such as: the rate of return, market stabilization, demand and

competition-led pricing, market penetration, early cash recovery, prevention of competitive entry, company and product factors, market and environmental factors, as well as economic, political, social and cultural factors, have to be considered in the decision making process.

Omedad plc was found in 1985 EC with a capital of 21,000,000. Its head office is located in Kirkose sub city, house number 387/549. It is a leading importer and distributor of wide range of goods and services. With more than adequate capital base, over five hundred employees and 21 branches nationwide, Omedad represents reputable manufactures and suppliers of office machines, catering equipment, domestic appliances, consumer electronics households and office furniture. The above information is gathered from Omedad plc profile. To this end, the student researcher inspired to conduct research on pricing strategy in Omedad plc.

1.2 Statement of the Problem

Business is a high staked game. Branderburger (1995) notes that essence of the business success lies on playing the right game. In the context of oligopoly and duopoly low cost market structure, on the company that lower the price of its product will affect not only its own profitability but also the profitability of its competitors since a lower price will influence consumers' decision making.

Pricing strategy has played an important role in consumer purchasing behavior and decision making process (Richard, 1985; Myers, 1997). In our today world most companies needs to have more profit by providing their respective goods and services to their customers. Therefore, pricing strategies and customer's satisfaction must be the two related issues considered in price setting. In order to have more customers with their respective satisfaction the company must have to adjust its pricing strategies.

But the customer needs goods or services at low price, with good quality in order to keep their satisfactions. So there is a gap between the companies pricing strategy and customer expectations of the price. Therefore, so as to close the gap between the company's and the customers the student researcher will assess the pricing strategy of Omedad plc.

To this end, a student researcher interested to know the factors that affect price decision making process and will assess the pricing strategy of Omedad plc.

1.3 Research Question

The study find out answers to the following questions:

- What is the current pricing strategy of Omedad plc?
- What are the challenges in setting pricing strategy in Omedad plc?
- To what extent cost is related to pricing strategy in Omedad plc?
- To what extent pricing is related to satisfaction of costumers in Omedad plc?

1.4 Objective of the Study

1.4.1 General Objective

The main objective of the study was assessment of pricing strategy on omedad plc.

1.4.2 Specific Objective

The specific objective of the study was

- To indicate the current pricing strategy of Omedad plc
- To identify the challenges in setting pricing strategy in Omedad plc.
- To point out how cost is related to pricing strategy in Omedad plc.
- To pin point how pricing is related to satisfaction of costumers in Omedad plc.

1.5. Scope of the Study

The student researcher delimits the study in time, area and subject in the following manner. The time delimitation for this research paper is between September 2009 and March 2012. That means the student researcher will focus on reports and strategies implemented in the described time period at Omedad plc. The research focus on all five branches of Omedad plc located in Addis Ababa, these are the main branches in Meshuawalkia, and four different branches located in Piassa, Hayahulet, Bole and Meshuawalkia. The researcher believed that the five branches are sufficient to draw conclusion about the company. The study mainly limited to the assessment of

pricing strategy in which it includes the price of product (the exchange value of product) not service. The research paper focus on the strategy of setting price for a product.

1.6 Significance of the Study

Like any other study, this research has different significance to various parties.

- The paper have a benefit to the Omedad's, with different aspects associated with marketing opportunities, polices, strategies and other corporate objectives.
- The study more or less identifies some of the problems of the Omedad and indicating some modification to be taken in the future.
- The researcher believed that, this research is very important for further study about the practice of pricing strategy.
- The study provide significance important as an input for researcher who is interested to conduct future study on this topic

1.7 Operational Definition

Pricing strategy: refers to the methods by which a business calculates how much it will charge for a product or service. (Richard, 1985; Myers, 1997)

Strategy: is a method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem. (Monroe & Lee,1999)

Price: is the exchange value of a good or service. (Simon, 1989)

1.8 Research Design and Methodology

1.8.1 Research Design

The study designed in descriptive research form to achieve its objective. It is one type of research design which is description of state nature or affairs, as it exit at present. The main characteristic of such research is that the researcher has no control over the variables; he/she can report what has happened or what is happening.

1.8.2 Population, Sampling Technique and sample size

Top level manager, middle level manager and sales personnel that are found in five branches of Omedad plc were population of the study. The researcher believed that the reason for selection of Sales personnel's for this study is they have direct contact with the customer which helps to get more information for the study. There are seven sales personnel's, one middle level manager and one top level manager found in each branch and described in the table below. The student researcher used Census method to collect information for the study because the population is known and relatively small. The total population for the study was 45.

NO	Location of the Branch	No of Top level manager	No of Middle level manager	No of Sales personnel	Total No of workers
1	Meshuawalkia	1	1	7	9
2	Meshuawalkia	1	1	7	9
3	Bole	1	1	7	9
4	Piassa	1	1	7	9
5	Hayahulet	1	1	7	9
Total		5	5	35	45

1.8.3 Types of Data collected

The student researcher collected both primary and secondary types of data. Primary data collected from primary data source which includes Manager and sales personnel's while secondary data collected from secondary data source which includes books and company documents.

1.8.4 Methods of Data Collection

This research used two different data collection tools, these are questionnaire and interview. The student researcher distributed structured questionnaire to sales personnel's while interview was conducted to collect data from top level manager.

1.8.5 Methods of Data Analysis

The student researcher used the data which was collected from respondents, and the summarized data presented in the form of table. The research results analyzed qualitatively using frequency and percentage.

1.9 Limitation of the Study

When conducting the study the researcher had experienced certain limitations among them time takes the greatest part in addition to this, some respondents were not completed and returned questionnaire on time.

