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The Relationship Between Pricing Strategies and Profitability of Office Automation Entities: A Case of Harare Office Automation Companies, Zimbabwe

Zingwina Moses[1], Masekesa Roni[2]

Faculty of Commerce, Department of Accounting and Auditing, Zimbabwe Open University.
Department of Accounting and Auditing, Zimbabwe Open University.

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Abstract: The study investigated the relationship between pricing strategies and profitability of office automation entities in Harare. The research adopted the mixed research methodology. The objective of the study was to determine the relationship between pricing strategies and profitability. The research design was a descriptive survey. The study used interviews and surveys as data collection tools. The study findings revealed that there is a strong relationship between pricing strategies and profitability in the majority of office automation entities. The study recommended that office automation entities should blend different pricing strategies to optimize profitability.

Keywords: cost-based pricing, value-based pricing, competition-based pricing, premium pricing, profitability

INTRODUCTION

According to Nagle, Zale and Hogan (2020), pricing strategies are the mechanisms used by firms to set prices for goods and services. Pricing strategies worth consideration in the office automation entities are cost-based pricing, value-based pricing, competition based pricing and premium pricing.

Cost-based Pricing

According to Ellering (2023) and Horngen, Sundem and Schatzberg (2013), the company figures out the cost of their variable expenses, determines fixed costs and figures out how much profit they desire on each unit to get the selling price. The strategy covers the costs of production and distribution when setting prices. The price will be set to cover cost of raw materials, labour, production and other factors and apply a mark-up percentage.

Value-based Pricing

According to Zimbroff and Schlake (2015), this strategy points out that the greatest way to price a product is based on the value it generates for its customers and the customers perceived worth. To implement this strategy, office automation entities, analyse customers' needs, preferences and demands to supply relevant products. According to Hinterhuber and Liozu (2017), the prices are tailored to match with what customers recognise and set these prices accordingly to build strong customer relationships.

Competition-based Pricing

It is important to understand how office automation entities pricing compares to that of their competitors. According to Kotler and Keller (2015), analysis of competitors' pricing and benchmarking their own prices against those of the competitors, companies can price their products higher if customers are willing to pay more help them remain competitive in the market and boost profit. Competition based pricing approach places the competitors' price and actions at the centre of attention and the aim is to ensure that the product is priced competitively in the market.

Premium Pricing

According to Vignali *et al.* (2016), this is a strategy where companies sets a higher price for its unique products as compared to its competitors. This strategy can be effective if the office automation entity has a strong brand and can differentiate its products through quality and innovation. Office automation entities can charge a premium price for its packaging when the customers perceive their high prices worthy and can also use premium pricing to highlight the quality of its materials and design.

Relationship Between Pricing Strategy and Profitability

In office automation entities, cost-based pricing generates profitability and boosts liquidity. According to Jones, Smith and Johnson (2019), companies adopting value-based pricing tend to achieve higher profit margins and revenue growth and it is more effective than other pricing strategies in improving financial performance. According to Gupta and Lehmann (2020), most successful pricing strategies are those that are aligned with the firm's objectives. According to Baker and Hart (2021), use of value-based and penetration pricing experience a significant impact on sales growth and net income.

EXPERIMENTAL SECTION/MATERIAL AND METHODS

Statement of The Problem

Office automation entities are often constrained by limited resources, which makes it difficult for them to develop and implement optimal pricing strategies. Office automation entities face various practical challenges that further hinder their ability to make informed pricing decisions. By analysing the factors that influence pricing decisions and their impact on profitability, office automation entities can improve their competitiveness and long-term viability.

Objectives of The Study

To determine the relationship between pricing strategies and profitability based on a study of 152 office automation entities staff in Harare.

Research Question

What is the relationship between pricing strategies and profitability.

METHODOLOGY

The population of the study consisted of 152 employees drawn from departments of accounts, stores, audit, security, sales, technical and human resources of Harare office automation entities. Mixed method research design was used and involved collecting numerical data using a questionnaire related to pricing strategies and profitability. A purposive approach was used to select a sample of 110 employees appropriate for the study.

RESULTS AND DISCUSSION

The Relationship Between Pricing Strategies and Profitability

Multiple linear Regression using SPSS Software

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847[a]	.718	.682	.170

a. Predictors:(Constant), PREMIUM BASED, VALUE BASED, COMPETITION BASED, COST BASED

The above table show the model summary the adjusted R square= 0.682, which shows there is a strong relationship between pricing strategies and profitability suggesting effective pricing is a major factor in financial success.

Table 2: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.456	4	.364	12.667	.000[b]
Residual	.144	5	.029		
Total	1.600	9			

a. Dependent Variable: FP

b. Predictors: (Constant), PREMIUM BASED, VALUE BASED, COMPETITION BASED, COST BASED

The Anova is an overall significance test of model parameters, the **(F=12.667 Sig=0.000)** indicates that the model significantly explains the variance in profitability. This means that regression model for pricing strategies and profitability is statistically significant and could not have occurred by chance.

Table 3: Coefficients

Model	Unstandardised Coefficients B	Unstandardised Coefficients Std Error	Standardised Coefficients Beta	t	Sig
(Constant)	.796	.125		6.364	.001
COST BASED	.251	.194	.334	1.296	.000
COMPETITION BASED	.126	.122	.471	1.034	.023
VALUE BASED	.299	.186	.129	1.606	.000
PREMIUM BASED	.174	.169	.589	1.025	.025

a. Dependent Variable: FP

FP=0.796 + 0.251+0.126+0.299+0.174

***Corresponding Author:** Zingwina Moses

The above table shows the results of four independent variables that measure profitability in office automation entities. The table shows that the independent variables have an effect on profitability with cost-based pricing r=0.334 at 0.00 significance level, this indicates the use of cost-based pricing increases profitability with moderate strength of association. Competition-based pricing r=0.471 at 0.023 significance level indicate the use of this strategy increases profitability with a moderate to strong association. Value-based pricing r=0.129 at 0.00 significance level indicates that use of this strategy increases profitability with moderate association. Premium pricing r=0.589 at a 0.025 significance level indicates that the use of this strategy increases profitability with a strong association. Regression and correlation analysis revealed a statistically significant and positive correlation between the pricing strategies and profitability. The outcomes recommend that adopting appropriate pricing strategies can significantly enhance financial performance (Muema 2017).

The interviews disclosed that there is a direct link between pricing strategies and profitability. With the right prices, profitability can be achieved and sales volume boosted. The financial health of office automation entities is centred on pricing policies.

> *"Pricing strategies work in hand with the profitability of the organisation. When we use premium pricing we experience more profit and an increase in revenue"*

> *"The more volumes we push the more money we get but we have to be within or less than what our competitors are charging taking into consideration production cost"*

FINDINGS

The study revealed that profitability of majority of office automation entities in Harare is centred on pricing strategies. There is a strong relationship between pricing strategies and profitability suggesting effective pricing is a major factor in financial success. Cost based pricing, competition-based pricing and value-based pricing moderately increases profitability. Premium pricing result in more profit.

CONCLUSIONS

Office automation entities employ different pricing strategies which include cost-based pricing relying heavily on costs, value-based pricing focused on customer value perception, competition-based pricing in competitive scenarios and premium pricing often linked to high-quality products that suit the requirements of their goals and market conditions. When setting prices, it is important to consider covering production costs, adapting to changes in the market and being competitive while attending to consumer preferences. Pricing objectives are considered crucial indicating a strong alignment of prices with strategic goals.

RECOMMENDATIONS

Office automation entities should blend different pricing strategies like cost-oriented pricing and perceived value pricing to optimise profitability.

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