1.10 Organization of the Study

The study has incorporated four chapters. The first chapter is the introduction part, which consists of the background of the study, statement of the problem, research questions, objective of the study, scope of the study, significance of the study, definition of terms, research design and methodology, and organization of the study.

The second chapter is the review of related literature and the third chapter is about data analysis and interpretation.

The fourth chapter talk about the summary, conclusions, and recommendation. The bibliography will be attached at the last page of the research.

Chapter two

Review of Related Literature

2.1 Definition of pricing

Pricing decisions are becoming more and more relevant. Higher pressure from competitors and better informed consumers¹ are some ingredients which demand better and faster pricing decisions (Monroe:et.al, 1978). Further, pricing is known to have the deepest impact of all marketing activities a firm could conduct (Simon, 1992). Price is amount of money charged for a product or service, or the sums of the values that consumers exchange for the benefits of having or using the product or service Note that values exchanged need not be money e.g. waiting time or clipping a coupon is a part of price (Kotler, 2002).

2.2.1 Pricing Objectives

The firm's pricing objectives must be identified in order to determine the optimal pricing. David, (2003:5) discussed these pricing objectives as follows:

Current profit maximization - seeks to maximize current profit, taking into account revenue and costs. Current profit maximization may not be the best objective if it results in lower long-term profits.

Current revenue maximization - seeks to maximize current revenue with no regard to profit margins. The underlying objective often is to maximize long-term profits by increasing market share and lowering costs.

Maximize quantity - seeks to maximize the number of units sold or the number of customers served in order to decrease long-term costs as predicted by the experience curve.

Maximize profit margin - attempts to maximize the unit profit margin, recognizing that quantities will be low.

Quality leadership - use price to signal high quality in an attempt to position the product as the quality leader.

Partial cost recovery - an organization that has other revenue sources may seek only partial cost recovery.

Survival - in situations such as market decline and overcapacity, the goal may be to select a price that will cover costs and permit the firm to remain in the market. In this case, survival may take a priority over profits, so this objective is considered temporary.

Status quo - the firm may seek price stabilization in order to avoid price wars and maintain a moderate but stable level of profit.

2.2 Rules of Pricing Strategy

When considering how a price should be set, there is one fundamental question to address: What is the organization trying to achieve? In other words, what is the objective of setting a price? How you price your product is important because it will have a direct effect on the success of your business. Though pricing strategy and computations can be complex, the basic rules of pricing are straightforward and described by (Kotler, 2002) as follows

1. All prices must cover costs.
2. The best and most effective way of lowering your sales prices is to lower costs.
3. Your prices must reflect the dynamics of cost, demand, changes in the market and response to your competition.
4. Prices must be established to assure sales. Don't price against a competitive operation alone. Rather, price to sell.
5. Product utility, longevity, maintenance and end use must be judged continually, and target prices adjusted accordingly.
6. Prices must be set to preserve order in the marketplace.

2.3 Factors Affecting Price

Setting a price for a good or service is not easy. You have to consider costs, expenses, economic forces, government regulations, and technological trends. Each of these factors can affect the market price (Marinescu:et.al, 2000).

1. Costs and expenses – to continue to operate your business, you have to make a profit. This means that your prices must be higher than your costs and expenses.

a. Fixed Costs – expenses that do not change with the number of units produced. Examples - rent, utilities, and insurance premiums

b. Variable Costs - expenses that change with each unit produced. Examples – sales commission, delivery charges.

c. Distribution channel – those who handle your product must also make a profit. Therefore, your product costs are also affected by their pricing structure.

2. Supply and demand – If demand for your product is high and supply is low, you can command a high price and if demand is low and supply is high you will have to lower your prices. If consumers will buy a product no matter what, then prices are not affected by supply and demand

a. Elastic demand – a small change in price causes a significant change in the quantity demanded. Ex. – luxury items

b. Inelastic demand – a change in price has little or no affect change on the quantity demanded. Ex. – gasoline or milk

3. Consumer Perceptions – The price of your product helps create your image in the minds of customers.

a. Very low prices can lead customers to believe that your product lacks quality.

b. High prices may convey quality and status.

4. Competition – Your prices should be competitive with similar goods and services.

a. Charge higher prices by adding services. Customers will pay more for personal attention, credit, and warranties

5. Government Regulations – Federal and state laws also affect prices.

a. Businesses cannot use any type of price discrimination, price gouging, or price fixing.

b. Laws also address minimum pricing, price advertising, and unit pricing.

6. Technological Trends – while Borders and Barnes and Noble were competing with each other in the mid-1990's, Amazon.com was changing the way people buy books.

a. Amazon.com provides customers with easy access to prices, product information and services. Amazon also has no overhead because they don't run a store and the savings is passed on to their customers in the form of discount prices.

2.4 Types of Pricing Strategies

There is no limit to the number of variations in pricing strategies and tactics. This wide variety of options is exactly what allows small business owners to be so creative. Pricing always plays a critical role in a firm's overall strategy: pricing policies must be compatible with a company's total marketing plan (Hauser et.al, 2001). The following are the type of strategy discussed by (Hauser et.al, 2001)

A. Market Skimming – involves charging the highest possible price for a given product. Basically, the provider is making a judgment as to how much customer value is associated with the product. While charging a price premium, it is important that the price is perceived as fair as opposed to exploitative. It is likely that the product will be aimed only to a small section of the available market and will be perceived as “exclusive” in nature. A skimming pricing strategy often is used when a company introduces a new product into market with little or no competition.

B. Market Penetration – this strategy means keeping prices relatively low in order to gain market share. If a business introduces a product into a highly competitive market in which a large number of similar products are competing for acceptance, the product must penetrate the market to be successful A penetration strategy is likely when one, or more, of the following apply:

- No product differentiation possible – little to differentiate from competitors; buyers see no added value.
- Support other products/ services – prices are set low to support the sale of other products. (e.g., supermarkets sell a few selective lines at cost to attract customers).
- Market presence – highly competitive prices tend to gain market share. Organizations looking to establish a presence in the market or a dominant position may opt for this strategy.

C. Price Adaptation – given that segmentation is the basis of much marketing strategy, it is reasonable to expect segmentation to strongly influence pricing. Prices may be adapted to meet the needs of various customer groups (e.g., student discounts, off-peaks travelers). However, you have to be careful with this, as those paying full price may perceive this negatively. Price adaptation often extends into discount policy. The creative use of discount can be a major marketing tool. Discounts can stimulate demand and be applied directly (e.g., a price reduction) or indirectly (e.g., interest free credit, extended payment terms).

D. Cost-plus Pricing - Used mainly by manufacturers, cost-plus pricing assures that all costs, both fixed and variable, are covered and the desired profit percentage is attained. Make sure you include all your fixed and variable costs when you are calculating this; the cost of labor and materials are obvious, but you may also need to include freight costs, administrative costs, and/or selling costs.

E. Target Return Pricing - Set your price to achieve a target return-on-investment (ROI).

F. Psychological Pricing - Ultimately, you must take into consideration the consumer's perception of your price, figuring things like:

Positioning - If you want to be the "low-cost leader", you must be priced lower than your competition. If you want to signal high quality, you should probably be priced higher than most of your competition (John, 2003).

Popular price points - There are certain "price points" at which people become much more willing to buy a certain type of product. Dropping your price to a popular price point might mean a lower margin, but more than enough increase in sales to offset it. A good way to figure this

popular price points is to get pricing information from your competition or do a survey with some of your potential customers. (John, 2003).

Fair pricing - Sometimes it simply doesn't matter what the value of the product is, even if you don't have any direct competition. There is simply a limit to what consumers perceive as "fair". A little market testing will help you determine the maximum price consumers will perceive as fair. Finally, just remember your price should never be lower than your costs or higher than what most consumers consider "fair" (John, 2003).

Pricing is a tricky business. You're certainly entitled to make a fair profit on your product, and even a substantial one if you create value for your customers. But remember, something is ultimately worth only what someone is willing to pay for it.

2.5 Price Discrimination

Roughly speaking, price discrimination involves charging different consumers different prices for the same good; but this definition is too broad and has too many exceptions to be satisfactory. We will define price discrimination as follows. Price discrimination is the practice of charging different (marginal) prices to different consumers for the same economic good. These price differences cannot be explained by the difference in marginal cost of making the goods available for the various consumers (Carroll and Coates, 1999).

Carroll and Coates, (1999) identify three necessary market conditions for firms that wish to employ price discrimination.

1. The firm must have some market power. Firms that are price takers must charge whatever price the market dictates. In order to charge different prices to different customers, the firm must have some ability to differentiate its products from others in the market. This is not to say, however, that the firm must be a monopoly. Any firm that has even the smallest degree of market power faces a downward-sloping demand curve (as opposed to the horizontal demand curve faced by price takers); thus, the consumers will have a surplus in the transactions. Price discrimination can transfer at least some of that surplus to the firm.

2. The firm must be able to control the sale of its products. If a secondary market existed for the good, arbitrage opportunities could arise in which some buyers could purchase the good from the

firm at a low price and resell it to others at a price lower than that which the firm would charge those other customers. Services such as oil changes, tax preparation, and landscaping often present price discrimination opportunities because the services are not transferable to other consumers. Stigler, (1992) argues that preventing resale is generally not a big problem for sellers. Efficient secondary markets that facilitate the sharing of perfect information between buyers and sellers are generally nonexistent, although the proliferation of the Internet and online auctions (such as eBay), in particular, are making resale an increasingly important concern for many industries.

3. The consumers should experience heterogeneous utilities from the good; and therefore, they should have different price elasticity of demand. If all of the consumers valued the good equally, there would be no rationale for the firm offering different prices to different consumers. The extent to which the firm has (accurate) information about the differences in consumer preferences determines the degree of price discrimination that the firm can employ.

2.5.1 Types of Price Discrimination

Pigou, (1920) identified three different types of price discrimination based on the information required for implementation. His method of classification is the widely-accepted standard almost a century later.

1. First-degree price discrimination occurs when the seller charges each individual consumer his reservation price; thus, she obtains the maximum possible revenue from each consumer. For this reason, first-degree price discrimination is often called perfect price discrimination. In this case the seller must possess information on each consumer's maximum willingness to pay; obviously, this is a nontrivial proposition that is impossible to satisfy in practice. Practical markets which come the closest to perfect price discrimination are the markets for unique art pieces and online auctions.

2. Second-degree price discrimination involves the seller charging different marginal prices depending on the quantity of goods purchased. The schedule of prices offered to each consumer is the same, however. Classic examples of second-degree price discrimination are quantity discounts (including block tariffs) and two-part tariffs. The seller does not need to exogenously divide the consumers into classes. The schedule of prices is designed so that each consumer

reveals his type by self-selecting a quantity to purchase with corresponding marginal price. We shall see that the self-selection aspects of these schedules of prices are analogous to the incentive-compatibility constraints of the principal-agent framework.

3. **Third-degree price discrimination** requires that the seller divide the customers into exogenous groups according to specific characteristics and then offer a constant marginal price to each customer class. These characteristics should separate consumers with different price sensitivities (demand elasticity).

2.6 Setting the Price

A firm must set a price for the first time when it develops a new product, introduces its regular product into a new distribution channel or geographical area, and enters bids on new contract work. Price is also a key element used to support a product's quality positioning. Because a firm, in developing its strategy, must decide where to position its product on price and quality, there can be competition between price-quality segments (Kotler, 2002).

According to Kotler, (2002) in setting a product's price, marketers follow a six-step procedure: (1) selecting the pricing objective; (2) determining demand; (3) estimating costs; (4) analyzing competitors' costs, prices, and offers; (5) selecting a pricing method; and (6) selecting the final price

Step 1: selecting the pricing objective

Nonprofit and public organizations may adopt other pricing objectives. A university aims for partial cost recovery, knowing that it must rely on private gifts and public grants to cover the remaining costs, while a nonprofit theater company prices its productions to fill the maximum number of seats. As another example, a social services agency may set prices geared to the varying incomes of clients.

Step 2: Determining Demand

Each price will lead to a different level of demand and, therefore, will have a different impact on a company's marketing objectives. The relationship between alternative prices and the resulting current demand is captured in a demand curve. Normally, demand and price are inversely

related: The higher the price, the lower the demand. In the case of prestige goods, however, the demand curve sometimes slopes upward because some consumers take the higher price to signify a better product. Still, if the price is too high, the level of demand may fall.

Step 3: Estimating Costs

While demand sets a ceiling on the price the company can charge for its product, costs set the floor. Every company should charge a price that covers its cost of producing, distributing, and selling the product and provides a fair return for its effort and risk.

Step 4: Competitors' Costs, Prices, and Offers

Within the range of possible prices determined by market demand and company costs, the firm must take into account its competitors' costs, prices, and possible price reactions. If the firm's offer is similar to a major competitor's offer, then the firm will have to price close to the competitor or lose sales. If the firm's offer is inferior, it will not be able to charge more than the competitor charges. If the firm's offer is superior, it can charge more than does the competitor remembering, however, that competitors might change their prices in response at any time.

Step 5: Selecting a Pricing Method

The three Cs—the customers' demand schedule, the cost function, and competitors' prices are major considerations in setting price. First, costs set a floor to the price. Second, competitors' prices and the price of substitutes provide an orienting point. Third, customers' assessment of unique product features establishes the ceiling price. Companies must therefore select a pricing method that includes one or more of these considerations.

Step 6: Selecting the Final Price

The previous pricing methods narrow the range from which the company selects its final price. In selecting that price, the company must consider additional factors: psychological pricing, the

influence of other marketing-mix elements on price, company pricing policies, and the impact of price on other parties.

2.7 Price Elasticity of Demand

Marketers need to know how responsive, or elastic, demand would be to a change in price. If demand hardly changes with a small change in price, we say the demand is inelastic. If demand changes considerably, demand is elastic. Demand is likely to be less elastic when (1) there are few or no substitutes or competitors; (2) buyers do not readily notice the higher price; (3) buyers are slow to change their buying habits and search for lower prices; and (4) buyers think the higher prices are justified by quality differences, normal inflation, and so on. If demand is elastic, sellers will consider lowering the price to produce more total revenue. This makes sense as long as the costs of producing and selling more units do not increase disproportionately. Price elasticity depends on the magnitude and direction of the contemplated price change. It may be negligible with a small price change and substantial with a large price change; it may differ for a price cut versus a price increase. Finally, longrun price elasticity may differ from short-run elasticity. Buyers may continue to buy from their current supplier after a price increase because they do not notice the increase, or the increase is small, or they are distracted by other concerns, or they find that choosing a new supplier takes time. But they may eventually switch suppliers. The distinction between short-run and long-run elasticity means that sellers will not know the total effect of a price change until time passes (Kotler, 2002).

Chapter Three

Data Presentation, Analysis, and Interpretation

This part of the chapter focused on data presentation, analysis, and interpretation. The data were collected from employees of the organization by using questionnaire for the study. The questionnaires were distributed to all 45 respondents and all of the questionnaires were collected. The data is collected from managers using interview. The presentation and analysis of data that was obtained from respondents through questionnaire and interview is done by using tabulation and percentage.

3.1. General Characteristics of the Respondents

Table 1. General Characteristic of the Respondents

Item	Question	Frequency	Percentage (%)
1	Sex		
	Male	28	63%
	Female	17	37%
	Total	45	100%
2	Age		
	20-30	24	53%
	30-40	13	30%
	40-50	3	7%
	>50	5	10%
	Total	45	100%
3	Education level		
	1-10	1	3%
	11-12	5	10%
	Certificate	5	7%
	Diploma	21	47%
	Degree and above	13	33%
	Total	45	100%

According to item 1 of table 1 in the previous page, which shows the sex composition of respondents of the organization, 28(63%) of the respondents were male and the rest 17(37%) of respondents were female. From the data indicated above the student researcher can deduce that there were more male respondents compared to female respondents.

With respect to item 2 of table 1 in the previous page, which shows the age composition of respondents in the organization, 24(53%) of the respondents were found between the ages of 20-30 years, 13(30%) of respondents were found between the age of 30-40 years, 3(7%) of customers are between the age of 40-50 years and the rest 5(10%) of the respondents were found to be above 50 years old. Based on the aforementioned data the student researcher can deduce that most of the respondents were found to be younger employees of the organization.

With reference to item 3 of table 1 in the previous page, shows the education level of customers according to the data 1(3%) of the respondents have education level of grade 1-10, 5(10%) of the respondents have education level of grade 11-12, 7% of the respondents have got a certificate. 47% of the respondents have diploma level. Finally, 33% of respondent have first degree and above. This implies that majority of the employees are educated.

Table 2.Frequency of year of service in the company

No	Item	Frequency	Percentage (%)
1	For how long have you been working in Omedad plc.		
	Less than 1 year	-	-
	Between 2 and 5 years	5	10%
	Between 6 and 10 years	9	20%
	Between 11 and 15 years	18	40%
	Greater than 15 years	13	30%
	Total	45	100%

According to item 1 of table 2, which shows employees service year in the company (5) 10% of the respondents have been working between 2 and 5 years in the company. (9)20% of respondents have been working between 6 and 10 years in the company (18) 40% of respondents have been working between 11 and 15 years in the company. The rest (13)30% of the respondents said that they have been working more than 15 in the company. Based on the aforementioned data the student researcher can deduce that most of the respondents were working between 11 and 15 years in Omedad plc. And the company has a strategy that retains experienced employees.

3.2 Analyses of the Major Findings

Table 3. The price setting

No	Item	Frequency	Percentage (%)
1	Did you think price setting is a sensitive issue in your company?		
	Yes	40	90%
	No	5	10%
	Total	45	100%

With respect to item 1 of table 3, sensitivity in price setting issue of the company (40) 90% of the respondent rated that the price setting is sensitive issue in the company. The rest (5)10% of respondents rated that the price setting is not sensitive issue in the company. From this student researcher can deduce that in Omedad plc price setting is sensitive.

Table 4 Analysis of pricing strategy

No	Item		Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1	Dose external market analysis helps the company to identify key correction to pricing.	No	30	8	5	2	0	45
		%	67%	18%	11%	4%	0	100%
2	Dose the organization analyzes its own business objectively.	No	10	35	0	0	0	45
		%	22%	78%	0	0	0	100%
3	Is the organization business analysis includes pricing strategy and its effect on customer's behavior.	No	5	21	7	7	5	45
		%	11%	48%	15%	15%	11%	100%
4	Is the organization business analysis includes customer satisfaction/loyalty.	No	5	21	7	7	5	45
		%	11%	48%	15%	15%	11%	100%
5	Is the organization business analysis includes marketing and advertising strategy	No	16	13	6	5	6	45
		%	36%	30%	13%	11%	13%	100%

As it is indicated in item 1 of table 4, majority of the respondents,(30) 67% of the respondents strongly agree that external market analysis helps the company to identify key correction to pricing,(8) 18% of the respondents agree that external market analysis helps the company to

identify key correction to pricing,(5) 11% of the respondents disagree in external market analysis helping the company to identify key correction to pricing and the rest(2) 4% of respondents strongly disagree external market analysis helping the company to identify key correction to pricing. This indicates that external market analysis helps the Omedad plc to identify key correction to pricing.

As depicted in item 2 of table 4, (10) 22% of the respondents strongly agree that the organization analyzes its own business objectively and the rest (35) 78% of the respondents agree that the organization analyzes its own business objectively. These indicate the Omedad plc analyzing its own business objectively helps to achieve its objective.

As it is shown in item 3 of table 4, respondents were requested how often they take business analysis towards pricing strategy and its effect on customer's behavior. (5) 11% of the respondents strongly agree that organization business analysis about including pricing strategy and its effect on customer's behavior. (21) 48% of the respondents agree that organization business analysis includes pricing strategy and its effect on customer's behavior. (7) 15% of the respondents are neutral. (7) 15% of the respondents disagree that organization business analysis about including pricing strategy and its effect on customer's behavior. These indicate that during the analysis of business the organization including about pricing strategy and its effect on customer's behavior is very helpful in achieving organization goal.

With reference to item 4 of table 4, (5) 11% of the respondents strongly agree that organization business analysis includes customer satisfaction/loyalty,(21) 48% of the respondents agree that organization business analysis includes customer satisfaction/loyalty,(7) 15% of the respondents are neutral in organization business analysis includes customer satisfaction/loyalty,(7) 15% of the respondents disagree that organization business analysis includes customer satisfaction/loyalty and the rest (5) 11% of respondents strongly disagree that organization business analysis includes customer satisfaction/loyalty. This shows that the business analysis above average includes customer satisfaction/loyalty, so including customer satisfaction/loyalty in business analysis helped the Omedad plc towards achieving the objectives.

As it is indicated in item 5 of table 4, customers were asked to mention business analysis includes marketing and advertising strategy. (16) 36% of the respondents strongly agree that

organization business analysis includes marketing and advertising strategy, (13) 30% of the respondents also agree that business analysis includes marketing and advertising strategy and the rest (6) 13 %,(5) 11% and(6) 13% of the respondents are neutral, disagree and strongly disagree respectively. The result implies that business analysis includes marketing and advertising strategy, so including marketing and advertising strategy during business analysis helped the Omedad plc in achieving organizations objective.

Table 5 Pricing policy of Omedad plc

No	Item	Respondents	
		No	%
1	To what extent do you think that the pricing policy contribute towards the attainment of the organizational objective? a) Very high b) high c) medium d) low e) very low	16	36%
		11	24%
		8	17%
		6	14%
		4	9%
Total		45	100%

As it is indicated in item 1 of table 5, majority of the respondents, (16)36% and (11) 24% rated very high and high respectively on pricing policy strongly contribute towards the attainment of the organizational objective. However, some of respondents rated that the pricing policy in the contribution of the attainment of the organizational objective is groped under medium (8) 17%, low (6) 14% and very low manner (4) 9%. This indicates that the pricing policy contributed the attainment of the organization objective.

Table 6, Government and pricing strategy

No	Item	Respondent in	
		No	%
1	How far does the company take in to account the government policy in setting the price?		
	a) Very high	5	11%
	b) high	3	7%
	c) medium	31	69%
	d) low	4	9%
	e) very low	2	4%
	Total	45	100%
2	Are there other entities, such as the government, that may dictate the price range for your product?		
	A) Yes	45	100%
	B) No	-	-
	Total	45	100%

As it is designated in item 1 of table 6, majority of the respondents, (31) 69% of the respondents rated that the company does not totally take in to account the government policy in setting the price and not reject government policy. (5)11% and (3) 7% of the respondents rated that company take very high and high in to account the government policy in setting the price respectively. The rest (5) 9% and (2) 4% of the respondents rated that the company does not totally take in to account the government policy in setting the price. These all indicate Omedad

plc does not totally accept government policy in setting the price and also Omedad plc does not totally reject government policy in setting the price.

With respect to item 2 of table 6, all respondents are rated the company's price range for the products quite surely set by the company not the governments. The analysis reveals that, Omedad plc set its own price for the products so Omedad plc keeps gating its profit.

Table 7: Opinions concerning the prices of the company's products

No	Item	Respondent in	
		No	%
1	Prices of the products		
	a) Very cheap	-	-
	b) Cheap	14	31.1%
	c) Affordable	31	68.9%
	d) Expensive	-	-
	e) Very expensive	-	-
	Total	45	100%

According to item 1 of table 7, (31) 68.9% of the respondents revealed that the pricing strategies of the company's products are affordable and (14) 31.1% rated it is cheap. The response implies that Omedad plc pricing strategy is reasonable and affordable as a result most individual can handle this price.

Table 8: Accuracy of the price of the products

No	Item	Respondents	
		No	%
1	Is the Prices of the product clear and accurate, that is did the buyer know exactly what they are going to pay, before they buy the product?		
		Yes	10 22%
		No	35 78%
		Total	45 100%
2	Fore item number 1, if it is yes, are they:		
		A) satisfied	40 89%
		b) unsatisfied	5 11%
		Total	45 100%

According to item 1 of table 8, (35) 78% of the respondents do not know the price of the products before buying. According to the respondents only (10) 22% of customers know exactly what they going to pay. This indicates that the price of the products in not clearly put on the product.

As it is depicted in item 2 of table 8, (40) 89% rated satisfied and the rest (5) 11% rated unsatisfied. This shows that even though the customers are not getting the price in clear way, they are satisfied with the price of the Omedad plc.

Table 9: Measure of actual performance vs. goal.

No	Item	Respondent in		
		No	%	
1	The organization systematically measure actual performance vs. goal.			
		Strongly agree	17	38%
		Agree	13	29%
		Neutral	5	11%
		Disagree	5	11%
		Strongly disagree	5	11%
	Total	45	100%	

As it is shown in item 1 of table 9, (17) 38% of the respondent strongly agrees that the organization systematically measure actual performance vs. goal, (13) 29% of the respondents agree that the organization systematically measure actual performance vs. goal. The rest of the respondent is (5) 11%, (5) 11%, (5) 11% each for the organization systematically measure actual performance vs. goal respectively for neutral, disagree and strongly disagree. These implies that the organization systematically measure actual performance vs. Goal, so it helps to overcome weak point and improve its performance to achieve its objective.

Table 10; Position in the market

No	Item	Respondent in	
		No	%
1	The company's product has good position in the market		
	a) Very high	10	22%
	b) high	20	45%
	c) medium	7	15%
	d) low	3	7%
	e) very low	5	11%
Total		45	100%

According to item 1 of table 10, the researcher obtained (10) 22% and (20) 45% of the respondents rated Very high and high in company's product has good position in the market respectively. But (3) 7% and (5) 11% of the respondents rated low and very low towards company's product has good position in the market respectively. (7) 15%, respondent's medium in the company's product has good position in the market. This implies that Omedad plc product has good position in the market, so the Omedad plc sells its product to the customers always.

Table 11; Bankruptcy and pricing

No	It	Respondent in	
		No	%
1	The company faced bankruptcy because of its pricing strategy in previous periods		
	a) Very high	-	-
	b) high	-	-
	c) medium	5	11%
	d) low	10	22%
	e) very low	30	67%
	Total	45	100%

As it is indicated in item 1 of table 11, (40) 89% of the respondents rated that the company never faces bankruptcy because of its pricing strategy in previous periods. The rest (5) 11% of the respondent's medium in the company never face bankruptcy because of its pricing strategy in previous periods. This implies that Omedad plc pricing strategy never lead bankruptcy.

Table 12; Effect of pricing strategy on demand of the consumer

No	Item	Respondent in	
		No	%
1	The demand of the consumer affected by the company's pricing strategy		
	a) Very high	5	11%
	b) high	18	40%
	c) medium	20	45%
	d) low	2	4%
	e) very low	-	-
	Total	45	100%

As it is indicated in item 1 of table 12, (5) 11% of the respondent rated that demand of the consumer very highly affected by the company's pricing strategy. (18) 40% of the respondent rated that demand of the consumer highly affected by the company's pricing strategy. (20) 45% of the respondent rated medium that demand of the consumer affected by the company's pricing strategy. Only (2) 4% of respondent rated low that demand consumer not affected by the company's pricing strategy. This implies that most of the customers demand is affected by the pricing strategy of the Omedad plc.

Table 13 challenge during setting of price

No	Item	Number of respondents	Percentage
1	Have you faced a challenge during setting of price?		
	Yes	35	79%
	No	10	21%
	Total	45	100%

As it is depicted in item 1 of table 13, (10) 21% of the respondent not faced a challenge during setting of price. (35) 79% of the respondent faced a challenge during setting of price. Some of the challenges are as the respondents said are the level of competition, perceived value of the product, product development cost, economic trained and level of market demand.

3.3. Interview Analysis

To gather more information about marketing strategy practices of Omedad plc. Interview Questions were forwarded to the managers of the company. Accordingly the Interviewees responses to the questions are depicted briefly as follows. However, most interviewee responses are presented and analyzed in the questionnaire analysis part as supportive responses.

➤ Objective of your company when sets its price

“Quality product is the key to the company success” said the marketing and sales managers of the Omedad. “And as a result, everyone is willing to carry out our products.” they added our mine objective is;

- Maximum current profit: - many companies estimate the demand and cost associated with alternative prices and chooses the price that produces maximum current profit, cash flow, or return on investment.
- Product quality leadership:- many brands strive to be affordable luxuries products or services characterized by high levels of perceived quality taste and status with a price just high enough not to be out of consumers reach charge a high price for their high cost products to capture the luxury market.
- Maximum market skimming: - companies underling a new technology fever setting high prices to maximize market skimming. Where prices start high and are slowly lowered over time. Market skimming makes sense under the following conditions :-
 - A sufficient number of buyers have a high current do mind.
 - The high initial price does not attract more competitors to the market.
 - The high price communicates the image of a superior product.

This indicates that Omedad uses different objectives to achieve its target.

➤ Pricing strategy of company

According to the managers, the company's overall pricing strategy is not limited to the specific strategy. By analyzing the internal, external and will design its pricing strategy as:

- Perceived value pricing: - is made up of several elements. Such as the buyers image of the product performance, the channel deliverables the warranty quality, customer support, and other attributes such as the supplier's refutation trust worthiness and esteem.
- Value pricing:- is not a matter of simply setting lower price. It is a matter of reengineering the company operations to become a low cost producer without sacrificing quality, and lowering prices significantly to attract a large number of value conscious customers.
- Going rate pricing:- the firm bases its price largely on competitors prices. The firm might charge the same, more or less than major competitors.

This indicates that Omedad uses a combination of different business strategies to achieve its target.

- Departments participated in setting price.

According to the managers, the department which is participated in price setting is marketing department in the company.

- Challenges in setting price for the company.

Infrastructure problem: it is the major problem which hampers the company's marketing strategy to not to implement well. With any facility of infrastructures (like roads to transport products, electricity to stay it with a refrigerator, water, telecommunication etc.), it will be very difficult to address for all regions.

These implies that the company has faced a problem of implementing the marketing strategies and these problems may hinder the strategies to not to achieve the objectives of the company successfully.

- Factors considered in setting price in your company.

As the Marketing manager aside that:- In fact when you run a business, everything might not be easily accomplished. Likewise the Company faced with some problems while setting price. The interviewee forwarded the following challenges regarding the setting price.

These are:

- Economic problem: as we know the income of individuals are not equal, some may have good income, in the contrarily some may not have enough money even to eat bread. Due to these financial problems, all people may not be bye.
- Intensive competition: there are direct/substitute/local competitors in the market. These competitors may affect our marketing strategy.
- Shortage of raw materials: sometimes there is a shortage of raw materials.
- Awareness creation for the customers

- Shortage of supplies, there is a high demand in the market

- High cost of advertising program

These all implies that the company has faced a problem of implementing the marketing strategies and these problems may hinder the strategies to not to achieve the objectives of the company successfully.

Chapter four

4. Summary, Conclusion and recommendation

4.1 Summary of the Major Findings

- 28(63%) of the respondents were male and the rest 17(37%) of respondents were female.
- 24(53%) of the respondents were found between the ages of 20-30 years, 13(30%) of respondents were found between the age of 30-40 years.
- 47% of the respondents have diploma level and 33% of respondent have first degree and above.
- (18) 40% of respondents have been working between 11 and 15 years in the company and (13)30% of the respondents said that they have been working more than 15 in the company.
- (40) 90% of the respondent rated that the price setting is sensitive issue in the company. The rest (5)10% of respondents rated that the price setting is not sensitive issue in the company.
- Majority of the respondents,(30) 67% of the respondents strongly agree that external market analysis helps the company to identify key correction to pricing
- (10) 22% of the respondents strongly agree that the organization analyzes its own business objectively and the rest (35) 78% of the respondents agree that the organization analyzes its own business objectively.
- (21) 48% of the respondents agree that organization business analysis about including pricing strategy and its effect on customer's behavior
- (5) 11% of the respondents strongly agree that organization business analysis includes customer satisfaction/loyalty,(21) 48% of the respondents agree ,(7) 15% of the respondents are neutral ,(7) 15% of the respondents disagree and the rest (5) 11% of respondents strongly disagree

- (16) 36% of the respondents strongly agree that organization business analysis includes marketing and advertising strategy and (13) 30% of the respondents also agree.
- Majority of the respondents, (16) 36% and (11) 24% rated very high and high respectively on pricing policy very strongly contribute towards the attainment of the organizational objective.
- Majority of the respondents,(31) 69% of the respondents rated that the company does not totally take in to account the government policy in setting the price and not reject government policy
- (31) 68.9% of the respondents revealed that the pricing strategies of the company's products are affordable and (14) 31.1% said it is cheap
- (35) 78% of the respondents do not know the price of the products before buying but they prefer to ask the sale man. According to the respondents only (10) 22% of customers know exactly what they going to pay.
- (17) 38% of the respondent strongly agrees that the organization systematically measure actual performance vs. goal, (13) 29% of the respondents also agree.
- Researcher obtained (10) 22% and (20) 45% of the respondents rated Very high and high in company's product has good position in the market respectively.
- (40) 89% of the respondents rated that the company never faces bankruptcy because of its pricing strategy in previous periods. The rest (5) 11% of the respondents are medium.
- (5) 11% of the respondent rated that demand of the consumer very highly affected by the company's pricing strategy. (18) 40% of the respondent rated highly.
- (10) 21% of the respondent not faced a challenge during setting of price. (35) 79% of the respondent faced a challenge during setting of price.

4.2 Conclusion

Based on the finding the following Conclusion is drawn by the student researcher

- ❖ The majority of Omedad plc. Employees are male and have good educational level at between the ages of 20-30 years. There for, the company has educated and matured employees
- ❖ Based on the analyses customers purchase decision are influenced by their price of the product and most of customers are satisfied by the company's product
- ❖ Most customers of Omedad plc. factory is suitable with the company's pricing strategy and they were satisfied by the current pricing strategy of that company.
- ❖ The current pricing strategies used by the company have a role in increasing number of customers.
- ❖ The study showed that the products marketed by the factory are of high quality. But the factory doesn't seem to be in a better position to take the advantage of their quality through the use of more promotional activities to reach more segments of the market.

4.3 Recommendation

Based on the finding and conclusions made, the researcher has provided the following recommendations

- ❖ The company should produce and provide quality products based on their customer needs and this have a positive effect on attracting of new buyers.
- ❖ The company should understand the relationship between customer satisfaction and pricing strategy that applied by itself in order to know its strengths and weaknesses.
- ❖ While the company use market penetration pricing the customer sometimes needs to decrease its price. So, the company should have to improve its quality and set price that is reasonable with the quality.
- ❖ The company should put their price strategy that must fits with their customer needs.

- ❖ The factory should continue by providing credit on sales in order to encourage customers by satisfying more.
- ❖ In order to alleviate the problems in the pricing of the products, the factory should set its pricing technique based on the analysis of the customer's perception of the product value. Moreover, the prices has to be set to attract more customers and to increase their level of satisfaction by developing good relationship with suppliers of raw materials to maintain the lowest possible price structure throughout the whole process.

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Appendix

St. Mary's University College
Faculty of Business
Department of Marketing Management
Questionnaire for the Study

This questionnaire will be filled by Omedad plc workers.

The outcome of the questionnaire is intended to support a research report to the partial fulfillment of the degree of art in the field of marketing management. Thank you in advance for giving me your valued time and energy to answer the questions.

Instruction

No need of writing names

Fill your answer by marking **x** in the blank space provided

Thank you for giving me your time to fill this questioner.

Part 1. Questions Related to the General Characteristics of the Respondent

1. Sex: a) Male b) Female

2. Age: a) From 18-25 b) From 26-35 c) 36-50 d) 50 and above

3. Educational background:

a) 10 /12complete b) Diploma c) Degree d) Less than 10

4. What is your year of service in the company:

a) Less than 1 year b) Between 2 and 5 years c) Between 6 and 10 years

d) Between 11 and 15 years d) Greater than 15 years

5. What is your position in the organization:

Part 2. Questions Related to the Research

6. Did you think price setting is a sensitive issue in your company? a) Yes b) No

7. Who or what is your target market? More than one answer is possible

A) low income customer b) middle income customer c) high income customer

8. To whom the company distributes its product?

a) Wholesale b) retail c) both

d) If it is for other please state it

9. How much is the company's activity towards pricing strategy?

a) High b) Medium c) Low

10. How far does the company take in to account the government policy in setting the price?

a) Very high b) high c) medium d) low e) very low

11. To what extent does the company collect sufficient information before setting the price?

a) Very high b) high c) medium d) low e) very low

12. To what extent do you think that the pricing policy contribute towards the attainment of the organizational objective?

a) Very high b) high c) medium d) low e) very low

13. Are there other entities, such as the government, that may dictate the price range for your product? A) Yes B) No

If your answer is yes list some of them.....

14. Is the Prices of the product clear and accurate, that is did the buyer know exactly what they are going to pay, before they buy the product? Yes No

If it is yes, are they: A) satisfied b) dissatisfied

From question 15 – 24 answer by marking x in the blank space provided

Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
15. The organization periodically gathers data from external market which affects the pricing.					
16. The external market analysis helps the company to identify key correction to pricing.					
17. The organization analyzes its own business objectively.					
18. The organization business analysis includes pricing strategy and its effect on customer's behavior.					
19. The organization business analysis includes customer satisfaction/loyalty.					
20. The organization business analysis includes marketing and advertising strategy.					
21. The organization systematically measure actual performance vs. goal.					

22. The company's product has good position in the market.					
23. The company faced bankruptcy because of its pricing strategy in previous periods.					
24. The demand of the consumer affected by the company's pricing strategy.					

25. Have you faced a challenge during setting of price?

A) Yes b) No

26 If your answer question no 25 is yes identify it

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St. Mary's University College

Faculty of Business

Department of Marketing Management

Interview Questions

The following interview questions are aim to collect data from higher level managers of Omedad plc.

1. What is your position in the company?
2. For how many years you work for the company?
3. What is your educational level?
4. What is the objective of your company when sets its price?
5. What kind of pricing strategy did your company follow?
6. Which departments participate in setting price?
7. What are the challenges in setting price for your company?
8. What factors consider in setting price in your company?

Declaration

We the under designed, declare that this senior essay is my original work, prepared under guideline of Ato Aschalew Tamru . Source of materials used for the manuscript have been duly acknowledged.

Name: Elsabet Yifru

Signature _____

Place of Submission St. Mary's University College

Date of submission _____

This senior essay has been submitted for examination with my approval as University college advisor.

Name: _____

Signature _____

Date _____